



華電國際電力股份有限公司

HUADIAN POWER INTERNATIONAL CORPORATION LIMITED

Stock Code : 1071

Interim Report
2012



The board of directors (the “**Board**”) of Huadian Power International Corporation Limited* (the “**Company**”) hereby presents the unaudited interim consolidated financial results of the Company and its subsidiaries (the “**Group**”) for the six months ended 30 June 2012 (the “**Period**”) prepared in accordance with the International Accounting Standard 34 “Interim Financial Reporting”. The Group’s interim financial report for the Period is unaudited, but it has been reviewed by KPMG, the international auditor of the Company, in accordance with the Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. KPMG’s unmodified review report addressed to the Board is set out in the page 46 of this report. The audit committee of the Company (the “**Audit Committee**”) has also reviewed the 2012 interim report and its relevant financial information of the Group.

BUSINESS REVIEW

During the Period, turnover of the Group amounted to approximately RMB29,437 million, representing an increase of approximately 11.52% over the corresponding period in 2011; profit after tax attributable to equity shareholders of the Company amounted to approximately RMB284 million, representing an increase of approximately 169.00% over the corresponding period in 2011; earnings per share was approximately RMB0.042; and net asset value per share (excluding non-controlling interests) amounted to approximately RMB2.72.

INTERIM DIVIDEND

The Board did not propose to declare any interim dividend for the Period.

POWER GENERATION

During the Period, the power generated by the Group amounted to approximately 78.35 million MWh, representing an increase of approximately 6.28% over the corresponding period in 2011; on-grid power sold amounted to approximately 73.17 million MWh, representing an increase of approximately 6.21% over the corresponding period in 2011; the average utilization hours of coal-fired generating units were 2,752 hours and the coal consumption for power supply was approximately 314.36 g/KWh.

MAJOR ASSETS

The Group is one of the largest comprehensive energy companies in the People’s Republic of China (the “**PRC**”), and primarily engages in the construction and operation of power plants, including large-scale efficient coal- or gas-fired generating units and various renewable energy projects, and the development, construction and operation of coal mines. As at the date of this report, the controlled power plants of the Group which have commenced operation totaled 38, with the total controlled installed capacity of the Group amounting to 30,530MW and the total interested installed capacity of the Group amounting to 26,488.28MW, including 27,934MW attributable to controlled coal- or gas-fired generating units, and 2,596MW attributable to controlled renewable energy generating units such as hydropower, wind power, solar power and biomass energy power generating units. The coal mining enterprises controlled or invested by the Group totaled 16, with coal resources reserves of approximately 2.1 billion tonnes and expected production capacity of approximately 12.89 million tonnes/year. The details are as follows:

1) **Details of controlled coal- or gas-fired generating units are as follows:**

	Name of power plant/company	Installed capacity (MW)	Equity interest held by the Company	Generating units
1	Zouxian Plant	2,540	100%	2 x 600MW + 4 x 335MW
2	Shiliquan Plant	770	100%	1 x 330MW + 1 x 300MW + 1 x 140MW
3	Laicheng Plant	1,200	100%	4 x 300MW
4	Huadian Zouxian Power Generation Company Limited ("Zouxian Company")	2,000	69%	2 x 1,000MW
5	Huadian Weifang Power Generation Company Limited ("Weifang Company")	2,000	45%	2 x 670MW + 2 x 330MW
6	Huadian Qingdao Power Generation Company Limited ("Qingdao Company")	1,200	55%	4 x 300MW
7	Huadian Zibo Thermal Power Company Limited ("Zibo Company")	433	100%	2 x 145MW + 2 x 71.5MW
8	Huadian Zhangqiu Power Generation Company Limited ("Zhangqiu Company")	890	87.5%	2 x 300MW + 2 x 145MW
9	Huadian Tengzhou Xinyuan Thermal Power Company Limited ("Tengzhou Company")	930	93.257%	2 x 315MW + 2 x 150MW
10	Shandong Century Electric Power Development Company Limited ("Century Power Company")	1,046	84.31%	4 x 220MW + 1 x 110MW + 2 x 28MW
11	Huadian Ningxia Lingwu Power Generation Company Limited ("Lingwu Company")	3,320	65%	2 x 1,060MW+ 2 x 600MW
12	Ningxia Zhongning Power Generation Company Limited ("Zhongning Company")	660	50%	2 x 330MW
13	Sichuan Guang'an Power Generation Company Limited ("Guang'an Company")	2,400	80%	2 x 600MW + 4 x 300MW
14	Huadian Xinxiang Power Generation Company Limited ("Xinxiang Company")	1,320	90%	2 x 660MW
15	Huadian Luohe Power Generation Company Limited ("Luohe Company")	660	75%	2 x 330MW

	Name of power plant/company	Installed capacity (MW)	Equity interest held by the Company	Generating units
16	Anhui Huadian Suzhou Power Generation Company Limited ("Suzhou Company")	1,260	97%	2 x 630MW
17	Anhui Huadian Wuhu Power Generation Company Limited ("Wuhu Company")	1,320	65%	2 x 660MW
18	Hangzhou Huadian Banshan Power Generation Company Limited ("Hangzhou Banshan Company")	1,435	64%	3 x 390MW + 1 x 135MW + 1 x 130MW
19	Hebei Huadian Shijiazhuang Thermal Power Company Limited ("Shijiazhuang Thermal Power Company")	1,100	82%	2 x 300MW + 2 x 200MW + 4 x 25MW
20	Hebei Huadian Shijiazhuang Luhua Thermal Power Company Limited ("Luhua Company")	600	90%	2 x 300MW
21	Hebei Huarui Energy Group Corporation Limited ("Huarui Company") (Note)	1,647.7	100%	—
22	Shaoguan City Pingshi Electric Power Plant Company Limited (Plant B) ("Pingshi Power Company")	725	100%	2 x 300MW + 1 x 125MW

Note : As at the date of this report, the interested installed capacity of Huarui Company held by the Company amounted to 1,647.7MW.

2) Details of controlled renewable energy generating units are as follows:

	Name of power plant/company	Installed capacity (MW)	Equity interest held by the Company	Generating units
1	Huadian Suzhou Biomass Energy Power Company Limited ("Suzhou Biomass Energy Company")	25	78%	2 x 12.5MW
2	Sichuan Huadian Luding Hydropower Company Limited ("Luding Hydropower Company")	920	100%	4 x 230MW
3	Sichuan Huadian Za-gunao Hydroelectric Development Company Limited ("Za-gunao Hydroelectric Company")	591	64%	3 x 65MW + 3 x 56MW + 3 x 46MW + 3 x 30MW
4	Xinghe Ganbao Power Company Limited ("Ganbao Company") (Note)	34	100%	4 x 8.5MW

	Name of power plant/company	Installed capacity (MW)	Equity interest held by the Company	Generating units
5	Lixian Xinghe Power Company Limited (Lixian Company) (Note)	33	100%	3 x 11MW
6	Sichuan Liangshan Shuiluohe Hydropower Development Company Limited ("Shuiluohe Company")	38	57%	1 x 38MW
7	Hebei Huadian Complex Pumping-storage Hydropower Company Limited ("Hebei Hydropower Company")	57	100%	1 x 16MW+2 x 15MW +1 x 11MW
8	Huadian Inner Mongolia Kailu Wind Power Company Limited ("Kailu Wind Power Company")	399	100%	262 x 1.5MW+2 x 3MW
9	Huadian Kezuozhongqi Wind Power Company Limited ("Kezuozhongqi Wind Power Company")	49.5	100%	33 x 1.5MW
10	Huadian Ningxia Ningdong Wind Power Company Limited ("Ningdong Wind Power Company")	151.5	100%	101 x 1.5MW
11	Hebei Huadian Guyuan Wind Power Company Limited ("Guyuan Wind Power Company")	100.5	100%	67 x 1.5MW
12	Hebei Huadian Kangbao Wind Power Company Limited ("Kangbao Wind Power Company")	49.5	100%	33 x 1.5MW
13	Huadian Laizhou Wind Power Company Limited ("Laizhou Wind Power Company")	40.5	55%	27 x 1.5MW
14	Huadian Laizhou Wind Power Generation Company Limited ("Laizhou Wind Company")	48	100%	32 x 1.5MW
15	Huadian Ningxia Yueliangshan Wind Power Company Limited ("Yueliangshan Wind Power Company")	49.5	100%	33 x 1.5MW
16	Huadian Ningxia Ningdong Shangde Solar Power Company Limited ("Shangde Solar Company")	10	60%	10 x 1MW

Note: In 2009, the Group entered into agreements to separately acquire Ganbao Company and Lixian Company, both of which are wholly-owned subsidiaries of Shenzhen Huanyu Xinghe Investment Company Limited ("Huanyu Company"). These two companies were consolidated into the consolidated financial statements of the Group on 28 May 2012 after the Group completed the acquisition of 100% equity interest in their parent company, Huanyu Company.

3) The coal mining enterprises controlled or invested by the Group totaled 16, with coal resources reserves of approximately 2.1 billion tonnes and expected production capacity of approximately 12.89 million tonnes/year. The details are as follows:

Name of company	Percentage of equity interest held by the Group	Resources reserves (100 million tonnes)	Interested resources reserves (100 million tonnes)	Capacity (ten thousand tonnes/year)
Shanxi Shuozhou Pinglu Maohua Bailu Coal Company Limited	100%	3.95	3.95	120
Shanxi Shuozhou Pinglu Wantongyuan Coal Company Limited	70%	3.73	2.61	210
Shanxi Shuozhou Pinglu Dongyi Coal Company Limited	70%	1.28	0.90	90
Inner Mongolia Alxa League Shunge Mining Industry Company Limited	100%	0.28	0.28	45
Inner Mongolia Haoyuan Coal Company Limited	85%	0.77	0.65	120
Anhui Wenhui New Products Promotion Company Limited	51%	0.39	0.20	60
Sichuan Huayingshan Longtan Coal Power Company Limited ("Longtan Company") (Note)	45%	0.97	0.44	150
Ningxia Yinxing Coal Company Limited	45%	10.37	4.67	400
Otog Front Banner Changcheng Mine Company Limited	35%	1.11	0.39	60
Inner Mongolia Fucheng Mining Company Limited	35%	2.38	0.83	240
Otog Front Banner Zhengtai Trading Company Limited	35%	2.16	0.76	240
Otog Front Banner Quanhui Trading Company Limited	35%	7.23	2.53	300
Otog Front Banner Baihui Trading Company Limited	35%	1.99	0.70	180
Linfen City Changfa Coal Coke Company Limited ("Changfa Coal Coke") (Note)	33%	1.17	0.39	120
Huadian Coal Industry Group Company Limited	12.56%			
Shandong Luneng Heze Coal Power Development Company Limited	12.27%			

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

NEWLY INSTALLED CAPACITY

From 1 January 2012 to the date of this report, the newly installed and operating capacity of the Group amounted to an aggregate of 645MW:

Name of project	Capacity (MW)
Luding Hydropower Company	460
Shuiluohe Company	38
Kangbao Wind Power Company	49.5
Laizhou Wind Company	48
Phase I of Yueliangshan Wind Power Company	49.5
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Total	645

PROJECTS APPROVED AND UNDER CONSTRUCTION

As at the date of this report, the Group's major projects approved and under construction are as follows:

Name of project	Planned installed capacity
Huadian Laizhou Power Generation Company Limited	2 x 1,000MW generating units
Anhui Huadian Lu'an Power Generation Company Limited ("Lu'an Company")	First 600MW generating unit
Huadian Qudong Power Generation Company Limited	2 x 300MW heat-power co-generating units
Zibo Company Expansion Project	2 x 300MW heat-power co-generating units
Shuozhou Thermal Power Branch	2 x 300MW heat-power co-generating units
Tianjin Nanjiang Phase I Project	2 x 300MW heat-power co-generating units
Tianjin Nanjiang Phase II Project	900MW gas-fired generating units
Tianjin Wuqing Distributed Energy Project	2 x 200MW gas-fired generating units
Xiasha Natural Gas-fired Heat-power Co-generation Project in Hangzhou	2 x 100MW gas-fired generating units
Phase II Project of Hangzhou Banshan Company	3 x 350MW generating units
Shuiluohe Company	424MW hydroelectric generating units
Hebei Huadian Yuzhou Wind Power Company Limited	49.5MW wind power generating units
("Yuzhou Wind Power Company") Huanghualiang Wind Farm Project	
Yuzhou Wind Power Company Zhenjiawan Wind Farm Project	49.5MW wind power generating units
Phases II & III Projects of Guyuan Wind Power Company	150MW wind power generating units
Phases IV, V & VI Projects of Ningdong Wind Power Company	148.5MW wind power generating units
Phases II Project of Yueliangshan Wind Power Company	49.5MW wind power generating units
Phases I & II Projects of Wuyuan Wind Farm in Haiyuan of	99MW wind power generating units
Huadian Ningxia Liupanshan Wind Power Company Limited	
("Liupanshan Wind Power Company")	
Danangou Project of Liupanshan Wind Power Company	49.5MW wind power generating units
Ganganliang Project of Liupanshan Wind Power Company	49.5MW wind power generating units
Songjiayao Project of Liupanshan Wind Power Company	49.5MW wind power generating units
Tuoliebao Project of Liupanshan Wind Power Company	49.5MW wind power generating units
Xiajiayao Project of Liupanshan Wind Power Company	49.5MW wind power generating units
Daju Project of Liupanshan Wind Power Company	49.5MW wind power generating units
Solar Power Generation Project in Taiyangshan, Wuzhong, Ningxia	10MW solar power generating units
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Total	8,827MW

PRELIMINARY PROJECTS

As at the date of this report, the Group's major preliminary projects are as follows:

Name of project	Planned installed capacity
Expansion Project of Shiliqian Plant	1 x 600MW generating unit
Phase III Project of Qingdao Company	1 x 300MW heat-power co-generating unit
Phase I Project in Shantou Huadian Power Generation Company Limited	2 x 600MW generating units
Chongqing Fengjie Project	2 x 600MW generating units
Jiangdong Project in Hangzhou, Zhejiang	2 x 390MW generating units
Zhejiang Longyou Project	2 x 180MW generating units
Guangdong Shenzhen Pingshan Distributed Energy Project	3 x 50MW generating units
Guangdong Shunde Qingyuan Natural Gas Distributed Energy Project	150MW generating units
Lu'an Company	Second 660MW generating unit
Phase IX Natural Gas Heat-power Co-generating Project of Shijiazhuang Thermal Power Company	2 x 400MW generating units
Shuiluohe Company	1,026MW hydroelectric generating units
Jincheng Wind Power Phase II Project of Laizhou Wind Company	48MW wind power generating units
Hutouya Wind Power Phase II Project of Laizhou Wind Power Company	48MW wind power generating units
Laizhou Guojadian Wind Power Project	49.8MW wind power generating units
Kunlun Wind Power Phase I Project in Zibo	48MW wind power generating units
Saibei Phases I and II Projects of Guyuan Wind Power Company	149.5MW wind power generating units
Xihutong Phase I Project of Guyuan Wind Power Company	49.5MW wind power generating units
Phases II and III Projects of Kangbao Wind Power Company	99MW wind power generating units
Shipeng Phase I Project of Kangbao Wind Power Company	49.5MW wind power generating units
Phase II Project in Haiyuan, Ningxia	396MW wind power generating units
Gaojialiang Phase I Project in Chifeng, Inner Mongolia	47.5MW wind power generating units
Phase II Solar Power Generation Project of Shangde Solar Company	20MW solar power generating units
Total	8,230.8MW

The above preliminary projects have obtained the "road slip" (i.e. preliminary approval by the National Development and Reform Commission or its local counterparts), and are subject to the official approval by the State or local authorities.

MANAGEMENT DISCUSSION AND ANALYSIS

Macroeconomic Conditions and Electricity Demand

According to the statistics of the National Bureau of Statistics of China, in the first half of 2012, the gross domestic product ("GDP") of the PRC amounted to approximately RMB22,709.8 billion, representing an increase of 7.8% over the corresponding period in 2011 based on comparable prices. Power consumption of the whole society totaled 2,375.45 million MWh, representing an increase of approximately 5.52% over the corresponding period in 2011, while the growth rate declined by 6.7 percentage points as compared with the corresponding period in 2011. In particular, the consumption by the primary industry represented a year-on-year decrease of approximately 2% and the consumption by the secondary and tertiary industries represented a year-on-year increase of approximately 3.67% and 12.15%, respectively, while the consumption by urban and rural residents represented a year-on-year increase of approximately 12.66%.

Turnover and Profit

During the Period, the turnover of the Group amounted to approximately RMB29,437 million, representing an increase of approximately 11.52% over the corresponding period in 2011. This was mainly due to the increase in the power generation and the tail-raising effect of on-grid tariffs adjustments in 2011. The revenue generated from the sale of electricity amounted to approximately RMB27,647 million, representing an increase of approximately 10.86% over the corresponding period in 2011. The revenue generated from the sale of heat amounted to approximately RMB1,576 million, representing an increase of approximately 8.08% over the corresponding period in 2011. The revenue generated from the sale of coal amounted to approximately RMB214 million.

During the Period, the Group's operating profit amounted to approximately RMB2,913 million, representing an increase of approximately 133.81% over the corresponding period in 2011. During the Period, the profit attributable to equity shareholders of the Company amounted to approximately RMB284 million. Earnings per share was approximately RMB0.042.

Major Operating Expenses

During the Period, the operating expenses of the Group amounted to approximately RMB26,524 million, representing an increase of approximately 5.46% over the corresponding period in 2011. This was mainly attributable to the increased power generation.

During the Period, the fuel costs of the Group amounted to approximately RMB20,114 million, representing an increase of approximately 3.74% over the corresponding period in 2011. This was mainly attributable to the increase in power generation.

During the Period, depreciation and amortization expenses of the Group amounted to approximately RMB2,983 million, representing an increase of approximately 9.99% over the corresponding period in 2011. This was mainly due to the increase in depreciation expenses arising from the commencement of operation of new generating units.

During the Period, the Group's administrative expenses amounted to approximately RMB747 million, representing an increase of approximately 14.87% over the corresponding period in 2011, mainly due to the increased expenses arising from commencement of operation of the new generating units.

Finance Costs

During the Period, the finance costs of the Group amounted to approximately RMB3,184 million, representing an increase of approximately 40.17% over the corresponding period in 2011. This was mainly attributable to the inclusion of the borrowings into profit and loss upon commencement of operation of the new generating units, and the tail-raising effect of interest rate adjustment by the State in 2011.

Pledge and Mortgage of Assets

As at 30 June 2012, the Company and its subsidiaries, including Guang'an Company, Lingwu Company, Luding Hydropower Company, Wuhu Company, Za-gunao Hydroelectric Company, Ningdong Wind Power Company, Yueliangshan Wind Power Company, Xinxiang Company, Luohe Company, Suzhou Company, Pingshi Power Company and Zhongning Company, have altogether pledged their income streams in respect of the sale of electricity or trade receivables for sale of electricity as security for loans amounting to approximately RMB14,591 million. In addition, the 75% equity interest held by the Company in Pingshi Power Company was pledged as security for repayment of the long term payables due within one year which was guaranteed by the Company.

As at 30 June 2012, the generating units, relevant equipments and land use right of Pingshi Power Company had been mortgaged to secure loans amounting to RMB1,818 million. In addition, the projects under construction of Shuiluohe Company had been mortgaged as security for loans amounting to RMB1,508 million. Further, the fixed assets of Tengzhou Company had been mortgaged to secure short-term borrowings amounting to RMB5.4 million. The mining rights of Shanxi Maohua Energy Investment Company had been mortgaged as security for short-term borrowings amounting to RMB150 million.

Indebtedness

As at 30 June 2012, the total borrowings of the Group amounted to approximately RMB93,737 million, of which borrowings denominated in US dollar and Euro dollar amounted to approximately US\$219 million and EUR25 million, respectively. The liabilities to assets ratio was approximately 83.62%. In addition, the closing balance of ultra-short-term debentures payable, the short-term debentures payable, the medium-term notes payable and the non-public debts financing facilities of the Group amounted to approximately RMB3,493 million, RMB5,182 million, RMB5,347 million and RMB4,989 million, respectively.

Details of other loans of the Group and the Company as at 30 June 2012 are set out in note 18(a) to the interim financial report (prepared in accordance with the International Accounting Standard 34 "Interim Financial Reporting") in this report.

Contingent Liabilities

As at 30 June 2012, Guang'an Company, a subsidiary of the Company, provided guarantees to banks for loans amounting to RMB164 million to Longtan Company, an associate of Guang'an Company; Zhongning Company provided guarantees to banks for loans amounting to RMB25.11 million to Ningxia Power Generation Company (Group) Limited, an associate of the Company.

Cash and Cash Equivalents

As at 30 June 2012, the Group had cash and cash equivalents of approximately RMB4,560 million.

Save as the information disclosed herein, information with respect to the Group's other matters as set out in paragraph 32 of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") (The Stock Exchange of Hong Kong Limited is referred as the "Hong Kong Stock Exchange") has not changed materially from that included in the Company's 2011 annual report.

Business Outlook

- I. In the second half of the year, as the State's various "maintain stable growth" measures gradually take effects, the economic situation is expected to become better, with a rebound in China's overall power consumption, and the business environment for the Group is expected to improve. Firstly, in respect of the coal market, as affected by factors such as falls in domestic demand for coal, the released coal production capacity, increased coal self-supply for the power generation industry and a loosened international coal market, the supply and demand of coal has undergone substantial changes; the drop in coal prices is conducive to the enhancement of the business performance of the Group's coal-fired power generation business. Secondly, in respect of the electricity market, the rate of investment in electricity generation has decreased during the recent years, and in particular, the rate of decrease in investment in coal-fired generating units is even more noticeable. However, the utilisation hours of coal-fired generating units are expected to remain relatively stable in the near future. Meanwhile, the effects of the on-grid tariff adjustment made in 2011 will continue to show up in the second half of the year. Thirdly, in respect of capital, with the several interest rate cuts by the central bank on bank loans, the monetary policy is becoming looser with downward adjustment in interest rates, which will provide a better financing environment to the Group with a decrease in capital cost.
- II. The Group needs to make accurate analysis of the changes brought by the cyclical shift of the industry and its impact on the different business segments and seize the adjustments brought about by the industry's structural changes and the opportunities offered by the cyclical shift of the industry to persistently enhance development. With deepened structural adjustment, the Group is to strengthen its coal-fired power generation business by taking advantage of its management strength; to orderly enlarge its wind power business by seizing any good development opportunities arising; to enhance economies of scale and profitability by focusing on small and medium-sized hydropower projects development; to gradually create a mutually beneficial development mode of "electricity leading coal; coal reinforcing electricity" with a view to further promoting the efficient and healthy development of the coal business.
- III. The Group will seize the historic opportunities to realize enhancement of economic benefits. The operation of coal-fired power generation business is centered around certain key factors including fuel, electricity and capital. The Group will take full advantage of the opportunity arising from the increased coal supply to control coal prices and generate more electricity so as to enhance its operating performance; for the hydropower business, the Group will strengthen the coordinated management of different river basins to maximize operating results; for the wind power business, the Group will step up its marketing efforts to cope and to breakthrough the restriction caused by the idle wind power generating units in order to generate a higher profit; for the coal business, the Group will vigorously create a better external environment, strengthen its internal control and develop markets to rapidly improve its profitability.

SIGNIFICANT EVENTS

(1) Extraordinary General Meetings ("EGM")

On 27 March 2012, the Company held the first EGM in 2012, at which the resolution regarding the Financial Services Agreement entered into between the Company and China Huadian Corporation Finance Company Limited and the resolution regarding the establishment of the nomination committee of the Board were considered and approved.

For details, please refer to the announcement of the EGM voting results dated 27 March 2012.

(2) Completion of Non-public Issuance of A Shares

On 4 July 2012, the Company completed the non-public issuance of A Shares (the “**Issuance**”), whereby the Company issued 600,000,000 new A Shares at a subscription price of RMB3.12 per share to raise total proceeds of RMB1,872 million. The net proceeds were approximately RMB1,829 million. The successful completion of the issuance is conducive to the optimization of the Company’s assets and liability structure and the development of the Company’s future projects.

For details, please refer to the announcement of the Company dated 4 July 2012.

(3) Issuance of Debt Financing Instruments

Since the beginning of 2012, the Group has stepped up financing efforts by seizing the opportunities offered by the continuing improvement in the bond market. On 13 February 2012, the Group completed the issue of the first tranche of short-term debentures for 2012 worth RMB1.5 billion at a coupon rate of 4.68%; on 14 March 2012, the Group completed the issue of the first tranche of non-public private placement bonds for 2012 worth RMB5 billion at a coupon rate of 5.02% in a private placement; on 23 May 2012, the Group completed the issue of the first tranche of medium-term notes for 2012 worth RMB1.5 billion at a coupon rate of 4.72%; on 20 June 2012, the Group completed the issue of the first tranche of ultra-short-term debentures for 2012 worth RMB3.5 billion at a coupon rate of 3.15%. The issue of the above debt financing instruments has optimized the Group’s debt structure.

SHAREHOLDING OF SUBSTANTIAL SHAREHOLDERS

So far as the directors of the Company are aware, each of the following persons, not being a director, supervisor, chief executive or members of the senior management of the Company, had an interest or short position in the Company’s shares or underlying shares (as the case may be) as at 30 June 2012 which would fall to be disclosed to the Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance (the “**SFO**”), or was otherwise, as at 30 June 2012, interested in 5% or more of any class of the then issued share capital of the Company, or was, as at 30 June 2012, a substantial shareholder (as defined in the Listing Rules) of the Company:

			Equity Interest as at 30 June 2012		
Name of Shareholder	Class of Share	Number of Shares Held	Approximate Percentage of Shareholding in the Company’s Total Issued Share Capital	Approximate Percentage of Shareholding in the Company’s Total Issued A Shares	Approximate Percentage of Shareholding in the Company’s Total Issued H Shares
China Huadian Corporation (“China Huadian”)	A Shares	3,111,061,853	45.95%	58.26%	—
	H Shares	85,862,000(L) (Note)	1.27%	—	6.00%
Shandong International Trust Corporation	A Shares	800,766,729	11.83%	15.00%	—
Greenwoods Asset Management Limited	H Shares	86,582,000(L)	1.28%	—	6.05%
FMR LLC	H Shares	73,018,000(L)	1.08%	—	5.10%

(L): Long position

Note: These 85,862,000 H Shares were held in the name of HKSCC Nominees Limited and were directly held through a wholly-owned subsidiary of the China Huadian, namely, China Huadian Hong Kong Company Limited.

Save as disclosed above and so far as the directors are aware, as at 30 June 2012, no other person (other than the directors, supervisors, chief executives or members of senior management of the Company) had an interest or short position in the Company's Shares or underlying Shares (as the case may be) which would fall to be disclosed to the Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO and as recorded in the register required to be kept under section 336 of the SFO, or was otherwise a substantial shareholder (as defined in the Listing Rules) of the Company.

SECURITIES INTERESTS OF DIRECTORS, SUPERVISORS, CHIEF EXECUTIVES AND SENIOR MANAGEMENT

Name	Position in the Company	Number of A Shares of the Company held as personal interest	Capacity
Gou Wei	Deputy general manager	10,000 (Note)	Beneficial owner

Note: Representing approximately 0.0002% of the total issued A shares of the Company as at 30 June 2012.

Save as disclosed above, as at 30 June 2012, none of the directors, supervisors, chief executives or members of the senior management of the Company and their respective associates had any interest or short position in the Shares, underlying Shares and/or debenture certificates (as the case may be) of the Company and/or any of its associated corporations (within the meaning of Part XV of the SFO) which was (i) required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interest and short position which any such director, supervisor, chief executive or members of senior management of the Company was taken or deemed to have under such provisions of the SFO) or was (ii) required to be entered in the register of interests required to be kept by the Company pursuant to section 352 of the SFO, or which was otherwise (iii) required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules (which for this purpose shall be deemed to apply to the supervisors of the Company to the same extent as it applies to the directors of the Company).

During the Period, the Company has adopted a code of conduct regarding transactions of the directors of the Company in the Company's securities on terms identical to those of the Model Code. Having made specific enquiries of all directors of the Company, the Company understands that all directors of the Company have complied with the required standard set out in the Model Code.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

DESIGNATED DEPOSITS AND OVERDUE TIME DEPOSITS

As at 30 June 2012, the Group's deposits placed with financial institutions or other parties did not include any designated or trust deposits, or any material time deposits which could not be collected by the Group upon maturity.

MATERIAL LITIGATION

During the Period, the Group was not involved in material litigation or arbitration. Furthermore, no material litigation or claims were pending or threatened or made against the Group so far as the directors of the Company are aware. As at 30 June 2012, the Group or its subsidiaries was a party to certain litigations arising from the ordinary course of business or assets acquisition. The likely outcome of these contingent liabilities, litigations or other legal proceedings cannot be ascertained at present, but the management of the Group believes that, any possible legal liability which may be incurred from the aforesaid cases will not have material adverse effect on the financial position and operating results of the Group.

AUDIT COMMITTEE

The unaudited interim financial statements for the Period prepared under International Accounting Standard 34 “Interim Financial Reporting” have been reviewed by the Company’s Audit Committee.

CORPORATE GOVERNANCE

The Company has always attached great importance to the corporate governance and continuously implements management innovation. In strict compliance with the Company Law of the PRC, the Securities Law of the PRC, the Rules Governing the Listing of Securities on the Shanghai Stock Exchange, the Listing Rules and relevant provisions promulgated by domestic and overseas securities regulatory institutions, the Company has improved the structure of corporate governance, enhanced the level of the Company’s governance and endeavoured to achieve a harmonious development between the Company’s growth and the interest of its shareholders.

The codes on corporate governance practices adopted by the Company include, but not limited to, its Articles of Association, Code on Shareholders’ Meetings, Code on Board Practices, Code on Supervisory Committee, the Terms of Reference for the Audit Committee under the Board, the Terms of Reference for the Remuneration and Appraisal Committee under the Board, and the Terms of Reference for the Nomination Committee under the Board, etc.

The Company has established and improved the standardized operating systems of the general meetings, board of directors, supervisory committees of the Company and its subsidiaries. Independent directors, the Audit Committee and the Supervisory Committee have actively supervised the preparation of regular reports, whereas non-executive directors and supervisors have performed their duties by carrying out annual review and the Supervisory Committee has advanced its supervisory duties. The Company has upheld transparency and compliance with information disclosures. In addition, trainings regarding corporate governance and regulatory compliance were provided to the directors, supervisors and secretaries to the board of subsidiaries of the Company. In accordance with the relevant requirements of internal control of the Company, regular assessments were made on the internal control of the Company.

The Board has reviewed the relevant requirements prescribed under the codes on corporate governance practices adopted by the Company and its actual operations, and has taken the view that the corporate governance practices adopted by the Company during the Period have met the requirements under the code provisions in the Code on Corporate Governance Practices (for the period from 1 January 2012 to 31 March 2012) and Corporate Governance Code (for the period from 1 April 2012 to 30 June 2012) (the "CG Code") as contained in Appendix 14 to the Listing Rules and there was no deviation from such provisions. In certain aspects, the corporate governance practices adopted by the Company are more stringent than the code provisions set out in the CG Code, the particulars of which are as follows:

- During the Period, the Company held three Board meetings in total.
- The Company has formulated the Code on Trading in Securities of Huadian Power International Corporation Limited* by Directors (Supervisors) and the Code on Trading in Securities of Huadian Power International Corporation Limited* by Employees, which are on terms no less exacting than those set out in the Model Code as set out in Appendix 10 to the Hong Kong Listing Rules.
- The Audit Committee comprises five members, including two non-executive directors and three independent non-executive directors. Mr. Yang Jinguan (Independent Non-executive Director) serves as chairman of the Audit Committee. Other four members include Wang Yuesheng (Independent Non-executive Director), Ning Jiming (Independent Non-executive Director), Chu Yu (Non-executive Director) and Wang Yingli (Non-executive Director). The Audit Committee is mainly responsible for the communication between internal and external audits of the Company, supervision and review while giving advice to the Board on audit, internal control and corporate governance matters.
- In addition to the Audit Committee, the Remuneration and Appraisal Committee and the Nomination Committee, the Company has also established the Strategic Committee and stipulated the Working Procedures for the Strategic Committee. It is mainly responsible for the followings:
 1. to study and make recommendations on the Company's long-term strategic development plan;
 2. to study and make recommendations on the major investment and financing plans that require to be approved by the Board;
 3. to study and make recommendations on the major production and operation decisions that require to be approved by the Board;
 4. to study and make recommendations on the other significant events that would affect the development of the Company;
 5. to examine the implementation of the above-mentioned matters; and
 6. other matters as required by the Board.

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

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

Consolidated statement of comprehensive income

For the six months ended 30 June 2012 — unaudited

(Expressed in Renminbi)

	Note	Six months ended 30 June	
		2012	2011
		RMB'000	RMB'000
Turnover	4	29,437,280	26,397,470
Operating expenses			
Fuel costs		(20,113,653)	(19,389,346)
Cost of coal sold		(179,797)	—
Depreciation and amortisation		(2,983,428)	(2,712,570)
Major overhaul expenses		(355,419)	(342,125)
Repairs and maintenance		(432,177)	(389,011)
Personnel costs		(1,126,019)	(1,143,732)
Administrative expenses		(747,476)	(650,713)
Sales related taxes		(107,602)	(90,285)
Other operating expenses		(478,745)	(433,806)
		(26,524,316)	(25,151,588)
Operating profit		2,912,964	1,245,882
Investment income	5	4,307	580,907
Other revenue and net income		310,590	199,916
Finance income		33,625	24,666
Finance cost	6	(3,184,391)	(2,271,787)
Share of profits less losses of associates		418,493	337,706
Profit before taxation	7	495,588	117,290
Income tax	8	(97,098)	(27,713)
Profit for the period carried forward		398,490	89,577

The notes on pages 23 to 45 form part of this interim financial report.

Consolidated statement of comprehensive income (Continued)

For the six months ended 30 June 2012 — unaudited

(Expressed in Renminbi)

	Note	Six months ended 30 June	
		2012	2011
		RMB'000	RMB'000
Profit for the period brought forward		398,490	89,577
Other comprehensive income for the period (after tax and reclassification adjustments):			
Available-for-sale securities: net movement in fair value reserve	9	1,028	(2,344)
Total comprehensive income for the period		399,518	87,233
Profit attributable to:			
Equity shareholders of the Company		284,344	105,703
Non-controlling interests		114,146	(16,126)
Profit for the period		398,490	89,577
Total comprehensive income attributable to:			
Equity shareholders of the Company		285,349	103,448
Non-controlling interests		114,169	(16,215)
Total comprehensive income for the period		399,518	87,233
Basic and diluted earnings per share	10	RMB0.042	RMBO.016

The notes on pages 23 to 45 form part of this interim financial report.

Consolidated balance sheet

As at 30 June 2012 — unaudited

(Expressed in Renminbi)

		At 30 June 2012	At 31 December 2011
	Note	RMB'000	RMB'000
Non-current assets			
Property, plant and equipment	11	99,335,158	96,349,034
Construction in progress	12	21,066,446	19,184,853
Lease prepayments		1,775,610	1,767,175
Intangible assets		6,026,087	6,000,786
Interest in associates		10,862,442	10,445,042
Other investments		293,795	337,523
Other non-current assets	13	2,150,716	1,557,536
Deferred tax assets		488,515	415,090
		<u>141,998,769</u>	<u>136,057,039</u>
Current assets			
Inventories		3,889,153	2,777,508
Trade debtors and bills receivable	14	5,308,373	5,241,261
Deposits, other receivables and prepayments	15	3,484,162	2,466,111
Tax recoverable		45,924	42,673
Restricted deposits	16	156,879	362,535
Cash and cash equivalents	17	4,559,798	2,111,725
		<u>17,444,289</u>	<u>13,001,813</u>
Current liabilities			
Bank loans		27,352,731	28,895,130
Loans from shareholders		252,000	969,390
State loans		14,125	16,140
Other loans	18(a)	2,433,981	5,427,823
Short-term debentures payable	18(b)	8,674,880	3,551,384
Amounts due to the parent company		1,910	83,145
Obligations under finance leases	19	303,385	143,119
Trade creditors and bills payable	20	9,096,620	6,683,683
Other payables	21	5,635,471	8,107,792
Tax payable		82,070	126,072
		<u>53,847,173</u>	<u>54,003,678</u>
Net current liabilities		<u>(36,402,884)</u>	<u>(41,001,865)</u>
Total assets less current liabilities carried forward		105,595,885	95,055,174

The notes on pages 23 to 45 form part of this interim financial report.

Consolidated balance sheet (Continued)

As at 30 June 2012 — unaudited

(Expressed in Renminbi)

	At 30 June 2012	At 31 December 2011
Note	RMB'000	RMB'000
Total assets less current liabilities brought forward	105,595,885	95,055,174
Non-current liabilities		
Bank loans	53,949,655	50,705,010
Loans from shareholders	2,894,984	2,271,006
State loans	100,029	87,239
Other loans	18(a) 6,739,377	8,671,216
Long-term debentures payable	18(c) 10,336,869	3,863,579
Obligations under finance leases	19 730,260	487,178
Long-term payables	96,000	737,123
Deferred government grants	750,593	752,389
Deferred income	1,261,141	1,190,240
Deferred tax liabilities	2,620,352	2,490,157
	79,479,260	71,255,137
Net assets	26,116,625	23,800,037
Capital and reserves		
Share capital	6,771,084	6,771,084
Reserves	11,629,228	9,513,989
Total equity attributable to equity shareholders of the Company	18,400,312	16,285,073
Non-controlling interests	7,716,313	7,514,964
Total equity	26,116,625	23,800,037

Approved and authorised for issue by the board of directors on 30 August 2012.

Chen Jianhua
Director

Zhong Tonglin
Director

The notes on pages 23 to 45 form part of this interim financial report.

Consolidated statement of changes in equity

For the six months ended 30 June 2012 — unaudited
(Expressed in Renminbi)

	Attributable to equity shareholders of the Company									Non-controlling interests	Total equity
	Share capital	Capital reserve	Statutory surplus reserve	Discretionary surplus reserve	Revaluation reserve	Fair value reserve	Retained profits	Total			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		
Balance at 1 January 2011	6,771,084	4,814,219	1,465,465	68,089	44,726	5,359	3,007,029	16,175,971	5,686,850	21,862,821	
Changes in equity for the six months ended 30 June 2011:											
Profit for the period	—	—	—	—	—	—	105,703	105,703	(16,126)	89,577	
Other comprehensive income (Note 9)	—	—	—	—	—	(2,255)	—	(2,255)	(89)	(2,344)	
Total comprehensive income for the period	—	—	—	—	—	(2,255)	105,703	103,448	(16,215)	87,233	
Capital injection from non-controlling equity holders of subsidiaries	—	—	—	—	—	—	—	—	182,478	182,478	
Acquisition of subsidiaries	—	—	—	—	—	—	—	—	272,204	272,204	
Acquisition of control over a jointly controlled entity	—	—	—	—	—	—	—	—	240,248	240,248	
Dividends approved for non-controlling equity holders of subsidiaries	—	—	—	—	—	—	—	—	(78,768)	(78,768)	
Others	—	2,027	—	—	—	—	—	2,027	—	2,027	
Balance at 30 June 2011	6,771,084	4,816,246	1,465,465	68,089	44,726	3,104	3,112,732	16,281,446	6,286,797	22,568,243	

The notes on pages 23 to 45 form part of this interim financial report.

Consolidated statement of changes in equity (Continued)

For the six months ended 30 June 2012 — unaudited

(Expressed in Renminbi)

	Attributable to equity shareholders of the Company									
	Share capital	Capital reserve	Statutory	Discretionary	Revaluation reserve	Fair value reserve	Retained profits	Total	Non-controlling interests	Total equity
			surplus reserve	surplus reserve						
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 30 June 2011 and 1 July 2011	6,771,084	4,816,246	1,465,465	68,089	44,726	3,104	3,112,732	16,281,446	6,286,797	22,568,243
Changes in equity for the six months ended 31 December 2011:										
Profit for the period	—	—	—	—	—	—	(31,889)	(31,889)	77,386	45,497
Other comprehensive income	—	—	—	—	—	(5,737)	—	(5,737)	(31)	(5,768)
Total comprehensive income for the period	—	—	—	—	—	(5,737)	(31,889)	(37,626)	77,355	39,729
Acquisition of subsidiaries	—	—	—	—	—	—	—	—	1,082,314	1,082,314
Acquisition of non-controlling interests	—	—	—	—	—	—	(375)	(375)	(44,027)	(44,402)
Capital injection from non-controlling equity holders of subsidiaries	—	—	—	—	—	—	—	—	125,536	125,536
Contribution from the parent company	—	39,833	—	—	—	—	—	39,833	9,537	49,370
Dividends approved for non-controlling equity holders of subsidiaries	—	—	—	—	—	—	—	—	(15,401)	(15,401)
Disposal of a subsidiary	—	—	—	—	—	—	—	—	(7,147)	(7,147)
Appropriation of general reserve	—	—	13,956	—	—	—	(13,956)	—	—	—
Appropriation of maintenance and production funds	—	—	3,268	—	—	—	(3,268)	—	—	—
Others	—	1,795	—	—	—	—	—	1,795	—	1,795
Balance at 31 December 2011	6,771,084	4,857,874	1,482,689	68,089	44,726	(2,633)	3,063,244	16,285,073	7,514,964	23,800,037

The notes on pages 23 to 45 form part of this interim financial report.

Consolidated statement of changes in equity (Continued)

For the six months ended 30 June 2012 — unaudited
(Expressed in Renminbi)

	Attributable to equity shareholders of the Company									Total equity
	Share capital	Capital reserve	Statutory	Discretionary	Revaluation reserve	Fair value reserve	Retained profits	Total	Non-controlling interests	
			surplus reserve	surplus reserve						
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2012	6,771,084	4,857,874	1,482,689	68,089	44,726	(2,633)	3,063,244	16,285,073	7,514,964	23,800,037
Changes in equity for the six months ended 30 June 2012:										
Profit for the period	—	—	—	—	—	—	284,344	284,344	114,146	398,490
Other comprehensive income (Note 9)	—	—	—	—	—	1,005	—	1,005	23	1,028
Total comprehensive income for the period	—	—	—	—	—	1,005	284,344	285,349	114,169	399,518
Capital injection from non-controlling equity holders of subsidiaries	—	—	—	—	—	—	—	—	96,590	96,590
Shares issued (Note 22(b))	—	1,829,084	—	—	—	—	—	1,829,084	—	1,829,084
Dividends approved for non-controlling equity holders of subsidiaries	—	—	—	—	—	—	—	—	(9,420)	(9,420)
Appropriation of maintenance and production funds	—	—	22,151	—	—	—	(22,151)	—	—	—
Others	—	806	—	—	—	—	—	806	10	816
Balance at 30 June 2012	6,771,084	6,687,764	1,504,840	68,089	44,726	(1,628)	3,325,437	18,400,312	7,716,313	26,116,625

The notes on pages 23 to 45 form part of this interim financial report.

Condensed consolidated cash flow statement

For the six months ended 30 June 2012 — unaudited

(Expressed in Renminbi)

	Note	Six months ended 30 June	
		2012	2011
		RMB'000	RMB'000
Cash generated from/(used in) operations		2,069,789	(129,154)
Tax paid		(184,587)	(81,222)
Net cash generated from/(used in) operating activities		1,885,202	(210,376)
Net cash used in investing activities		(8,802,705)	(5,931,822)
Net cash generated from financing activities		9,365,576	9,750,987
Increase in cash and cash equivalents		2,448,073	3,608,789
Cash and cash equivalents at 1 January		2,111,725	1,235,758
Cash and cash equivalents at 30 June	17	4,559,798	4,844,547

The notes on pages 23 to 45 form part of this interim financial report.

Notes to the unaudited interim financial report

(Expressed in Renminbi unless otherwise indicated)

1 BACKGROUND

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

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

2 BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard (“IAS”) 34, *Interim financial reporting*, issued by the International Accounting Standards Board (“IASB”). It was authorised for issue on 30 August 2012.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2011 annual financial statements. The IASB has issued a few amendments to International Financial Reporting Standards (“IFRSs”) that are first effective for the current accounting period of the Group. Of these, the amendments to IFRS 7, *Financial instruments: Disclosures — Transfer of financial assets*, is relevant to the Group’s financial statements. The amendments to IFRS 7 require certain disclosures to be included in the annual financial statements in respect of all transferred financial assets that are not derecognised and for any continuing involvement in a transferred asset existing at the reporting date, irrespective of when the related transfer transaction occurred. As a result of these amendments, the relevant information will be disclosed in the Group’s annual financial statements, but these amendments have no impact on the interim financial report. None of the other developments are relevant to the Group’s interim financial report and the Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

The preparation of an interim financial report in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2011 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with IFRSs promulgated by the IASB. IFRSs include all applicable IFRSs, IASs and related interpretations.

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants. KPMG’s independent review report to the Board of Directors is included on page 46.

The financial information relating to the financial year ended 31 December 2011 that is included in the interim financial report as being previously reported information does not constitute the Company’s annual financial statements prepared under IFRSs for that financial year but is derived from those financial statements. The annual financial statements for the year ended 31 December 2011 are available from the Company’s legal office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 28 March 2012.

Notes to the unaudited interim financial report (Continued)

(Expressed in Renminbi unless otherwise indicated)

3 SEGMENT REPORTING

The Group principally has one reportable segment, which is the generation and sale of electricity and heat in the PRC. Therefore, no additional reportable segment has been presented and no additional information about geographical areas has been disclosed.

4 TURNOVER

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

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
Sale of electricity	27,646,607	24,938,951
Sale of heat	1,576,348	1,458,519
Sale of coal	214,325	—
	29,437,280	26,397,470

5 INVESTMENT INCOME

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
Gain on dilution of an associate	—	567,896
Gain on step acquisition	—	13,011
Dividend income from unlisted securities	4,304	—
Others	3	—
	4,307	580,907

Notes to the unaudited interim financial report (Continued)

(Expressed in Renminbi unless otherwise indicated)

6 FINANCE COSTS

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
Interest on loans and other financial liabilities	3,692,551	2,705,990
Less: interest capitalised	(530,919)	(394,460)
	3,161,632	2,311,530
Net foreign exchange loss/(gain)	15,688	(43,964)
Other finance costs	7,071	4,221
	3,184,391	2,271,787

The interest costs have been capitalised at an average rate of 6.64% per annum (six months ended 30 June 2011: 5.51%) for construction in progress.

7 PROFIT BEFORE TAXATION

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

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
Cost of inventories	21,160,438	20,163,921
Amortisation		
— lease prepayments	29,342	24,736
— intangible assets	67,286	63,862
Depreciation	2,886,800	2,623,972
Operating lease charges in respect of land and buildings	48,383	45,849
Government grants included in other net income	(105,830)	(104,767)
Gain on sale of installed capacity quota	(50,000)	—
Gain on disposal of property, plant and equipment	(29,111)	(2,223)
Research and development costs	7,978	834

Notes to the unaudited interim financial report (Continued)

(Expressed in Renminbi unless otherwise indicated)

8 INCOME TAX

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
Current tax		
Charge for the PRC enterprise income tax for the period	139,247	37,752
(Over)/under-provision in respect of previous years	(4,957)	381
	134,290	38,133
Deferred taxation		
Origination and reversal of temporary differences	(37,192)	(10,420)
	97,098	27,713

The charge for PRC enterprise income tax is calculated at the statutory rate of 25% (six months ended 30 June 2011: 25%) on the estimated assessable profits of the Group for the six months ended 30 June 2012 determined in accordance with relevant enterprise income tax rules and regulations, except for certain subsidiaries of the Company which are tax exempted or taxed at preferential rates of 12.5% or 15% (six months ended 30 June 2011: 12.5%).

9 OTHER COMPREHENSIVE INCOME

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
Available-for-sale securities		
Changes in fair value recognised during the period	1,146	(2,237)
Net deferred tax debited to other comprehensive income	(118)	(107)
	1,028	(2,344)

Notes to the unaudited interim financial report (Continued)

(Expressed in Renminbi unless otherwise indicated)

10 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company for the six months ended 30 June 2012 of RMB284,344,000 (six months ended 30 June 2011: RMB105,703,000) and the number of shares in issue during the six months ended 30 June 2012 of 6,771,084,200 (six months ended 30 June 2011: 6,771,084,200).

(b) Diluted earnings per share

There were no dilutive potential ordinary shares in existence during the six months ended 30 June 2012 and 2011.

11 PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2012, the Group acquired items of property, plant and equipment with a cost of RMB6,535 million (six months ended 30 June 2011: RMB12,194 million), of which the portions acquired through transfer from construction in progress and through acquisition of subsidiaries were RMB5,931 million (six months ended 30 June 2011: RMB9,771 million) and RMB591 million (six months ended 30 June 2011: RMB2,415 million), respectively. Items of property, plant and equipment with net book value of approximately RMB192 million (six months ended 30 June 2011: approximately RMB0.2 million) were disposed of during the six months ended 30 June 2012, of which RMB190 million was the power transmission lines disposed to Shandong Electric Power (Group) Corporation at a total consideration of RMB222 million.

12 CONSTRUCTION IN PROGRESS

The acquisition and transfer of items of construction in progress during the six months ended 30 June 2012 and 2011 are as follows:

	Six months ended 30 June	
	2012	2011
	RMB '000	RMB '000
Additions	7,636,416	5,157,895
Addition through acquisition of subsidiaries	176,318	—
Transfer to property, plant and equipment	(5,931,141)	(9,771,242)
	1,881,593	(4,613,347)

Notes to the unaudited interim financial report (Continued)

(Expressed in Renminbi unless otherwise indicated)

13 OTHER NON-CURRENT ASSETS

	At 30 June 2012	At 31 December 2011
	<i>RMB'000</i>	<i>RMB'000</i>
Prepayments for the proposed investments	345,622	604,253
Deductible VAT and other tax	998,104	776,918
Deposits for sales and and leaseback transactions	111,845	90,000
Deferred difference arising from a sale and leaseback transaction (Note (i))	466,874	—
Deposits on purchase of mining rights	196,000	—
Other long-term receivables (Note (iii))	74,365	86,365
	2,192,810	1,557,536
Less: other long-term receivables due within one year (Note (ii))	(42,094)	—
	2,150,716	1,557,536

Notes:

- (i) Deferred difference arising from a sale and leaseback transaction represents the deficit of sale proceeds over the net book value of the assets disposed under the sale and leaseback transaction which resulted in a finance lease. The difference is deferred and amortised as an adjustment to the depreciation of the assets over their estimated useful lives.
- (ii) Other long-term receivables are bearing floating interest rates ranging from 6.35% to 6.65% (2011: 5.94% to 6.65%), of which RMB42 million would be due within one year.

Notes to the unaudited interim financial report (Continued)

(Expressed in Renminbi unless otherwise indicated)

14 TRADE DEBTORS AND BILLS RECEIVABLE

	At 30 June 2012	At 31 December 2011
	<i>RMB'000</i>	<i>RMB'000</i>
Trade debtors and bills receivable for sale of electricity	4,817,216	4,931,608
Trade debtors and bills receivable for sale of heat	393,068	248,075
Trade debtors and bills receivable for other operations	104,839	68,328
	5,315,123	5,248,011
Less: allowance for doubtful debts	(6,750)	(6,750)
	5,308,373	5,241,261

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

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

	At 30 June 2012	At 31 December 2011
	<i>RMB'000</i>	<i>RMB'000</i>
Current	4,544,521	4,929,209
Less than 1 year past due	679,501	207,581
1 to 2 years past due	79,999	100,119
More than 3 years past due	4,352	4,352
Amount past due	763,852	312,052
	5,308,373	5,241,261

Notes to the unaudited interim financial report (Continued)

(Expressed in Renminbi unless otherwise indicated)

15 DEPOSITS, OTHER RECEIVABLES AND PREPAYMENTS

Deposits, other receivables and prepayments as at 30 June 2012 mainly represented prepayment on purchasing inventories and materials of RMB1,457 million (2011: RMB965 million), deductible VAT recoverable of RMB870 million (2011: RMB722 million), current portion of long-term receivables of RMB42 million (2011: RMB Nil) and other receivables.

16 RESTRICTED DEPOSITS

Restricted deposits mainly represent deposit at banks with maturity over three months and cash pledged as collateral for bills payable.

17 CASH AND CASH EQUIVALENTS

	At 30 June 2012	At 31 December 2011
	RMB'000	RMB'000
Cash at bank and in hand	2,907,328	1,028,743
Cash at other financial institutions	1,652,470	1,077,982
Deposits with banks and other financial institutions due within three months	—	5,000
	4,559,798	2,111,725

Notes to the unaudited interim financial report (Continued)

(Expressed in Renminbi unless otherwise indicated)

18 BORROWINGS

(a) Other loans

	At 30 June 2012	At 31 December 2011
	<i>RMB'000</i>	<i>RMB'000</i>
Due:		
Within 1 year		
— short-term other loans	1,845,051	4,852,863
— current portion of long-term other loans	588,930	574,960
	2,433,981	5,427,823
After 1 year but within 2 years	2,173,330	3,780,890
After 2 years but within 5 years	2,821,820	3,031,680
After 5 years	1,744,227	1,858,646
	6,739,377	8,671,216
	9,173,358	14,099,039

Other loans are mainly borrowed from China Huadian Finance Corporation Limited (“China Huadian Finance”), fellow subsidiaries of the Company and trust companies. Loans from the trust companies were of interest rates mainly ranging from 6.56% to 7.76% per annum as at 30 June 2012 (31 December 2011: 6.06% to 7.76%), with maturities from 2012 to 2018.

All of the other loans are unsecured except for amounts totalling RMB442,540,000 (31 December 2011: RMB2,508,450,000) in respect of certain subsidiaries, which are secured by the income stream in respect of the sale of electricity of these subsidiaries.

(b) Short-term debentures payable

On 10 February 2012, the Company issued the first tranche of short-term debentures for the year of 2012 in the PRC interbank debenture market. The short-term debenture was issued at a total par value of RMB1,500,000,000 with a maturity period of 366 days and bears interest at 4.68% per annum and is unsecured.

On 19 June 2012, the Company issued the first tranche of ultra-short-term debentures for the year of 2012 in the PRC interbank debenture market. The ultra-short-term debenture was issued at a total par value of RMB3,500,000,000 with a maturity period of 270 days and bears interest at 3.15% per annum and is unsecured.

Notes to the unaudited interim financial report (Continued)

(Expressed in Renminbi unless otherwise indicated)

18 BORROWINGS (CONTINUED)

(c) Long-term debentures payable

On 13 March 2012, the Company issued the first tranche of non-public private placement bonds for the year of 2012. The bonds are unsecured 3-year bonds totalling RMB5,000,000,000 issued at par value of RMB100 each and bears interest at 5.02% per annum.

On 22 May 2012, the Company issued the first tranche of medium-term notes for the year of 2012 in the PRC interbank debenture market. The medium-term notes are unsecured 5-year notes totalling RMB1,500,000,000 issued at par value of RMB100 each and bears interest at 4.72% per annum.

19 OBLIGATIONS UNDER FINANCE LEASES

The Group had obligations under finance leases repayable as follows:

	At 30 June 2012		At 31 December 2011	
	Present value of the minimum lease payments	Total minimum lease payments	Present value of the minimum lease payments	Total minimum lease payments
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year	303,385	315,911	143,119	149,306
After 1 year but within 2 years	279,528	309,777	146,174	162,360
After 2 years but within 5 years	450,732	555,819	341,004	429,388
	<u>730,260</u>	<u>865,596</u>	<u>487,178</u>	<u>591,748</u>
	<u>1,033,645</u>	<u>1,181,507</u>	<u>630,297</u>	<u>741,054</u>
Less: total future interest expenses		<u>(147,862)</u>		<u>(110,757)</u>
Present value of finance lease obligations		<u>1,033,645</u>		<u>630,297</u>

For the six months ended 30 June 2012, the Group entered into three new agreements with different leasing companies to sell certain of the Group's facilities to those leasing companies and leaseback the facilities for periods ranging from 3 to 5 years. The Group has an option to purchase the facilities at a nominal price of RMB1 at the end of the lease period. As at 30 June 2012, the net book value of the facilities held under finance lease included in property, plant and equipment and intangible assets amounted to RMB969,268,000 and RMB303,179,000 (31 December 2011: RMB399,184,000 and RMB315,927,000), respectively.

Notes to the unaudited interim financial report (Continued)

(Expressed in Renminbi unless otherwise indicated)

20 TRADE CREDITORS AND BILLS PAYABLE

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

21 OTHER PAYABLES

	At 30 June 2012	At 31 December 2011
	RMB'000	RMB'000
Financial liabilities		
— Quality guarantee deposits	1,277,612	1,314,977
— Consideration payables on acquisitions	559,044	1,564,316
— Interest payables	459,448	421,332
— Wages payable	125,885	110,055
— Payables for mining rights	888,400	1,017,335
— Payables for installed capacity quota	121,406	99,500
— Payables for sewage charges	131,653	72,742
— Current portion of long-term payables (Note (i))	841,929	131,462
— Current portion of medium-term notes	—	1,499,052
— Others (Note (ii))	795,996	765,491
	5,201,373	6,996,262
Other tax payables	212,245	320,395
Receipts in advance	221,853	791,135
	5,635,471	8,107,792

Notes:

- (i) Current portion of long-term payables mainly represents the current portion of the default bank loans undertaken by a subsidiary under guarantee agreements and liability transfer agreements entered into between the borrowers and the subsidiary.
- (ii) Others mainly include payables on service fees, rental and other miscellaneous items.
- (iii) All of the other payables of the Group are expected to be settled or recognised as income within one year or are repayable on demand.

Notes to the unaudited interim financial report (Continued)

(Expressed in Renminbi unless otherwise indicated)

22 CAPITAL RESERVE AND DIVIDENDS

(a) Dividends

(i) Dividends payable to equity shareholders attributable to the interim period:

The directors of the Company do not recommend the payment of any interim dividend for the six months ended 30 June 2012 (six months ended 30 June 2011: RMB Nil).

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

The directors of the Company did not recommend the payment of any final dividend for the year ended 31 December 2011 (year ended 31 December 2010: RMB Nil).

(b) Issue of shares

The registered, issued and fully paid capital of the Company as at 30 June 2012 and 31 December 2011 comprises 5,340,056,200 A shares of RMB1 each and 1,431,028,000 H shares of RMB1 each. All shares rank pari passu in all material respects.

In June 2012, the Company started a non-public offering to target subscribers to issue 600,000,000 A shares with a nominal value of RMB1 each at an issue price of RMB3.12 each, and received net proceeds of RMB1,829,084,307 from target subscribers on 28 June 2012, which have been verified by KPMG Huazhen. The net proceeds obtained from the aforementioned non-public offering were credited to the capital reserve account as at 30 June 2012, as the Company did not complete the non-public insurance until 4 July 2012. All of the 600,000,000 shares issued to target subscribers are subject to restriction of disposal. Up to the date of this interim financial report, the business licence of the Company is yet to be renewed.

Notes to the unaudited interim financial report (Continued)

(Expressed in Renminbi unless otherwise indicated)

23 CAPITAL COMMITMENTS OUTSTANDING NOT PROVIDED FOR IN THE INTERIM FINANCIAL REPORT

The Group had capital commitments outstanding as at 30 June 2012 and 31 December 2011 not provided for in the interim financial report as follows:

	At 30 June 2012	At 31 December 2011
	<i>RMB'000</i>	<i>RMB'000</i>
Contracted for		
— Development of power plants	11,988,754	14,999,574
— Investments	1,156,696	1,487,686
— Improvement projects and others	241,266	262,221
	13,386,716	16,749,481
Authorised but not contracted for		
— Development of power plants	21,322,241	22,461,161
— Improvement projects and others	864,121	1,201,128
	22,186,362	23,662,289
	35,573,078	40,411,770

Notes to the unaudited interim financial report (Continued)

(Expressed in Renminbi unless otherwise indicated)

24 MATERIAL RELATED PARTY TRANSACTIONS

(a) Transactions with shareholders, fellow subsidiaries and associates

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

Name of related parties	Nature of relationship
China Huadian Corporation ("China Huadian")	A shareholder of the Company
Shandong International Trust Corporation	A shareholder of the Company
China Huadian Engineering (Group) Corporation and its subsidiaries	Fellow subsidiaries of the Company
Huadian Shanxi Energy Co., Ltd. ("Huadian Shanxi Energy")	A fellow subsidiary of the Company
China Huadian Group Capital Holdings Limited	A fellow subsidiary of the Company
CHD Power Plant Operation Co., Ltd.	A fellow subsidiary of the Company
Huadian Tendering Co., Ltd.	A fellow subsidiary of the Company
Beijing Anfu Real Estate Development Co., Ltd.	A fellow subsidiary of the Company
Huadian Technology & Trade Co., Ltd.	A fellow subsidiary of the Company
China Fortune International Trust Co., Ltd.	A fellow subsidiary of the Company
Huadian New Energy Development Company Limited	A fellow subsidiary of the Company
Fujian Huadian Kemen Phase II Power Generation Company Limited	A fellow subsidiary of the Company
Anhui Huadian Lu'an Power Generation Company Limited	A fellow subsidiary of the Company
Shanghai Huadian Power Development Generation Company Limited	A fellow subsidiary of the Company
Sichuan Huadian Fuel Company Limited	A fellow subsidiary of the Company
Huadian Hubei Power Generation Company Limited	A fellow subsidiary of the Company
Sichuan Huayingshan Longtan Coal Company Limited ("Longtan Coal Company")	An associate of the Group
Ningxia Power Generation Company (Group) Limited ("Ningxia Power Company")	An associate of the Group
Huadian Coal Industry Group Company Limited	An associate of the Group
China Huadian Finance	An associate of the Group
Baoding Huacheng Residual Thermal Power Generation Company Limited	An associate of the Group
Hebei Tianwei-huarui Electric Co., Ltd.	An associate of the Group
Shanxi Huasheng Tongpei Coal Company Limited	An associate of the Group
Hebei Xibaipo Second Power Generation Company Limited	An associate of the Group
Linfen City Changfa Coal Coke Company Limited	An associate of the Group
Ningdong Railway Corporation Limited	An associate of the Group
Inner Mongolia Otog Front Banner Changcheng Mine Company Limited	An associate of the Group
Inner Mongolia Fucheng Mining Company Limited	An associate of the Group
Sichuan Zhongxing Power Development Company Limited	An associate of the Group
Zoucheng Lunan Electricity Power Technology Development Company Limited ("Zoucheng Lunan Company") (Note (v))	An associate of the Group
Shanxi Shuozhou Wantongyuan Erpu Coal Transportation and Sales Company	An associate of the Group
Datang Xiangcheng Hydropower Development Company Limited	An associate of the Group
Huadian Jinshajiang Upstream Hydropower Development Co., Ltd.	An associate of the Group

Notes to the unaudited interim financial report (Continued)

(Expressed in Renminbi unless otherwise indicated)

24 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

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

The Group had the following material transactions with shareholders, fellow subsidiaries and associates during the six months ended 30 June 2012 and 2011:

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
<u>Sale of electricity to</u>		
Associates	—	5,949
A fellow subsidiary	27,285	—
<u>Purchase of electricity from</u>		
Associates	—	31,333
<u>Purchase of coal from</u>		
A fellow subsidiary	69,865	—
Associates	1,272,282	714,642
<u>Purchase of installed capacity quota from</u>		
A fellow subsidiary	2,250	—
<u>Sale of installed capacity quota to</u>		
A fellow subsidiary	50,000	—
<u>Purchase of construction service and equipment from</u>		
Fellow subsidiaries	166,737	29,173
<u>Loans obtained from</u>		
China Huadian and other shareholder	621,840	925,834
An associate	3,435,000	3,460,000
Fellow subsidiaries	—	550,000
<u>Loans repaid to</u>		
China Huadian and other shareholder	727,080	1,000,000
An associate	3,580,460	2,462,360
Fellow subsidiaries	101,000	80,000
<u>Working capital repaid to</u>		
A fellow subsidiary	105,061	—
<u>Proceeds obtained under sale and leaseback transaction from</u>		
An associate	200,000	—

Notes to the unaudited interim financial report (Continued)

(Expressed in Renminbi unless otherwise indicated)

24 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

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

The Group had the following material transactions with shareholders, fellow subsidiaries and associates during the six months ended 30 June 2012 and 2011: (continued)

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
<u>Rental under sale and leaseback transaction paid to</u>		
An associate	1,483	—
<u>Interest expenses paid to</u>		
China Huadian and other shareholder	97,464	82,892
An associate	215,880	247,067
Fellow subsidiaries	21,021	14,570
<u>Interest income received from</u>		
Associates	18,564	15,070
<u>Repair and maintenance service provided to</u>		
Fellow subsidiaries	2,042	—
<u>Rental and property management service provided by</u>		
Fellow subsidiaries	28,995	28,031
<u>Other services provided by</u>		
Associates	49,995	35,357
Fellow subsidiaries	28,234	280
<u>Capital investment in</u>		
Associates	66,335	6,000

Notes to the unaudited interim financial report (Continued)

(Expressed in Renminbi unless otherwise indicated)

24 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

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

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

	At 30 June 2012	At 31 December 2011
	RMB'000	RMB'000
<u>Construction and construction material prepayments</u>		
Fellow subsidiaries	298,447	249,515
<u>Trade debtors and bills receivable</u>		
A fellow subsidiary	2,010	—
<u>Deposits, other receivables and prepayments</u>		
China Huadian	—	8,829
Associates	318,483	241,895
Fellow subsidiaries	50,000	44,268
<u>Cash and cash equivalents</u>		
Deposits with an associate	1,652,470	1,077,982
<u>Other loans</u>		
An associate	(6,340,625)	(6,486,085)
Fellow subsidiaries	(399,000)	(500,000)
<u>Trade creditors and bills payable</u>		
Fellow subsidiaries	(258,365)	(268,597)
Associates	(58,034)	(5,997)
<u>Other payables to</u>		
An associate	(10,093)	(10,000)
A fellow subsidiary	(123,952)	(99,500)
<u>Obligation under sale and leaseback transaction</u>		
An associate	(199,500)	—

Notes to the unaudited interim financial report (Continued)

(Expressed in Renminbi unless otherwise indicated)

24 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

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

Notes:

- (i) The pricing of the above related party transactions is determined by reference to the prevailing market price of similar activities.
- (ii) At 30 June 2012, Sichuan Guang'an Power Generation Company Limited, a subsidiary of the Group, provided guarantees to banks for loans granted to Longtan Coal Company amounting to RMB163,577,000 (2011: RMB163,757,000); Ningxia Zhongning Power Generation Company Limited, a subsidiary of the Group, provided guarantees to banks for loans granted to Ningxia Power Company amounting to RMB25,110,000 (2011: RMB26,800,000).
- (iii) At 30 June 2012, China Huadian and China Huadian Finance provided guarantee to banks for loans granted to the Group amounting to RMB1,702,474,000 (2011: RMB3,711,804,000).
- (iv) During the six months ended 30 June 2012, the Company acquired 100% of the equity and voting interests in Huadian Shuozhou Thermal Power Generation Company Limited ("Shuozhou Thermal Company") from Huadian Shanxi Energy, details of acquisition are set out in note 25(a).
- (v) In March 2012, the Company disposed all its interests in Zoucheng Lunan Company.

(b) Transactions with key management personnel

Remuneration for key management personnel, including amounts paid to the Company's directors and supervisors is as follows:

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
Salaries and other emoluments	386	386
Retirement benefits	157	230
Bonuses	1,368	1,311
	1,911	1,927

(c) Contributions to defined contribution retirement plans

The Group participates in various defined contribution retirement plans organised by municipal and provincial governments and China Huadian for its staff. As at 30 June 2012 and 31 December 2011, there was no material outstanding contribution to post-employment benefit plans.

Notes to the unaudited interim financial report (Continued)

(Expressed in Renminbi unless otherwise indicated)

24 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

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

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

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

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

— sale of electricity to the grid

The Group sells substantially all its electricity to local government-related power grid companies, and the tariff of electricity is regulated by relevant government. For the six months ended 30 June 2012, management estimates that the aggregate amount of the Group's significant transactions with other government-related entities are at least 95% of its sale of electricity.

— depositing and borrowing money

The Group deposits most of its cash in government-related financial institutions, and also obtains short-term and long-term loans from these banks in the ordinary course of business. The interest rates of the bank deposits and loans are regulated by the People's Bank of China. As at 30 June 2012, management estimates that the ending balance of deposits in and loans payable to other government-related entities are at least 50% and 70%, respectively, of its total deposits and loans.

— other transactions

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

Notes to the unaudited interim financial report (Continued)

(Expressed in Renminbi unless otherwise indicated)

24 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(e) Commitment with related parties

Commitment with related parties is as follows:

	At 30 June 2012	At 31 December 2011
	RMB'000	RMB'000
Capital commitment	392,121	368,215
Commitment on properties rental and management fees	144,662	156,076

25 ACQUISITION OF SUBSIDIARIES

(a) Acquisition of Shuozhou Thermal Company

On 1 January 2012, the Company obtained control of Shuozhou Thermal Company, which is principally engaged in the generation and sale of heat in Shanxi Province in the PRC, by acquiring 100% of the equity and voting interests in Shuozhou Thermal Company from Huadian Shanxi Energy, a subsidiary of China Huadian. On the date of the acquisition, Shuozhou Thermal Company was still under construction period.

Consideration transferred

The fair value of the total consideration transferred on acquisition-date was RMB14,268,000.

Identifiable assets acquired and liabilities assumed

	RMB'000
Trade debtors and other receivables	187
Inventories	159
Property, plant and equipment and construction in progress	176,779
Other non-current assets	49
Cash and cash equivalents	8,556
Trade creditors and other payables	(171,462)
Deferred tax liabilities	(1,067)
Total identifiable net assets	13,201

Notes to the unaudited interim financial report (Continued)

(Expressed in Renminbi unless otherwise indicated)

25 ACQUISITION OF SUBSIDIARIES (CONTINUED)

(a) Acquisition of Shuozhou Thermal Company (continued)

Goodwill

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

	RMB'000
Total consideration transferred	14,268
Fair value of identifiable net assets	(13,201)
	<hr/>
Goodwill	1,067
	<hr/> <hr/>

(b) Acquisition of Shenzhen Huanyu Star River Investment Company Limited ("Huanyu Company")

On 28 May 2012, the Company obtained control of Huanyu Company, which is principally engaged in power industry investment in Sichuan Province in the PRC, by acquiring 100% of the equity and voting interests in Huanyu Company. On the date of the acquisition, Huanyu Company holds 100% equity interests of Lixian Star River Hydropower Company Limited ("Star River Hydropower Company") and Lixian Star River Ganbao Hydropower Company Limited ("Ganbao Hydropower Company"). After the completion of the acquisition, the Company holds 100% equity interests in Huanyu Company, and thus indirectly obtained the control of Star River Hydropower Company and Ganbao Hydropower Company.

In the period from 28 May 2012 to 30 June 2012, Huanyu Company, Star River Hydropower Company and Ganbao Hydropower Company contributed turnover of RMB9,040,000 and profit of RMB4,882,000 to the Group's results. If the acquisition had occurred on 1 January 2012, management estimates that consolidated turnover for the year of the Group would have been RMB29,462,877,000 and consolidated profit for the period of the Group would have been RMB402,255,000. In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2012.

Consideration transferred

The fair value of the total consideration transferred on acquisition-date was RMB483,225,000.

Notes to the unaudited interim financial report (Continued)

(Expressed in Renminbi unless otherwise indicated)

25 ACQUISITION OF SUBSIDIARIES (CONTINUED)

(b) Acquisition of Shenzhen Huanyu Star River Investment Company Limited ("Huanyu Company") (continued)

Consideration transferred (continued)

Identifiable assets acquired and liabilities assumed

	RMB'000
Trade debtors and other receivables	792
Inventories	2,217
Property, plant and equipment	590,707
Lease prepayments	22,699
Cash and cash equivalents	287
Trade creditors and other payables	(129,945)
Deferred tax liabilities	(92,777)
	<hr/>
Total identifiable net assets	393,980

The cash consideration and fair values of the identifiable net assets have been determined provisionally and shall be adjusted according to the audited results as at the acquisition date and the principles negotiated and agreed by the Company and the vendor.

If new information obtained within one year from the acquisition date about facts and circumstances that existed at the acquisition date identifies adjustments to the above amounts, or additional assets or liabilities existed at the acquisition date, then the acquisition accounting will be revised.

Goodwill

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

	RMB'000
Total consideration transferred	483,225
Fair value of identifiable net assets	(393,980)
	<hr/>
Goodwill	89,245

Acquisition-related costs

The Group incurred acquisition-related costs of RMB900,000 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.

Notes to the unaudited interim financial report (Continued)

(Expressed in Renminbi unless otherwise indicated)

26 CONTINGENT LIABILITIES

Inner Mongolia Haoyuan Coal Company Limited (“Haoyuan Company”) is a subsidiary acquired by the Group on 30 September 2011. As at 30 June 2012, Haoyuan Company was the defendant in certain lawsuits for events incurred before the acquisition date. While the above litigations were in progress up to the date of this interim financial report and its outcomes cannot be determined at present, management of the Group considered that the outcome of these litigations will not result in significant adverse effect on the financial position and operating results of the Group.

Apart from the above litigations and guarantees provided by the Group as disclosed in note 24(a), the Group has no other material contingent liabilities as at 30 June 2012.

27 ACCOUNTING JUDGEMENTS AND ESTIMATES

The Group believes that the critical accounting judgements and estimates on impairment for non-current assets, depreciation, impairment for bad and doubtful debts, deferred tax assets and useful life of land use rights as disclosed in the 2011 annual financial statements are material to an understanding of the current interim period.

Review report to the board of directors of Huadian Power International Corporation Limited

INTRODUCTION

We have reviewed the interim financial report set out on pages 15 to 45 which comprises the consolidated balance sheet of Huadian Power International Corporation Limited as at 30 June 2012 and the related consolidated statement of comprehensive income, consolidated statement of changes in equity and condensed consolidated cash flow statement for the six months then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and International Accounting Standard 34, *Interim financial reporting*, issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of the interim financial report in accordance with International Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2012 is not prepared, in all material respects, in accordance with International Accounting Standard 34, *Interim financial reporting*.

KPMG

Certified Public Accountants

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

30 August 2012

Consolidated balance sheet and balance sheet (unaudited)

As at 30 June 2012
(Expressed in Renminbi'000)

Item	Note	The Group		The Company	
		30 June 2012	31 December 2011	30 June 2012	31 December 2011
(restated)					
Current assets:					
Cash at bank and on hand	V. 1	4,716,677	2,482,816	1,950,124	421,704
Bills receivable	V. 2	243,749	315,651	—	100
Trade receivables	V. 3; X. 1	5,064,624	4,925,610	768,391	858,753
Prepayments	V. 5	1,457,109	965,444	216,509	167,407
Other receivables	V. 4; X. 2	1,113,322	777,665	5,072,151	3,009,424
Inventories	V. 6	3,888,994	2,777,508	425,537	434,782
Dividends receivable		550	—	18,711	15,108
Non-current assets due within one year	V. 9	42,094	—	—	—
Other current assets	V. 7	917,011	765,862	147,142	139,705
Total current assets		17,444,130	13,010,556	8,598,565	5,046,983
Non-current assets:					
Available-for-sale financial assets	V. 8	39,978	39,506	—	—
Long-term receivables	V. 9; X. 3	144,116	176,365	483,575	361,018
Long-term equity investments	V. 10; X. 4	11,099,275	10,726,075	34,989,278	32,796,233
Fixed assets	V. 11	92,255,003	89,252,428	7,796,747	8,022,590
Construction in progress	V. 12	14,900,295	14,164,759	885,210	684,102
Construction materials	V. 13	322,751	160,856	—	—
Construction and construction material prepayments		5,942,070	5,126,817	197,068	123,028
Intangible assets	V. 14	13,221,155	13,287,396	125,139	131,512
Goodwill	V. 15	879,402	790,157	12,111	12,111
Deferred tax assets	V. 16	512,266	444,484	—	—
Other non-current assets	V. 17	2,006,600	1,366,952	345,622	604,253
Total non-current assets		141,322,911	135,535,795	44,834,750	42,734,847
Total assets		158,767,041	148,546,351	53,433,315	47,781,830

The notes on pages 58 to 189 form part of these financial statements.

Consolidated balance sheet and balance sheet (unaudited) (Continued)

As at 30 June 2012

(Expressed in Renminbi'000)

Item	Note	The Group		The Company	
		30 June 2012	31 December 2011 (restated)	30 June 2012	31 December 2011
Current liabilities:					
Short-term loans	V. 20	22,697,309	26,719,139	10,910,615	13,756,302
Bills payable	V. 21	1,245,598	1,265,832	—	320,000
Trade payables	V. 22	7,851,022	5,418,714	193,052	104,873
Receipts in advance	V. 23	221,853	791,135	5,850	6,956
Wages payable	V. 24	125,885	116,262	27,279	19,898
Taxes payable	V. 25	294,315	446,633	30,500	63,478
Interests payable	V. 26	459,448	421,332	218,757	173,984
Dividends payable		14,691	11,744	—	—
Other payables	V. 27	3,761,330	5,069,988	829,105	2,377,742
Short-term debenture payables	V. 28	8,674,880	3,551,384	8,674,880	3,551,384
Non-current liabilities due within one year	V. 29	8,500,842	10,362,977	1,564,389	2,908,861
Total current liabilities		53,847,173	54,175,140	22,454,427	23,283,478
Non-current liabilities:					
Long-term loans	V. 30	63,684,045	61,734,471	3,377,594	4,915,216
Debentures payable	V. 31	10,336,869	3,863,579	10,336,869	3,863,579
Long-term payables	V. 32	826,260	1,224,301	—	—
Special payables		—	6,500	—	6,500
Deferred tax liabilities	V. 16	2,502,570	2,376,916	46,791	46,791
Other non-current liabilities	V. 33	1,599,621	1,523,562	22,229	22,187
Total non-current liabilities		78,949,365	70,729,329	13,783,483	8,854,273
Total liabilities		132,796,538	124,904,469	36,237,910	32,137,751

The notes on pages 58 to 189 form part of these financial statements.

Consolidated balance sheet and balance sheet (unaudited) (Continued)

As at 30 June 2012
(Expressed in Renminbi'000)

Item	Note	The Group		The Company	
		30 June 2012	31 December 2011	30 June 2012	31 December 2011
(restated)					
Shareholders' equity:					
Share capital	V. 34	6,771,084	6,771,084	6,771,084	6,771,084
Capital reserve	V. 35	6,440,528	4,603,133	6,233,221	4,400,536
Special reserves	V. 36	25,419	3,268	17,986	—
Surplus reserve	V. 37	1,547,510	1,547,510	1,547,510	1,547,510
Retained profits	V. 38	3,444,972	3,175,032	2,625,604	2,924,949
Total equity attributable to equity shareholders of the Company		18,229,513	16,100,027	17,195,405	15,644,079
Minority interests		7,740,990	7,541,855	—	—
Total shareholders' equity		25,970,503	23,641,882	17,195,405	15,644,079
Total liabilities and shareholders' equity		158,767,041	148,546,351	53,433,315	47,781,830

These financial statements were approved by the Board of Directors on 30 August 2012.

Yun Gongmin
Legal representative

Chen Cunlai
The person in charge
of accounting affairs

Wang Huiping
The head of the
accounting department

The notes on pages 58 to 189 form part of these financial statements.

Consolidated income statement and income statement (unaudited)

For the six months ended 30 June 2012

(Expressed in Renminbi'000)

Item	Note	The Group		The Company	
		Six months period ended 30 June		Six months period ended 30 June	
		2012	2011	2012	2011
Operating income	V. 39; X. 5	29,557,919	26,496,506	4,669,356	4,136,659
Less: Operating costs	V. 39; X. 5	25,637,415	24,370,695	4,136,341	3,994,564
Sales taxes and surcharges	V. 40	111,504	95,481	25,907	18,666
Administrative expenses	V. 41	847,230	736,311	200,772	181,781
Finance expenses	V. 42	3,150,766	2,247,121	939,250	591,084
Add: Investment income	V. 43; X. 6	404,782	918,613	325,415	998,146
Including: income from investment in associates		400,475	337,706	312,555	271,682
Operating profit / (loss)		215,786	(34,489)	(307,499)	348,710
Add: Non-operating income	V. 44	271,796	166,531	8,374	1,038
Less: Non-operating expenses	V. 45	7,182	6,810	220	1,278
Including: losses on disposal of non-current assets		266	11	189	—
Total profit / (loss)		480,400	125,232	(299,345)	348,470
Less: Income tax expenses	V. 46	99,267	31,078	—	4
Net profit / (loss)		381,133	94,154	(299,345)	348,466
Attributable to:					
Equity shareholders of the Company		269,940	118,908	(299,345)	348,466
Minority interests		111,193	(24,754)	—	—

The notes on pages 58 to 189 form part of these financial statements.

Consolidated income statement and income statement (unaudited) (Continued)

For the six months ended 30 June 2012

(Expressed in Renminbi'000)

Item	Note	The Group		The Company	
		Six months period ended 30 June		Six months period ended 30 June	
		2012	2011	2012	2011
Earnings per share (RMB):					
Basic earnings per share	V. 47	0.040	0.018	N/A	N/A
Diluted earnings per share	V. 47	0.040	0.018	N/A	N/A
Add: Other comprehensive income	V. 48	1,028	(2,344)	610	(2,418)
Total comprehensive income		382,161	91,810	(298,735)	346,048
Attributable to equity shareholders of the Company		270,945	116,653	(298,735)	346,048
Attributable to minority interests		111,216	(24,843)	—	—

These financial statements were approved by the Board of Directors on 30 August 2012.

Yun Gongmin
Legal representative

Chen Cunlin
The person in charge
of accounting affairs

Wang Huiping
The head of the
accounting department

The notes on pages 58 to 189 form part of these financial statements.

Consolidated cash flow statement and cash flow statement (unaudited)

For the six months ended 30 June 2012

(Expressed in Renminbi'000)

Item	Note	The Group		The Company	
		Six months period ended 30 June		Six months period ended 30 June	
		2012	2011	2012	2011
(restated)					
I. Cash flow from operating activities:					
Cash received from sale of goods and rendering of services		34,279,053	30,381,630	5,507,442	4,854,763
Refund of taxes		778	8,283	—	—
Cash received relating to other operating activities	V. 49(1)	196,366	170,199	46,196	39,750
Sub-total of cash inflow from operating activities		34,476,197	30,560,112	5,553,638	4,894,513
Cash paid for goods and services		(25,051,461)	(25,036,176)	(4,508,650)	(4,465,329)
Cash paid to and for employees		(1,168,234)	(1,046,048)	(275,195)	(255,567)
Cash paid for all types of taxes		(1,624,803)	(1,273,806)	(300,526)	(243,076)
Cash paid relating to other operating activities	V. 49(2)	(1,327,997)	(862,860)	(602,246)	(147,217)
Sub-total of cash outflow from operating activities		(29,172,495)	(28,218,890)	(5,686,617)	(5,111,189)
Net cash inflow from operating activities	V. 50(1); X. 7	5,303,702	2,341,222	(132,979)	(216,676)
II. Cash flow from investing activities:					
Cash received from disposal of investments		49,746	—	41,334	—
Cash received for the upfront connection and installation fees for heating networks		67,576	—	—	—
Cash received from return on investments		70,540	170,781	42,848	161,558
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		228,558	8,277	3,953	295
Cash received relating to other investing activities	V. 49(3)	155,378	92,082	17,527	59,940
Sub-total of cash inflow from investing activities		571,798	271,140	105,662	221,793

The notes on pages 58 to 189 form part of these financial statements.

Consolidated cash flow statement and cash flow statement (unaudited) (Continued)

For the six months ended 30 June 2012

(Expressed in Renminbi'000)

Item	Note	The Group		The Company	
		Six months period ended 30 June		Six months period ended 30 June	
		2012	2011	2012	2011
		(restated)			
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		(7,795,495)	(5,775,317)	(421,380)	(233,794)
Cash paid for acquisition of investments		(122,783)	(362,511)	(3,310,282)	(1,028,377)
Cash paid for acquisition of subsidiaries	V. 50(2)	(1,454,229)	(78,662)	(1,454,516)	(216,751)
Cash paid relating to other investing activities	V. 49(4)	(1,996)	—	—	(20,000)
Sub-total of cash outflow from investing activities		(9,374,503)	(6,216,490)	(5,186,178)	(1,498,922)
Net cash outflow from investing activities		(8,802,705)	(5,945,350)	(5,080,516)	(1,277,129)
III. Cash flow from financing activities:					
Cash received from investors		1,932,463	93,168	1,835,873	—
Including: cash received from minority shareholders of subsidiaries		96,590	93,168	—	—
Cash received from borrowings		43,545,904	32,465,276	25,272,072	12,592,415
Decrease in guarantee deposits of bank acceptance bills		264,226	11,555	—	—
Cash received relating to financing activities	V. 49(5)	402,995	494,349	500	31
Sub-total of cash inflow from financing activities		46,145,588	33,064,348	27,108,445	12,592,446

The notes on pages 58 to 189 form part of these financial statements.

Consolidated cash flow statement and cash flow statement (unaudited) (Continued)

For the six months ended 30 June 2012

(Expressed in Renminbi'000)

Item	Note	The Group		The Company	
		Six months period ended 30 June		Six months period ended 30 June	
		2012	2011	2012	2011
			(restated)		
Cash repayments of borrowings		(36,547,881)	(22,742,286)	(19,563,878)	(9,960,988)
Cash paid for dividends, profits distribution or interest		(3,425,073)	(2,561,764)	(786,770)	(567,324)
Including: dividends and profits paid to minority shareholders of subsidiaries		(6,473)	(9,595)	—	—
Increase in guarantee deposits of bank acceptance bills		(123,570)	(75,328)	—	—
Cash paid relating to other financing activities	V. 49(6)	(101,988)	(474,501)	(15,882)	(20,509)
Sub-total of cash outflow from financing activities		(40,198,512)	(25,853,879)	(20,366,530)	(10,548,821)
Net cash inflow from financing activities		5,947,076	7,210,469	6,741,915	2,043,625
IV. Net increase in cash and cash equivalents	V. 50(1); X. 7	2,448,073	3,606,341	1,528,420	549,820
Add: Cash and cash equivalents at the beginning of the period		2,111,725	1,240,089	421,704	156,819
V. Cash and cash equivalents at the end of the period		4,559,798	4,846,430	1,950,124	706,639

These financial statements were approved by the Board of Directors on 30 August 2012.

Yun Gongmin
Legal representative

Chen Cun Cari
The person in charge
of accounting affairs

Wong Huiping
The head of the
accounting department

The notes on pages 58 to 189 form part of these financial statements.

Consolidated statement of changes in equity (unaudited)

For the six months ended 30 June 2012

(Expressed in Renminbi'000)

Item	Note	For six months period ended 30 June 2012						
		Attributable to shareholders' equity of the Company					Minority interests	Total equity
		Share capital	Capital reserve	Specific reserve	Surplus reserve	Retained profits		
I. Balance at the end of previous year and the beginning of the period		6,771,084	4,607,401	3,268	1,547,510	3,175,032	7,541,855	23,646,150
Add: Adjustment of business combination involving an entity under common control		—	(4,268)	—	—	—	—	(4,268)
II. Balance at the beginning of the period (restated)		6,771,084	4,603,133	3,268	1,547,510	3,175,032	7,541,855	23,641,882
III. Changes in equity for the period								
1. Net profit		—	—	—	—	269,940	111,193	381,133
2. Other comprehensive income		—	1,005	—	—	—	23	1,028
Sub-total of 1&2		—	1,005	—	—	269,940	111,216	382,161
3. Shares issued		—	1,829,084	—	—	—	—	1,829,084
4. Capital contribution by the state	V. 35	—	6,500	—	—	—	—	6,500
5. Capital injection from minority shareholders to subsidiaries		—	—	—	—	—	96,590	96,590
6. Distribution to minority shareholders of subsidiaries		—	—	—	—	—	(9,420)	(9,420)
7. Appropriation for specific reserve for the period	V. 36	—	—	22,151	—	—	739	22,890
8. Other	V. 35	—	806	—	—	—	10	816
IV. Balance at the end of the period		6,771,084	6,440,528	25,419	1,547,510	3,444,972	7,740,990	25,970,503

The notes on pages 58 to 189 form part of these financial statements.

Consolidated statement of changes in equity (unaudited) (Continued)

For the six months ended 30 June 2012

(Expressed in Renminbi'000)

Item	For six months period ended 30 June 2011					
	Attributable to shareholders' equity of the Company					Total equity
	Share capital	Capital reserve	Surplus reserve	Retained profits	Minority interests	
I. Balance at the end of previous year	6,771,084	4,512,428	1,533,554	3,109,795	5,660,337	21,587,198
Add: Adjustment of business combination involving an entity under common control	—	10,000	—	—	—	10,000
II. Balance at the beginning of the period (restated)	6,771,084	4,522,428	1,533,554	3,109,795	5,660,337	21,597,198
III. Changes in equity for the period						
1. Net profit	—	—	—	118,908	(24,754)	94,154
2. Other comprehensive income	—	(2,255)	—	—	(89)	(2,344)
Sub-total of 1&2	—	(2,255)	—	118,908	(24,843)	91,810
3. Acquisition of subsidiaries	—	—	—	—	182,478	182,478
4. Acquisition of control over a jointly controlled entity	—	—	—	—	272,204	272,204
5. Capital injection from minority shareholders to subsidiaries	—	—	—	—	240,248	240,248
6. Distributions to shareholders of subsidiaries	—	—	—	—	(78,768)	(78,768)
7. Other	—	2,027	—	—	—	2,027
IV. Balance at the end of the period	6,771,084	4,522,200	1,533,554	3,228,703	6,251,656	22,307,197

These financial statements were approved by the Board of Directors on 30 August 2012.

Yun Gongmin
Legal representative

Chen Cunlai
The person in charge
of accounting affairs

Wang Huijing
The head of the
accounting department

The notes on pages 58 to 189 form part of these financial statements.

Statement of changes in equity (unaudited)

For the six months ended 30 June 2012

(Expressed in Renminbi'000)

Item	For six months period ended 30 June 2012					
	Share capital	Capital reserve	Specific reserve	Surplus reserve	Retained profits	Total equity
I. Balance at the end of previous year and the beginning of the period	6,771,084	4,400,536	—	1,547,510	2,924,949	15,644,079
II. Changes in equity for the period						
1. Net loss	—	—	—	—	(299,345)	(299,345)
2. Other comprehensive income	—	610	—	—	—	610
Sub-total of 1&2	—	610	—	—	(299,345)	(298,735)
3. Shares issued	—	1,829,084	—	—	—	1,829,084
4. Business combination involving an entity under common control	—	(4,268)	—	—	—	(4,268)
5. Appropriation for specific reserve for the period	—	—	17,986	—	—	17,986
6. Capital contribution by the state	—	6,500	—	—	—	6,500
7. Other	—	759	—	—	—	759
III. Balance at the end of the period	6,771,084	6,233,221	17,986	1,547,510	2,625,604	17,195,405

Item	For six months period ended 30 June 2011					
	Share capital	Capital reserve	Surplus reserve	Retained profits	Total equity	
I. Balance at the end of previous year and the beginning of the period	6,771,084	4,393,875	1,533,554	2,799,342	15,497,855	
II. Changes in equity for the period						
1. Net profit	—	—	—	348,466	348,466	
2. Other comprehensive income	—	(2,418)	—	—	(2,418)	
Sub-total of 1&2	—	(2,418)	—	348,466	346,048	
3. Other	—	2,033	—	—	2,033	
III. Balance at the end of the period	6,771,084	4,393,490	1,533,554	3,147,808	15,845,936	

These financial statements were approved by the Board of Directors on 30 August 2012.

Yun Gongmin
Legal representative

Chen Cunlai
The person in charge
of accounting affairs

Wang Huiping
The head of the
accounting department

The notes on pages 58 to 189 form part of these financial statements.

Notes to the financial statements (unaudited)

(Expressed in Renminbi'000 unless otherwise indicated)

I. COMPANY STATUS

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

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

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

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

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

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

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

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

Notes to the financial statements (unaudited) (Continued)

(Expressed in Renminbi'000 unless otherwise indicated)

I. COMPANY STATUS (CONTINUED)

In June 2012, the Company started a non-public offering to target subscribers to issue 600,000,000 A shares with a nominal value of RMB1 each, and all the net proceeds of this offering are received from target subscribers on 28 June 2012. The non-public offering was completed at 4 July 2012, therefore as at 30 June 2012, as the listed shares of the Company was still 6,771,084,000. As on the reporting date, the Company have not obtained the new business licence with updated registered capital yet.

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

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

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

1 Basis of preparation

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

2 Statement of compliance

The financial statements have been prepared in accordance with the requirements of "Accounting Standards for Business Enterprises - Basic Standard" and 38 Specific Standards issued by the Ministry of Finance (MOF) of the People's Republic of China (PRC) on 15 February 2006, and application guidance, bulletins and other relevant accounting regulations issued subsequently (collectively referred to as "Accounting Standards for Business Enterprises" or "CAS"). These financial statements present truly and completely the consolidated financial position and financial position of the Company as at 30 June 2012, and the consolidated financial performance and financial performance and the consolidated cash flows and cash flows of the Company for the period then ended.

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

3 Accounting period

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

4 Functional currency

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

Notes to the financial statements (unaudited) (Continued)

(Expressed in Renminbi'000 unless otherwise indicated)

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

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

(1) Business combinations involving enterprises under common control

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

(2) Business combinations involving enterprises not under common control

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

Notes to the financial statements (unaudited) (Continued)

(Expressed in Renminbi'000 unless otherwise indicated)

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

6 Preparation of consolidated financial statements

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

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

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

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

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

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

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

Notes to the financial statements (unaudited) (Continued)

(Expressed in Renminbi'000 unless otherwise indicated)

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

6 Preparation of consolidated financial statements (continued)

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

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

7 Cash and Cash equivalents

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

8 Translation of foreign currency transactions

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

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

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

Notes to the financial statements (unaudited) (Continued)

(Expressed in Renminbi'000 unless otherwise indicated)

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

9 Financial instruments

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

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

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

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

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

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

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

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

- Receivables

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

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

- Held-to-maturity investments

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

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

Notes to the financial statements (unaudited) (Continued)

(Expressed in Renminbi'000 unless otherwise indicated)

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

9 Financial instruments (continued)

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

— Available-for-sale financial assets

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

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

— Other financial liabilities

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

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

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

Notes to the financial statements (unaudited) (Continued)

(Expressed in Renminbi'000 unless otherwise indicated)

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

9 Financial instruments (continued)

(2) Presentation of financial assets and financial liabilities

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

- the Group has a legal right to set off the recognised amounts and the legal right is currently enforceable;
- the Group intends either to settle on a net basis, or to realise the financial asset and settle the financial liability simultaneously.

(3) Determination of fair values

If there is an active market for a financial asset or financial liability, the quoted price in the active market is used to establish the fair value of the financial asset or financial liability.

If no active market exists for a financial instrument, a valuation technique is used to establish the fair value. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis, etc. The Group calibrates the valuation technique and tests it for validity periodically.

(4) Derecognition of financial assets and financial liabilities

A financial asset is derecognised if the Group's contractual rights to the cash flows from the financial asset expire or if the Group transfers substantially all the risks and rewards of ownership of the financial asset to another party.

Where a transfer of a financial asset in its entirety meets the criteria of the derecognition, the difference between the two amounts below is recognised in profit or loss:

- the carrying amount of the financial asset transferred
- the sum of the consideration received from the transfer and any cumulative gain or loss that has been recognised directly in equity.

The Group derecognises a financial liability (or part of it) only when the underlying present obligation (or part of it) is discharged, cancelled or expires.

Notes to the financial statements (unaudited) (Continued)

(Expressed in Renminbi'000 unless otherwise indicated)

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

9 Financial instruments (continued)

(5) Impairment of financial assets

The carrying amounts of financial assets (other than those at fair value through profit or loss) are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such evidence exists, impairment loss is provided.

Objective evidence that a financial asset is impaired includes but is not limited to:

- (a) significant financial difficulty of the issuer or obligor;
- (b) a breach of contract, such as a default or delinquency in interest or principal payments;
- (c) it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- (d) the disappearance of an active market for that financial asset because of financial difficulties faced by the issuer;
- (e) significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the obligor operates, and indicates that the cost of an investment in an equity instrument may not be recovered;
- (f) a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

For the calculation method of impairment of receivables, refer to Note II. 10. The impairment of other financial assets is measured as follows:

— Held-to-maturity investments

Held-to-maturity investments are assessed for impairment on an individual basis. An impairment loss in respect of a held-to-maturity investment is calculated as the excess of its carrying amount over the present value of the estimated future cash flows (exclusive of future credit losses that have not been incurred) discounted at the original effective interest rate. All impairment losses are recognised in profit or loss.

If, after an impairment loss has been recognised on held-to-maturity investments, there is objective evidence of a recovery in value of the financial asset which can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss. A reversal of an impairment loss will not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

Notes to the financial statements (unaudited) (Continued)

(Expressed in Renminbi'000 unless otherwise indicated)

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

9 *Financial instruments (continued)*

(5) Impairment of financial assets (continued)

— Available-for-sale financial assets

Available-for-sale financial assets are assessed for impairment on an individual basis. When an available-for-sale financial asset is impaired, the cumulative loss arising from decline in fair value that has been recognised directly in shareholders' equity is reclassified to profit or loss even though the financial asset has not been derecognised.

If, after an impairment loss has been recognised on an available-for-sale debt instrument, the fair value of the debt instrument increases in a subsequent period and the increase can be objectively related to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. An impairment loss recognised for an investment in an equity instrument classified as available-for-sale is not reversed through profit or loss.

(6) Equity instrument

An equity instrument is a contract that proves the ownership interest of the assets after deducting all liabilities in the Company.

The consideration received from the issuance of equity instruments net of transaction costs is recognised in shareholders' equity.

10 *Impairment of receivables*

Receivables are assessed for impairment both on an individual basis and on a collective group basis.

Where impairment is assessed on an individual basis, an impairment loss in respect of a receivable is calculated as the excess of its carrying amount over the present value of the estimated future cash flows (exclusive of future credit losses that have not been incurred) discounted at the original effective interest rate. All impairment losses are recognised in profit or loss.

The assessment is made collectively where receivables share similar credit risk characteristics (including those having not been individually assessed as impaired), based on their historical loss experiences, and adjusted by the observable factors reflecting present economic conditions.

If, after an impairment loss has been recognised on receivables, there is objective evidence of a recovery in value of the financial asset which can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss. A reversal of an impairment loss will not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

Notes to the financial statements (unaudited) (Continued)

(Expressed in Renminbi'000 unless otherwise indicated)

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

11 Inventories

(1) Classification

Inventories include coal, fuel oil, stalk, materials, components and spare parts.

(2) Cost of inventories

Cost of inventories is calculated using the weighted average method.

(3) Basis for determining the net realisable value of inventories and provision methods for decline in value of inventories

Inventories are initially measured at cost. Cost of inventories comprises all costs of purchase, costs of conversion and other expenditures incurred in bringing the inventories to their present location and condition.

At the balance sheet date, inventories are carried at the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the normal course of business less the estimated costs to completion and the estimated expenses and related taxes necessary to make the sale. The net realisable value of materials held for use in the production of inventories is measured based on the net realisable value of the finished goods in which they will be incorporated. The net realisable value of the quantity of inventory held to satisfy sales contracts is based on the contract price. If the quantities of inventories specified in sales contracts are less than the quantities held by the Group, the net realisable value of the excess portion of inventories shall be based on general selling prices.

Any excess of the cost over the net realisable value of each category of inventories is recognised as a provision for diminution in the value of inventories, and is recognised in profit or loss.

(4) Inventory system

The Group maintains a perpetual inventory system.

(5) Amortisation of low-value consumables

Low-value consumables is amortised in full when received for use. The amounts of the amortisation are included in the cost of the related assets or profit or loss.

Notes to the financial statements (unaudited) (Continued)

(Expressed in Renminbi'000 unless otherwise indicated)

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

12 Long-term equity investments

- (1) Investment cost
- (a) Long-term equity investments acquired through a business combination
- The initial investment cost of a long-term equity investment obtained through a business combination involving enterprises under common control is the Company's share of the carrying amount of the subsidiary's equity at the combination date. The difference between the initial investment cost and the carrying amount of the consideration given is adjusted to share premium in capital reserve. If the balance of the share premium is insufficient, any excess is adjusted to retained earnings.
 - For a long-term equity investment obtained through a business combination not involving enterprises under common control, the initial investment cost comprises the aggregate of the fair value of assets transferred and liabilities incurred or assumed by the Company, in exchange for control of the acquiree. For a long-term equity investment obtained through a business combination not involving enterprises under common control and achieved in stages, the initial cost comprises the carrying value of previously-held equity investment in the acquiree immediately before the acquisition date, and additional investment cost at the acquisition date.
- (b) Long-term equity investments acquired otherwise than through a business combination
- A long-term equity investment acquired otherwise than through a business combination is initially recognised at the actual consideration paid if the Group acquires the investment by cash.
- (2) Subsequent measurement
- (a) Investments in subsidiaries

In the Company's separate financial statements, long-term equity investments in subsidiaries are accounted for using the cost method for subsequent measurement. Except for cash dividends or profit distributions declared but not yet distributed that have been included in the price or consideration paid in obtaining the investments, the Company recognises its share of the cash dividends or profit distributions declared by the investee as investment income irrespective of whether these represent the net profit realised by the investee before or after the investment.

The investments in subsidiaries are stated in the balance sheet at cost less accumulated impairment losses.

In the Group's consolidated financial statements, investments in subsidiaries are accounted for in accordance with the principles described in Note II. 6.

Notes to the financial statements (unaudited) (Continued)

(Expressed in Renminbi'000 unless otherwise indicated)

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

12 Long-term equity investments (continued)

(2) Subsequent measurement (continued)

(b) Investment in associates

An associate is an enterprise over which the Group has significant influence (see Note II. 12(3)).

An investment in an associate is accounted for using the equity method for subsequent measurement.

The Group makes the following accounting treatments when using the equity method:

- Where the initial investment cost of a long-term equity investment exceeds the Group's interest in the fair value of the investee's identifiable net assets at the date of acquisition, the investment is initially recognised at the initial investment cost. Where the initial investment cost is less than the Group's interest in the fair value of the investee's identifiable net assets at the date of acquisition, the investment is initially recognised at the investor's share of the fair value of the investee's identifiable net assets, and the difference is charged to profit or loss.
- After the acquisition of the investment, the Group recognises its share of the investee's profit or loss, as investment income or losses, and adjusts the carrying amount of the investment accordingly. Once the investee declares any cash dividends or profit distributions, the carrying amount of the investment is reduced by that amount attributable to the Group.

The Group recognises its share of the investee's net profits or losses after making appropriate adjustments to align the accounting policies or accounting periods with those of the Group based on the fair value of the investee's identifiable net assets at the date of acquisition. Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses resulting from transactions between the Group and its associates are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Notes to the financial statements (unaudited) (Continued)

(Expressed in Renminbi'000 unless otherwise indicated)

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

12 Long-term equity investments (continued)

(2) Subsequent measurement (continued)

(b) Investment in associates (continued)

- The Group discontinues recognising its share of net losses of the investee after the carrying amount of the long-term equity investment and any long-term interest that in substance forms part of the Group's net investment in the associate is reduced to zero, except to the extent that the Group has an obligation to assume additional losses. Where net profits are subsequently made by the associate, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.
- When the Group's interest in an associate is reduced resulting from partly disposal or a dilution (while maintaining the original significant influence and continuing using equity method to account for the associate), the Group recognises a dilution gain or loss in profit or loss which is equivalent to the difference between the carrying amounts of the investment in the associate, immediately before and after the transaction that resulted in the dilution. The carrying amount of the investment in the associate after the transaction is determined by multiplying the new (reduced) ownership interest in the associate by the amount of net assets after the transaction. The reduction of the equity interests is regarded as a disposal of the interest in that associate.
- The Group adjusts the carrying amount of the long-term equity investment for changes in owners' equity of the investee other than those arising from net profits or losses, and recognises the corresponding adjustment in shareholders' equity.

(c) Other long-term equity investments

Other long-term equity investments refer to investments where the Group does not have control, joint control or significant influence over the investees, and the investments are not quoted in an active market and their fair value cannot be reliably measured.

Other long-term equity investments are accounted for subsequently using the cost method for subsequent measurement. Except for cash dividends or profit distributions declared but not yet distributed that have been included in the price or consideration paid in obtaining the investments, the Company recognises its share of the cash dividends or profit distributions declared by the investee as investment income irrespective of whether these represent the net profit realised by the investee before or after the investment.

Notes to the financial statements (unaudited) (Continued)

(Expressed in Renminbi'000 unless otherwise indicated)

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

12 Long-term equity investments (continued)

- (3) Basis for determining the existence of joint control or significant influence over an investee

Joint control is the contractual agreed sharing of control over an investee's economic activity, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing the control. The following evidence are usually considered when assessing whether the Group can exercise joint control over an investee:

- Whether no single investor is in a position to control the investee's operating activities unilaterally;
- Whether strategic decisions relating to the investee's main operating activities require the unanimous consent of all investors;
- If one investor is appointed, through contract or agreement by all investors, to manage the investee's daily activities, whether this investor must act within the financial and operating policies that have been agreed upon by all investors.

Significant influence is the power to participate in the financial and operating policy decisions of an investee but does not have control or joint control over those policies. The following one or more evidences are considered usually when assessing whether the Group can exercise significant influence over an investee:

- Whether the Group has representation on the board of directors or equivalent governing body of the investee
- Whether the Group participates in the policy-making processes of the investee
- Whether the Group has material transactions with the investee
- Whether the Group dispatches management personnel to the investee
- Whether the Group provides essential technical information to the investee.

- (4) Method of impairment testing and measuring

For the method of impairment testing and measuring for subsidiaries, jointly controlled entities and associates, refer to Note II. 18.

For other long-term equity investments, the carrying amount is tested for impairment at the balance sheet date. If there is objective evidence that the investment may be impaired, the impairment is assessed on an individual basis. The impairment loss is measured as the amount by which the carrying amount of the investment exceeds the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset and recognised in profit or loss. Such impairment loss is not reversed.

Other long-term equity investments are stated at cost less accumulated impairment.

Notes to the financial statements (unaudited) (Continued)

(Expressed in Renminbi'000 unless otherwise indicated)

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

13 Fixed assets

(1) Recognition

Fixed assets represent the tangible assets held by the Group for use in the production of electricity, heat and for other operation or administrative purposes with useful lives over one year.

The cost of a purchased fixed asset comprises the purchase price, related taxes, and any directly attributable expenditure for bringing the asset to working condition for its intended use. The cost of self-constructed assets is measured in accordance with the policy set out in Note II.14. Costs of environmental protection and ecological restoration arising from obligations incurred when fixed assets are disposed of are included in the initial cost of fixed assets.

Where parts of an item of fixed assets have different useful lives or provide benefits to the Group in a different pattern thus necessitating use of different depreciation rates or methods, each part is recognised as a separate fixed asset.

The subsequent costs including the cost of replacing part of an item of fixed assets are recognised in the carrying amount of the item if the recognition criteria are satisfied, and the carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of fixed assets are recognised in profit or loss as incurred.

Fixed assets are stated in the balance sheet at cost less accumulated depreciation and impairment losses.

(2) Depreciation

Other than mining structures which are depreciated on a units-of-production method, fixed assets are depreciated using the straight-line method over their estimated useful lives at cost less estimated residual value and impairment losses. The depreciation period, residual value rate and depreciation rate of each class of fixed assets are as follows:

Classes	Estimated useful life (years)	Residual value rate (%)	Depreciation rate (%)
Plants and buildings	20-45	3-5	2.1-4.9
Generators	5-20	3-5	4.8-19.4
Others	5-10	3-5	9.5-19.4

Useful lives, estimated residual values and depreciation methods are reviewed at least each year-end.

Notes to the financial statements (unaudited) (Continued)

(Expressed in Renminbi'000 unless otherwise indicated)

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

13 Fixed assets(continued)

- (3) For the method of impairment testing and measuring, refer to Note II. 18.
- (4) Recognition and measurement of fixed assets acquired under finance leases

For the recognition and measurement of fixed assets acquired under finance leases, refer to the accounting policy set out in Note II.25 (2)

- (5) Disposal

The carrying amount of a fixed asset shall be derecognised:

- on disposal; or
- when no future economic benefits are expected to be generated from its use or disposal.

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

14 Construction in progress

The cost of self-constructed assets includes the cost of materials, direct labour, capitalised borrowing costs (see Note II. 15), and any other costs directly attributable to bringing the asset to working condition for its intended use.

A self-constructed asset is included construction in progress before it is transferred to fixed asset when it is ready for its intended use. No depreciation is provided against construction in progress.

Construction in progress is stated in the balance sheet at cost less impairment losses (see Note II. 18).

Construction in progress mainly includes construction of generators, plants and buildings, environmental and technical improvement projects.

Notes to the financial statements (unaudited) (Continued)

(Expressed in Renminbi'000 unless otherwise indicated)

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

15 Borrowing costs

Borrowing costs incurred directly attributable to the acquisition, construction of a qualifying asset are capitalised as part of the cost of the asset.

Except for the above, other borrowing costs are recognised as financial expenses in the income statement when incurred.

During the capitalisation period, the amount of interest (including amortisation of any discount or premium on borrowing) to be capitalised in each accounting period is determined as follows:

- Where funds are borrowed specifically for the acquisition, construction of a qualifying asset, the amount of interest to be capitalised is the interest expense calculated using effective interest rates during the period less any interest income earned from depositing the borrowed funds or any investment income on the temporary investment of those funds before being used on the asset.
- Where funds are borrowed generally and used for the acquisition, construction of a qualifying asset, the amount of interest to be capitalised on such borrowings is determined by applying a capitalisation rate to the weighted average of the excess amounts of cumulative expenditures on the asset over the above amounts of specific borrowings. The capitalisation rate is the weighted average of the interest rates applicable to the general-purpose borrowings.

The effective interest rate is determined as the rate that exactly discounts estimated future cash flow through the expected life of the borrowing or, when appropriate, a shorter period to the initially recognised amount of the borrowings.

During the capitalisation period, exchange differences related to the principal and interest on a specific-purpose borrowing denominated in foreign currency are capitalised as part of the cost of the qualifying asset. The exchange differences related to the principal and interest on foreign currency borrowings other than a specific-purpose borrowing are recognised as a financial expense in the period in which they are incurred.

The capitalisation period is the period from the date of commencement of capitalisation of borrowing costs to the date of cessation of capitalisation, excluding any period over which capitalisation is suspended. Capitalisation of borrowing costs commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities of acquisition, construction that are necessary to prepare the asset for its intended use are in progress, and ceases when the assets become ready for their intended use. Capitalisation of borrowing costs is suspended when the acquisition, construction activities are interrupted abnormally and the interruption lasts for more than three months.

Notes to the financial statements (unaudited) (Continued)

(Expressed in Renminbi'000 unless otherwise indicated)

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

16 Intangible assets

Intangible assets are stated in the balance sheet at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see Note II. 18). For an intangible asset with finite useful life, its cost less estimated residual value and accumulated impairment loss is amortised on the straight-line method over its estimated useful life, except mining rights are amortised using units-of-production method according to the proved coal reserves. The amortisation periods of each class of intangible assets are as follows:

Classes	Amortisation period (years)
Land use rights	10-70
Sea use right	50
Concession assets	25
Development right of hydropower	45
Others	5-10

Concession assets are intangible assets recognized by the Group according to concession agreements to operate wind power plants, which was signed with each grantor. Concession assets are measured at actual cost incurred. Actual cost includes payment in the process of construction of a concession asset, which considering the contract agreement, and capitalised borrowing costs incurred before the asset become ready for its intended use. Concession assets are amortised over the residual concession period from the date when the assets are ready for its intended use.

An intangible asset is regarded as having an indefinite useful life and is not amortised when there is no foreseeable limit to the period over which the asset is expected to generate economic benefits for the Group. The Group will reassess the useful lives of intangible assets with indefinite useful lives in each accounting period. If there is evidence indicating that the useful life of that intangible asset is finite, the Group will estimate its useful life and account for it in accordance with the same policy as intangible assets with finite useful lives described above.

The Group's expenditures on the internal research are recognised in profit or loss when incurred.

17 Goodwill

The initial cost of goodwill represents the excess of cost of acquisition over the acquirer's interest in the fair value of the identifiable net assets of the acquiree under the business combination involving enterprises not under common control.

Goodwill is not amortised and is stated in the balance sheet at cost less accumulated impairment losses (see Note II. 18). On disposal of an asset group or a set of asset groups, any attributable amount of purchased goodwill is written off and included in the calculation of the profit or loss on disposal.

Notes to the financial statements (unaudited) (Continued)

(Expressed in Renminbi'000 unless otherwise indicated)

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

18 Impairment of assets other than inventories, financial assets and other long-term investments

The carrying amounts of the following assets are reviewed at each balance sheet date based on the internal and external sources of information to determine whether there is any indication of impairment:

- fixed assets
- construction in progress
- construction materials
- construction and construction material prepayments
- intangible assets
- long-term equity investments in subsidiaries and associates
- goodwill
- other non-current assets

If any indication exists that an asset may be impaired, the recoverable amount of the asset is estimated. In addition, the Group estimates the recoverable amounts of goodwill and intangible assets with indefinite useful lives at no later than each year-end, irrespective of whether there is any indication of impairment or not. Goodwill is allocated to each asset group or set of asset groups, which is expected to benefit from the synergies of the combination for the purpose of impairment testing.

The recoverable amount of an asset, asset group or set of asset groups is the higher of its fair value less costs to sell and its present value of expected future cash flows.

An asset group is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or asset groups. An asset group is composed of assets directly relating to cash-generation. Identification of an asset group is based on whether major cash inflows generated by the asset group are largely independent of the cash inflows from other assets or asset groups. In identifying an asset group, the Group also considers how management monitors the Group's operations and how management makes decisions about continuing or disposing of the Group's assets.

An asset's fair value less costs to sell is the amount determined by the price of a sale agreement in an arm's length transaction, less the costs that are directly attributable to the disposal of the asset. The present value of expected future cash flows of an asset is determined by discounting the future cash flows, estimated to be derived from continuing use of the asset and from its ultimate disposal, to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Notes to the financial statements (unaudited) (Continued)

(Expressed in Renminbi'000 unless otherwise indicated)

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

18 Impairment of assets other than inventories, financial assets and other long-term investments (continued)

If the result of the recoverable amount calculation indicates the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is recognised as an impairment loss and charged to profit or loss for the current period. A provision for impairment loss of the asset is recognised accordingly. For impairment losses related to an asset group or a set of asset groups, first reduce the carrying amount of any goodwill allocated to the asset group or set of asset groups, and then reduce the carrying amount of the other assets in the asset group or set of asset groups on a pro rata basis. However, the carrying amount of an impaired asset will not be reduced below the highest of its individual fair value less costs to sell (if determinable), the present value of expected future cash flows (if determinable) and zero.

Once an impairment loss is recognised, it is not reversed in a subsequent period.

19 Provisions

A provision is recognised for an obligation related to a contingency if the Group has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Where the effect of time value of money is material, provisions are determined by discounting the expected future cash flows.

20 Revenue recognition

Revenue is the gross inflow of economic benefit arising in the course of the Group's ordinary activities when the inflows result in increase in shareholder's equity, other than increase relating to contributions from shareholders. Revenue is recognised in profit or loss when it is probable that the economic benefits will flow to the Group, the revenue and costs can be measured reliably and the following respective conditions are met:

(1) Sale of electricity

Revenue from sale of electricity is recognised when electricity is supplied to the respective grid companies where the power plants are located.

(2) Sale of heat

Revenue from sale of heat is recognised when heat is supplied to customers.

(3) Sale of coal

Revenue from sale of coal is recognised when the significant risks and rewards of ownership of goods have been transferred to the buyer.

Notes to the financial statements (unaudited) (Continued)

(Expressed in Renminbi'000 unless otherwise indicated)

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

20 Revenue recognition (continued)

(4) Interest income

Interest income is recognised on a time proportion basis with reference to the principal outstanding and the applicable effective interest rate.

(5) Dividend income

Dividend income from unlisted investments, which are accounted for using the cost method, is recognised when the shareholder's right to receive payment is established. Dividend income from listed investments (not including investments in jointly controlled entities and associates) is recognised when the share price of the investment goes ex-dividend.

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

The Group registered wind power projects generated from the wind farm as Clean Development Mechanism ("CDM") projects with CDM Executive Board ("CDM EB") of the United Nations under the Kyoto Protocol. The Group sells verified carbon credits generated from wind power. Revenue in relation to the CERs is recognised when following conditions are met:

- CDM project has obtained the approval from the National Development and Reform Commission and registered as CDM project verified by the United Nations;
- the counterparties have committed to purchase the Certified Emission Reductions and the sales prices have been agreed;
- relevant electricity has been generated.

21 Employee benefits

Employee benefits are all forms of considerations given and other relevant expenditures incurred in exchange for services rendered by employees. Except for termination benefits, employee benefits are recognised as a liability in the period in which the associated services are rendered by employees, with a corresponding increase in cost of relevant assets or expenses in the current period.

(1) Social insurance and housing fund and supplementary pension insurance

Pursuant to the relevant laws and regulations of the PRC, employees of the Group participate in the social insurance system established and managed by government organisations. The Group makes social insurance contributions, including contributions to basic pension insurance, basic medical insurance, unemployment insurance, work-related injury insurance, maternity insurance etc., as well as contributions to housing fund, at the applicable benchmarks and rates stipulated by the government for the benefit of its employees. In addition, the Group has joined a supplementary pension insurance managed by China Huadian. The social insurance and housing fund contributions are recognised as part of the cost of assets or charged to profit or loss on an accrual basis. Except for the above contributions, the Group does not have any other obligations in this respect.

Notes to the financial statements (unaudited) (Continued)

(Expressed in Renminbi'000 unless otherwise indicated)

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

21 Employee benefits (continued)

(2) Termination benefits

When the Group terminates the employment relationship with employees before the employment contracts have expired, or provides compensation as an offer to encourage employees to accept voluntary redundancy, a provision for the termination benefits provided, is recognised in profit or loss when both of the following conditions have been satisfied:

- The Group has a formal plan for the termination of employment or has made an offer to employees for voluntary redundancy, which will be implemented shortly;
- The Group is not allowed to withdraw from termination plan or redundancy offer unilaterally.

22 Government grants

Government grants are transfers of monetary assets or non-monetary assets from the government to the Group at no consideration except for any capital contribution from the government as an investor in the Group. Special funds such as investment grants allocated by the government, if clearly defined in official documents as part of “capital reserve” are dealt with as capital contributions, and not regarded as government grants.

A government grant is recognised when there is reasonable assurance that the grant will be received and that the Group will comply with the conditions attaching to the grant.

If a government grant is in the form of a transfer of a monetary asset, it is measured at the amount that is received or receivable. If a government grant is in the form of a transfer of a non-monetary asset, it is measured at its fair value.

A government grant related to an asset is recognised initially as deferred income and amortised to profit or loss on a straight-line basis over the useful life of the asset. A grant that compensates the Group for expenses to be incurred in the subsequent periods is recognised initially as deferred income and recognised in profit or loss in the same periods in which the expenses are recognised. A grant that compensates the Group for expenses incurred is recognised in profit or loss immediately.

23 Production maintenance and production safety

Pursuant to the relevant regulations of the related government authorities in the PRC, provision for production maintenance, production safety and other related expenditures is accrued by the Group based on coal production volume for mining production maintenance, equipment improvement expenditure, coal production and safety expenditure of mining structure. Provision for maintenance and production funds is recognized as expense in profit or loss and separately recorded as a specific reserve. On utilisation of the specific reserve for expense expenditure in accordance with the stipulated scope, the amount utilised would be reversed from the specific reserve. On utilisation of the specific reserve for fixed assets incremental in accordance with the stipulated scope, the amount utilised would be reversed from the specific reserve and full amount of depreciation is recognised at the same time when the cost of the relevant assets is recorded. And no depreciation will be provided after the initial recognition of the related fixed assets.

Notes to the financial statements (unaudited) (Continued)

(Expressed in Renminbi'000 unless otherwise indicated)

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

24 Income tax

Current tax and deferred tax are recognised in profit or loss except to the extent that they relate to a business combination or items recognised directly in equity (including other comprehensive income).

Current tax is the expected tax payable calculated at the applicable tax rate on taxable income for the year, plus any adjustment to tax payable in respect of previous years.

At the balance sheet date, current tax assets and liabilities are offset if the Group has a legally enforceable right to set them off and also intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases, which include the deductible losses and tax credits carry forward to subsequent periods. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax is not recognised for the temporary differences arising from the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting profit nor taxable profit (or tax loss). Deferred tax is not recognised for taxable temporary differences arising from the initial recognition of goodwill.

At the balance sheet date, the amount of deferred tax recognised is measured based on the expected manner of recovery or settlement of the carrying amount of the assets and liabilities, using tax rates that are expected to be applied in the period when the asset is recovered or the liability is settled in accordance with tax laws.

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

At the balance sheet date, deferred tax assets and liabilities are offset if all the following conditions are met:

- the taxable entity has a legally enforceable right to set off current tax assets against current tax liabilities, and
- they relate to income taxes levied by the same tax authority on either the same taxable entity or different taxable entities which either to intend to settle the current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Notes to the financial statements (unaudited) (Continued)

(Expressed in Renminbi'000 unless otherwise indicated)

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

25 Operating leases and finance leases

A lease is classified as either a finance lease or an operating lease. A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of a leased asset to the lessee, irrespective of whether the legal title to the asset is eventually transferred. An operating lease is a lease other than a finance lease.

(1) Operating lease charges

Rental payments under operating leases are recognised as part of the cost of another related asset or as expenses on a straight-line basis over the lease term.

(2) Assets acquired under finance leases

When the Group acquires an asset under a finance lease, the asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments, each determined at the inception of the lease. At the commencement of the lease term, the minimum lease payments are recorded as long-term payables. The difference between the value of the leased assets and the minimum lease payments is recognised as unrecognised finance charges. Initial direct costs that are attributable to a finance lease incurred by the Group are added to the amounts recognised for the leased asset. Depreciation and impairment losses are accounted for in accordance with the accounting policies described in Notes II.13(2) and II.18, respectively.

If there is reasonable certainty that the Group will obtain ownership of a leased asset at the end of the lease term, the leased asset is depreciated over its estimated useful life. Otherwise, the leased asset is depreciated over the shorter of the lease term and its estimated useful life.

Unrecognised finance charge under finance lease is amortised using an effective interest method over the lease term. The amortisation is accounted for in accordance with the principles of borrowing costs (see Note II.15).

At the balance sheet date, long-term payables arising from finance leases, net of the unrecognised finance charges, are presented as non-current liabilities or non-current liabilities due within one year, respectively, in the balance sheet.

(3) Sales and leaseback transaction resulting in finance lease

The risks and rewards incidental to ownership of a leased asset do not transfer for the Group if the sales and leaseback transaction resulting in finance lease. Any excess of sales proceeds over the carrying amount of the assets is deferred and accounted for "defer income" or "other non-current assets". The excess was amortized as an adjustment to the depreciation of the assets along with the depreciation of the leased assets.

26 Dividends appropriated to investors

Dividends or distributions of profits proposed in the profit appropriation plan which will be authorised and declared after the balance sheet date, are not recognised as a liability at the balance sheet date but disclosed in the notes separately.

Notes to the financial statements (unaudited) (Continued)

(Expressed in Renminbi'000 unless otherwise indicated)

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

27 Related parties

If a party has the power to control, jointly control or exercise significant influence over another party, or vice versa, or where two or more parties are subject to common control or joint control from another party, they are considered to be related parties. Related parties may be individuals or enterprises. Enterprises with which the Company is under common control only from the State and that have no other related party relationships are not regarded as related parties of the Group. Related parties of the Group and the Company include, but are not limited to:

- (a) the Company's parent;
- (b) the Company's subsidiaries;
- (c) enterprises that are controlled by the Company's parent;
- (d) investors that have joint control or exercise significant influence over the Group;
- (e) enterprises or individuals if a party has control or joint control over both the enterprises or individuals and the Group;
- (f) joint ventures of the Group, including subsidiaries of joint ventures;
- (g) associates of the Group, including subsidiaries of associates;
- (h) principal individual investors and close family members of such individuals;
- (i) key management personnel of the Group and close family members of such individuals;
- (j) key management personnel of the Company's parent;
- (k) close family members of key management personnel of the Company's parent; and
- (l) other enterprises that are controlled or jointly controlled by principal individual investors, key management personnel of the Group, and close family members of such individuals.

Notes to the financial statements (unaudited) (Continued)

(Expressed in Renminbi'000 unless otherwise indicated)

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

27 Related parties (continued)

Besides the related parties stated above, which are determined in accordance with the requirements of CAS, the following enterprises or individuals (but not limited to) are considered as related parties based on the disclosure requirements of Administrative Procedures on the Information Disclosures of Listed Companies issued by the CSRC:

- (m) enterprises, or persons that act in concert, that hold 5% or more of the Company's shares;
- (n) individuals who directly or indirectly hold more than 5% of the Company's shares and their close family members, supervisors of the listed companies and their close family members;
- (o) enterprises that satisfy any of the aforesaid conditions in (a), (c) and (m) during the past 12 months or will satisfy them within the next 12 months pursuant to a relevant agreement;
- (p) individuals who satisfy any of the aforesaid conditions in (i), (j) and (n) during the past 12 months or will satisfy them within the next 12 months pursuant to a relevant agreement; and
- (q) enterprises, other than the Company and subsidiaries controlled by the Company, which are controlled directly or indirectly by an individual defined in (i), (j), (n) and (p), or in which such an individual assumes the position of a director or senior executive.

28 Segment reporting

Reportable segments are identified based on operating segments which are determined based on the structure of the Group's internal organisation, management requirements and internal reporting system. An operating segment is a component of the Group:

- it may earn revenues and incur expense from business activities;
- its operating results are regularly reviewed by the Group's management to make decisions about resource to be allocated to the segment and assess its performance;
- its financial information regarding financial position, results of operations and cash flows is available.

Notes to the financial statements (unaudited) (Continued)

(Expressed in Renminbi'000 unless otherwise indicated)

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

28 Segment reporting (continued)

Two or more operating segments may be aggregated into a single operating segment if the segments have similar economic characteristics and are same or similar in respect of:

- the nature of each products and services;
- the nature of production processes;
- the type or class of customers for the products and services;
- the methods used to distribute the products or provide the services;
- the nature of the regulatory environment.

Inter-segment revenues are measured on the basis of actual transaction price for such transactions for segment reporting, and segment accounting policies are consistent with those for the consolidated financial statements.

29 Significant accounting estimates and judgments

The preparation of financial statements requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Note V. 15 and IX. 2 contain information about the assumptions and their risk factors relating to impairment of goodwill and fair value of financial instruments. Other key sources of estimation uncertainty are as follows:

(1) Impairment of receivables

As described in Note II. 10, receivables that are measured at amortised cost are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such evidence exists, an impairment loss is recognised. Objective evidence of impairment includes observable data that comes to the attention of the Group about loss events such as a significant decline in the estimated future cash flow of an individual debtor or the portfolio of debtors, and significant changes in the financial condition that have an adverse effect on the debtor. If there is objective evidence of a recovery in value of receivables which can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed.

Notes to the financial statements (unaudited) (Continued)

(Expressed in Renminbi'000 unless otherwise indicated)

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

29 Significant accounting estimates and judgments (continued)

- (2) Impairment of other assets other than inventories, financial assets and other long-term equity investments

As described in Note II. 18, other assets other than inventories, financial assets and other long-term equity investments are reviewed at each balance sheet date to determine whether the carrying amount exceeds the recoverable amount of the assets. If any such indication exists, impairment loss is recognised.

The recoverable amount of an asset (or an asset group) is the greater of its fair value less costs to sell and its present value of expected future cash flows. Since a market price of the asset (or the asset group) cannot be obtained reliably, the fair value of the asset cannot be estimated reliably. In assessing value in use, significant judgements are exercised over the asset's production, selling price, related operating expenses and discounting rate to calculate the present value. All relevant materials which can be obtained are used for estimation of the recoverable amount, including the estimation of the production, selling price and related operating expenses based on reasonable and supportable assumption.

- (3) Depreciation and amortisation of assets such as fixed assets and intangible assets

As described in Note II. 13 and 16, assets such as fixed assets and intangible assets are depreciated and amortised over their useful lives after taking into account residual value. The estimated useful lives of the assets are regularly reviewed to determine the depreciation and amortisation costs charged in each reporting period. The useful lives of the assets are determined based on historical experience of similar assets and the estimated technical changes. If there have been significant changes in the factors used to determine the depreciation or amortisation, the rate of depreciation or amortisation is revised prospectively.

- (4) Deferred tax assets

As described in Note II. 24, deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilised. The Group obtained all relevant information, including the estimation of the volume of electricity and heat generated, selling price and related operating expenses based on reasonable and supportable assumption, to estimate whether sufficient future taxable profits will be available against which deductible temporary differences can be utilised. If there is an indication that there has been a change in the factors used to determine the deferred tax assets, the amount of deferred tax assets and tax expenses are revised.

- (5) Intangible assets with indefinite useful lives

As described in Note II. 16, an intangible asset is regarded as having an indefinite useful life when there is no foreseeable limited to the period over which the asset is expected to generate economic benefits for the Group. The Group will reassess the useful lives of intangible assets with indefinite useful lives in each accounting period. If there is evidence indicating that the useful life of that intangible asset is finite, or there has been a change in the factors used to determine the useful life, the amount of amortisation is revised.

Notes to the financial statements (unaudited) (Continued)

(Expressed in Renminbi'000 unless otherwise indicated)

III. TAXATION

1 Main types of taxes and corresponding rates

Tax Name	Tax basis	Tax rate
VAT	Output VAT is calculated on product sales, based on tax laws. The remaining balance of output VAT, after subtracting the deductible input VAT of the period, is VAT payable.	17%
— Sales of electricity and coal		
— Sales of heat		13%
City maintenance and construction tax	Based on VAT payable	1-7%
Education surcharge	Based on VAT payable	3-5%
Enterprise income tax ("EIT") (Note (1))	Based on taxable profits	0-25%

Note:

- (1) The income tax rate applicable to the Company and each of its subsidiaries for the year is 25% (2011: 25%), except for Huadian Ningxia Lingwu Power Generation Company Limited ("Lingwu Company"), Huadian Laizhou Wind Power Generation Company Limited ("Laizhou Wind Power Company"), Huadian Ningxia Ningdong Wind Power Company Limited ("Ningdong Wind Power Company"), Huadian Inner Mongolia Kailu Wind Power Company Limited ("Kailu Wind Power Company"), Hebei Huadian Guyuan Wind Power Company Limited ("Guyuan Wind Power Company"), Huadian Ningxia Ningdong Shangde Solar Energy Company Limited ("Ningdong Shangde Company"), Huadian Kezuozhongqi Wind Power Company Limited ("Kezuozhongqi Wind Power Company"), Sichuan Huadian Luding Hydropower Company Limited ("Luding Hydropower Company"), Huadian Laizhou Wind Power Company Limited ("Laizhou Wind Power Company"), Hebei Huadian Kangbao Wind Power Company Limited ("Kangbao Wind Power Company"), Sichuan Huadian Zagunao Hydroelectric Development Company Limited ("Zagunao Hydroelectric Company"), Lixian Star River Hydropower Company Limited ("Star River Hydropower Company") and Lixian Star River Ganbao Hydropower Company Limited ("Ganbao Hydropower Company") for which preferential tax rates apply.

Notes to the financial statements (unaudited) (Continued)

(Expressed in Renminbi'000 unless otherwise indicated)

III. TAXATION (CONTINUED)

1 Main types of taxes and corresponding rates (continued)

The subsidiaries of the Group that are entitled to preferential tax treatments are as follows:

Company name	Preferential tax rate	Reasons for preferential tax treatments
Lingwu Company	15%	Enterprise income tax preferential policies on the development of the Western Region (Note (1))
Zagunao Hydroelectric Company	15%	Enterprise income tax preferential policies on the development of the Western Region (Note (1))
Star River Hydropower Company	15%	Enterprise income tax preferential policies on the development of the Western Region (Note (1))
Ganbao Hydropower Company	15%	Enterprise income tax preferential policies on the development of the Western Region (Note (1))
Laizhou Wind Power Company	12.5%	Major public infrastructure project supported by the State (Note (2))
Ningdong Wind Power Company Phase I	12.5%	Major public infrastructure project supported by the State (Note (2))
Ningdong Wind Power Company Phase II	—	Major public infrastructure project supported by the State (Note (2))
Kailu Wind Power Company	—	Major public infrastructure project supported by the State (Note (2))
Guyuan Wind Power Company	—	Major public infrastructure project supported by the State (Note (2))
Ningdong Shangde Company	—	Major public infrastructure project supported by the State (Note (2))
Kezuozhongqi Wind Power Company	—	Major public infrastructure project supported by the State (Note (2))
Luding Hydropower Company	—	Enterprise income tax preferential policies on the development of the Western Region (Note (1)) Major public infrastructure project supported by the State (Note (2))
Laizhou Wind Company	—	Major public infrastructure project supported by the State (Note (2))
Kangbao Wind Company	—	Major public infrastructure project supported by the State (Note (2))

Notes:

- (1) Pursuant to the Notice of the State Administration of Taxation on Announcement Regarding the Implementation of EIT Policies on the Development of the Western Region (Announcement of the State Administration of Taxation [2012] No.12), during the period from 1 January 2011 to 31 December 2020, enterprises located in western region match the standards stated below: the major business of the enterprise is among the listed industries on Western region encouraged industry directory; and the revenue of their major business exceed 70 percent of their total revenue; after application and confirmation by local tax authorities, enterprises may enjoy a reduced EIT rate of 15%. In accordance with the approval document issued by the State Administration of Taxation of Ningxia Hui Nationality Autonomous Region, Lingwu Company's EIT rate for the six months period ended 30 June 2012 had been reduced to 15%. In accordance with the approval document issued by the State Administration of Taxation of Sichuan Province, Zagunao Hydroelectric Company's, Star River Hydropower Company's and Ganbao Hydropower Company's EIT rate for the six months period ended 30 June 2012 had been reduced to 15%.

Notes to the financial statements (unaudited) (Continued)

(Expressed in Renminbi'000 unless otherwise indicated)

III. TAXATION (CONTINUED)

1 Main types of taxes and corresponding rates (continued)

Notes: (continued)

- (2) Pursuant to the EIT Law of the PRC and the Regulation on the Implementation of the EIT Law of the PRC, the income obtained by an enterprise from investing in or operating any of the public infrastructure projects under the key support of the state shall be exempted from EIT for the first three years as of the tax year when the first revenue arising from production or operation it is attributable to, and shall be taxed at half rate for the fourth to the sixth years. The Company's subsidiaries with a preferential tax rate are as follows:

Company Name	Years for Exemption	Years for half tax rate	Authorized by
Laizhou Wind Power Company	2008-2010	2011-2013	Laizhou State Administration of Taxation of Shandong Province
Ningdong Wind Power Company Phase I	2008-2010	2011-2013	Lingwu State Administration of Taxation of the Ningxia Hui Nationality Autonomous Region
Ningdong Wind Power Company Phase II	2010-2012	2013-2015	Lingwu State Administration of Taxation of the Ningxia Hui Nationality Autonomous Region
Kailu Wind Power Company	2010-2012	2013-2015	Kailu State Administration of Taxation of the Inner Mongolia Autonomous Region
Guyuan Wind Power Company	2010-2012	2013-2015	Hebei Guyuan Administration of Taxation
Ningdong Shangde Company	2010-2012	2013-2015	Lingwu State Administration of Taxation of the Ningxia Hui Nationality Autonomous Region
Kezuozhongqi Wind Power Company	2011-2013	2014-2016	Keerqinzuoyizhongqi Administration of Taxation of the Inner Mongolia Autonomous Region
Luding Hydropower Company	2011-2013	2014-2016	Luding State Administration of Taxation of Sichuan Province
Laizhou Wind Company	2012-2014	2015-2017	Laizhou State Administration of Taxation of Shandong Province
Kangbao Wind Company	2012-2014	2015-2017	Kangbao State Administration of Taxation of Hebei Province

Notes to the financial statements (unaudited) (Continued)

(Expressed in Renminbi'000 unless otherwise indicated)

IV. BUSINESS COMBINATIONS AND THE CONSOLIDATED FINANCIAL STATEMENTS

1 Background of major subsidiaries

- (1) Subsidiaries acquired through establishment, investment or other acquisition

Name of subsidiary	Type	Registration place	Legal representative	Organization code	Business Nature and operation scope	Registered capital	Closing amount of investment	Percentage of equity interest held by the Company	Percentage of voting rights held by the Company	Included in consolidated financial statements (Y/N)	Closing amount of minority interests	Amount in current period's minority interests used to offset the profit/(loss) attributable to minority shareholders
						RMB'000	RMB'000	(%)	(%)		RMB'000	RMB'000
Lingou Company	Limited company	Lingou	Wang Wengji	77492889-7	Generation and sale of electricity	1,300,000	1,332,655	65	65	Y	536,415	—
Luding Hydropower Company	Limited company	Luding	Zhong Tonglin	78811707-X	Generation and sale of electricity	1,266,090	1,266,090	100	100	Y	—	—
Huadian Suzhou Biomass Energy Power Company Limited ("Suzhou Biomass Energy Company")	Limited company	Suzhou	Zhang Dawin	66293432-0	Generation and sale of electricity	52,480	43,680	78	78	Y	1,365	1,891
Huadian International Materials Company Limited ("Materials Company")	Limited company	Jinan	Wang Wengji	75919979-9	Procurement of materials	50,000	38,648	100	100	Y	—	—
Huadian Qingdao Heat Company Limited	Limited company	Qingdao	Liu Kajun	77029937-3	Sale of heat	30,000	16,500	55	55	Y	107,526	1,345
Huadian International Project Company Limited ("Project Company")	Limited company	Jinan	Xing Shibang	76000563-X	Management of construction project	50,000	50,336	100	100	Y	—	—
Huadian International Shandong Information Company Limited	Limited company	Jinan	Zhong Tonglin	78849619-4	Development and maintenance of information system	3,000	3,000	100	100	Y	—	—
Ningdong Wind Power Company	Limited company	Lingou	Ji Jun	79990831-6	Generation and sale of electricity	170,000	170,000	100	100	Y	—	—
Huadian Zounan Power Generation Company Limited ("Zounan Company")	Limited company	Zoucheng	Bai Hua	66830776-8	Generation and sale of electricity	3,000,000	2,070,000	69	69	Y	1,055,059	—
Laizhou Wind Power Company	Limited company	Laizhou	Dong Fengliang	67452599-1	Generation and sale of electricity	146,060	80,393	55	55	Y	72,290	—
Kalu Wind Power Company	Limited company	Tongjiao	Xie Wei	67438152-4	Generation and sale of electricity	797,128	797,128	100	100	Y	—	—
Huadian Luote Power Generation Company Limited ("Luote Company")	Limited company	Luote	Wang Fengjiao	68076402-X	Generation and sale of electricity and heat	502,000	475,300	75	75	Y	(22,238)	10,032
Tengzhou Xinyuan Heat Company Limited ("Tengzhou Heat Company")	Limited company	Tengzhou	Ge Lijun	68710352-8	Sale of heat	30,000	—	65.28	70	Y	4,058	3,319

(Note 2)

Notes to the financial statements (unaudited) (Continued)

(Expressed in Renminbi'000 unless otherwise indicated)

IV. BUSINESS COMBINATIONS AND THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1 Background of major subsidiaries (continued)

- (1) Subsidiaries acquired through establishment, investment or other acquisition (continued)

Name of subsidiary	Type	Registration place	Legal representative	Organisation code	Business Nature and operation scope	Registered capital	Closing amount of investment	Percentage of equity interest	Percentage of voting rights	Included in consolidated financial statements (Y/N)	Closing amount of minority interests	Amount in
								held by the Company	held by the Company			attributable to minority shareholders
						RMB'000	RMB'000	(%)	(%)		RMB'000	RMB'000
Shanxi Maohua Energy Investment Company Limited ("Maohua Company")	Limited company	Taiyuan	Peng Guoquan	68886562-9	Investment and management in coal, electricity and heat industry	1,547,000	1,547,000	100	100	Y	—	—
Guoyan Wind Power Company	Limited company	Guoyan	Peng Guoquan	67418073-0	Generation and sale of electricity	336,100	336,100	100	100	Y	—	—
Kexuzhongji Wind Power Company	Limited company	Kexuzhongji	Xie Wei	69536532-3	Generation and sale of electricity	80,000	80,000	100	100	Y	—	—
Huadian Qudong Power Generation Company Limited ("Qudong Company")	Limited company	Xinxiang	Xing Shibang	69595741-6	Generation and sale of electricity (under construction)	562,000	347,740	90	90	Y	53,267	138
Xinxiang Huadian Heat Company Limited ("Xinxiang Heat Company") (Note 3)	Limited company	Xinxiang	Zheng Gang	56249931-7	Sale of heat (under construction)	24,570	—	90	100	Y	2,457	—
Ningdong Shangle Company	Limited company	Lingyau	Ji Jun	69462340-1	Generation and sale of electricity	38,000	22,800	60	60	Y	15,632	—
Kangbao Wind Power Company	Limited company	Kangbao	Peng Guoquan	55043463-2	Generation and sale of electricity	80,000	80,000	100	100	Y	—	—
Anhui Huadian Lu'an Power Plant Company Limited ("Lu'an Company")	Limited company	Lu'an	Xing Shibang	55019512-1	Generation and sale of electricity (under construction)	522,000	109,180	95	95	Y	5,679	35
Huadian Zoucheng Heat Company Limited ("Zoucheng Heat Company")	Limited company	Zoucheng	Li Jingyue	55994039-5	Sale of heat	80,000	56,000	70	70	Y	22,796	1,216
Shantou Huadian Power Generation Company Limited ("Shantou Company")	Limited company	Shantou	Yin Zhengjun	56084427-9	Generation and sale of electricity (under construction)	30,000	15,300	51	51	Y	14,700	—
Huadian Ningxia Yuejiangshan Wind Power Company Limited ("Yuejiangshan Wind Power Company")	Limited company	Guoyan	Ji Jun	55418988-8	Generation and sale of electricity (under construction)	95,000	95,000	100	100	Y	—	—

Notes to the financial statements (unaudited) (Continued)

(Expressed in Renminbi'000 unless otherwise indicated)

IV. BUSINESS COMBINATIONS AND THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1 Background of major subsidiaries (continued)

(1) Subsidiaries acquired through establishment, investment or other acquisition (continued)

Name of subsidiary	Type	Registration place	Legal representative	Organisation code	Business Nature and operation scope	Registered capital	Closing amount of investment	Percentage of equity interest held by the Company	Percentage of voting rights held by the Company	Included in consolidated financial statements (Y/N)	Closing amount of minority interests	Amount in Current period's minority interests used to offset the profit/loss attributable to minority shareholders
						RMB'000	RMB'000	(%)	(%)		RMB'000	RMB'000
Huadian Lichou Power Generation Company Limited ("Lichou Power Generation Company")	Limited company	Lichou	Xing Shibang	55950201-1	Generation and sale of electricity (under construction)	510,000	980,000	75	75	Y	164,272	1,108
Guangdong Huadian Shaoguan Thermal Power Company Limited ("Shaoguan Thermal Power Company")	Limited company	Shaoguan	Yin Zhenguan	54450155-6	Generation and sale of electricity and heat (under construction)	30,000	30,000	100	100	Y	—	—
Hebei Huadian Yuchou Wind Power Company Limited ("Yuchou Wind Power Company") (Note 4)	Limited company	Yuanan	Wang Li	56618950-0	Generation and sale of electricity (under construction)	120,000	—	100	100	Y	—	—
Wielang Tahe Heat Company Limited ("Tahe Heat Company") (Note 5)	Limited company	Wielang	Xiong Zhaoyuan	57541412-7	Sale of heat	50,000	—	36	80	Y	9,769	231
Huadian Lichou Port Company Limited ("Lichou Port Company")	Limited company	Lichou	Ba Hui	57046634-7	Port construction and operation (under construction)	215,130	69,916	65	65	Y	37,465	—
Lichou Wind Company	Limited company	Lichou	Dong Fengliang	57541726-8	Generation and sale of electricity	91,914	91,914	100	100	Y	—	—
Huadian Ningxia Liparsaban Wind Power Company Limited ("Liparsaban Wind Power Company")	Limited company	Haiyuan	Duan Ximao	56413303-4	Generation and sale of electricity (under construction)	15,000	15,000	100	100	Y	—	—
Arhui Wenhui New Products Promotion Company Limited ("Wenhui Company")	Limited company	Hefei	Peng Guoquan	55630753-4	Research, Development, promotion and sales of new product.	50,000	283,315	51	51	Y	272,421	—
Arhui Huain International Energy Company Limited ("Huain Company")	Limited company	Hefei	Peng Guoquan	57443853-8	Investment on coal mine resources	50,000	25,500	51	51	Y	24,500	—
Sichuan Huazhong Investment Company Limited ("Huazhong Company")	Limited company	Chengdu	Luo Xianqian	78911593-9	Investment on hydropower resources	263,750	850,245	100	100	Y	—	—

Notes to the financial statements (unaudited) (Continued)

(Expressed in Renminbi'000 unless otherwise indicated)

IV. BUSINESS COMBINATIONS AND THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1 Background of major subsidiaries (continued)

- (1) Subsidiaries acquired through establishment, investment or other acquisition (continued)

Name of subsidiary	Type	Registration place	Legal representative	Organisation code	Business Nature and operation scope	Registered capital	Closing amount of investment	Percentage of equity interest	Percentage of voting rights	Included in consolidated financial statements (Y/N)	Closing amount of minority interests	Amount in
								Company	Company			attributable to minority shareholders
						RMB'000	RMB'000	(%)	(%)		RMB'000	RMB'000
Sichuan Xiewing Investment Company Limited ("Xiewing Company")	Limited company	Chengdu	Luo Xiaojun	78814754-1	Investment on hydropower resources	300,000	888,795	100	100	Y	—	—
Sichuan Liangshan Shuiluohu Hydropower Development Company Limited ("Shuiluohu Company")	Limited company	Xichang	Xia Tianquan	78470602-5	Generation and sale of electricity (under construction)	400,000	—	57	57	Y	960,226	—
Tianjin Huadian Fuyuan Thermal Power Company Limited ("Fuyuan thermal power Company")	Limited company	Tianjin	Xing Shizhang	58519821-8	Generation and sale of electricity and heat (under construction)	100,000	60,000	98	98	Y	—	—
Ningxia Yingqing Coal Sales and Transportation Company Limited ("Yingqing Coal Transportation Company")	Limited company	Yinchuan	Liu Jianhui	59622111-0	Sale of mine (under construction)	10,000	10,000	100	100	Y	—	—
Chongqing Mingqiang Coal Sales Company Limited ("Mingqiang Coal Sales Company")	Limited company	Chongqing	Wang Fakou	59670778-6	Coal storage and sale of mining product (under construction)	10,000	7,000	70	70	Y	3,000	—

Note 1: All subsidiaries of the Company are registered in PRC.

Note 2: Tengzhou Heat Company is the subsidiary of Huadian Tengzhou Xinyuan Power Company Limited ("Tengzhou Thermal Power Company"), a subsidiary of the Company. Tengzhou Thermal Power Company owns 70% equity interests of Tengzhou Heat Company. The closing amount of the investment is RMB 21,000,000.

Note 3: Xinxiang Heat Company is a wholly-owned subsidiary of Qudong Company, a subsidiary of the Company. The closing amount of investment is RMB 24,570,000.

Note 4: Yuzhou Wind Company is a wholly-owned subsidiary of Hebei Huarui Energy Group Corporation Limited ("Huarui Group Company"), a subsidiary of the Company. The closing amount of investment is RMB 120,000,000.

Note 5: Taihe Heat Company is the subsidiary of Huadian Weifang Power Generation Company Limited ("Weifang Company"), a subsidiary of the Company. Weifang Company owns 80% equity interest of Taihe Heat. The closing amount of investment is RMB 40,000,000.

Notes to the financial statements (unaudited) (Continued)

(Expressed in Renminbi'000 unless otherwise indicated)

IV. BUSINESS COMBINATIONS AND THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1 Background of major subsidiaries (continued)

(2) Subsidiaries acquired through business combinations under common control

Name of subsidiary	Type	Registration place	Legal representative	Organisation code	Business Nature and operation scope	Registered capital	Closing amount of investment	Percentage of equity interest held by the Company	Percentage of voting rights held by the Company	Included in consolidated financial statements (Y/N)	Closing amount of minority interests	Amount in Current period's minority interests used to offset the profit/loss attributable to minority shareholders
						RMB'000	RMB'000	(%)	(%)		RMB'000	RMB'000
Sichuan Guang'an Power Generation Company Limited ("Guang'an Company")	Limited company	Guang'an	Zhong Tonglin	20556243-3	Generation and sale of electricity	1,785,860	1,267,517	80	80	Y	512,296	—
Huadian Xinming Power Generation Company Limited ("Xinming Company")	Limited company	Xinming	Wang Fengjun	75388082-3	Generation and sale of electricity	69,000	372,100	90	90	Y	(64,151)	3,820
Anhui Huadian Suzhou Power Generation Company Limited ("Suzhou Company")	Limited company	Suzhou	Xu Xu	75299721-0	Generation and sale of electricity	854,912	829,267	97	97	Y	23,100	—
Anhui Huadian Wuhu Power Generation Company Limited ("Wuhu Company")	Limited company	Wuhu	Xu Xu	78277372-0	Generation and sale of electricity	1,000,000	644,046	65	65	Y	381,131	—
Hangzhou Huadian Banban Power Generation Company Limited ("Banban Company")	Limited company	Hangzhou	Gou Wei	14384951-4	Generation and sale of electricity and heat	480,762	386,724	64	64	Y	370,162	—
Hebei Huadian Complex Pumping-storage Power Company Limited	Limited company	Luqian	Kang Jinchu	77770333-0	Generation and sale of electricity	10,000	15,682	100	100	Y	—	—
Hebei Huadian Shijiazhuang Thermal Power Company Limited ("Shijiazhuang Thermal Power Company")	Limited company	Shijiazhuang	Wang Wenshi	71318764-5	Generation and sale of electricity and heat	789,740	908,511	82	82	Y	142,561	—
Hebei Huadian Shijiazhuang Yuhua Thermal Power Company Limited ("Yuhua Thermal Power Company") (Note 6)	Limited company	Shijiazhuang	Wang Wenshi	79138025-1	Generation and sale of electricity and heat	500,000	—	89.2	100	Y	33,555	—
Hebei Huadian Shijiazhuang Luhua Thermal Power Company Limited ("Luhua Thermal Power Company")	Limited company	Shijiazhuang	Xing Shibang	61463693-X	Generation and sale of electricity and heat	440,000	391,475	90	90	Y	41,253	2,701
Shuozhou Huadian Thermal Power Company Limited ("Shuozhou Thermal Power Company")	Limited company	Shouzhou	Xing Shibang	67448145-3	Generation and sale of electricity and heat (under construction)	40,000	40,000	100	100	Y	—	—

Note 6: Yuhua Thermal Power Company is the subsidiary of Shijiazhuang Thermal Power Company, a subsidiary of the Company. Shijiazhuang Thermal Power Company holds 60% equity interest in Yuhua Thermal Power Company. Yuhua Thermal Power Company is also an associate of Hebei Huafeng Investment Company Limited ("Huafeng Investment Company"), a subsidiary of the Company. Huafeng Investment Company holds 40% equity interest in Yuhua Thermal Power Company. The closing amounts of investments of Shijiazhuang Thermal Power Company and Huafeng Investment Company are RMB300,000,000 and RMB200,000,000 respectively.

Notes to the financial statements (unaudited) (Continued)

(Expressed in Renminbi'000 unless otherwise indicated)

IV. BUSINESS COMBINATIONS AND THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1 Background of major subsidiaries (continued)

- (3) Subsidiaries acquired through business combinations under non-common control

Name of subsidiary	Type	Registration place	Legal representative	Organisation code	Business nature and operation scope	Registered capital	Closing amount of investment	Percentage of equity interest held by the Company	Percentage of voting rights held by the Company	Included in consolidated financial statements (1/1)	Closing amount of minority interests	Amount in
												Amount in
Note 1												
											Current period's minority interests used to offset the profit (loss) attributable to minority shareholders	
											RMB'000	RMB'000
Huadian Qingdao Power Generation Company Limited ("Qingdao Company")	Limited company	Qingdao	Bai Hua	16298000-3	Generation and sale of electricity and heat	700,000	345,668	55	55	Y	764,000	—
Wefang Company (Note 7)	Limited company	Wefang	Bai Hua	16542294-4	Generation and sale of electricity and heat	1,250,000	823,483	45	45	Y	959,452	22,568
Huadian Zibo Thermal Power Company Limited ("Zibo Thermal Power Company")	Limited company	Zibo	Xing Shizhang	73470473-6	Generation and sale of electricity and heat	374,800	374,800	100	100	Y	—	—
Huadian Zhangqiu Power Generation Company Limited ("Zhangqiu Company")	Limited company	Zhangqiu	Bai Hua	70592914-1	Generation and sale of electricity and heat	750,000	617,077	87.50	87.50	Y	2,628	4,152
Tengzhou Thermal Power Company	Limited company	Tengzhou	Bai Hua	16991985-6	Generation and sale of electricity and heat	474,172	434,400	93.26	93.26	Y	4,994	769
Zagunao Hydroelectric Company	Limited company	Linan	Luo Xiaojian	75472823-3	Generation and sale of electricity	200,000	788,362	64	64	Y	195,877	36,095
Huarui Group Company (Note 8)	Limited company	Shijiazhuang	Zhong Tonglin	75349302-0	Generation and sale of electricity and heat	538,000	966,895	100	100	Y	—	—
Hudeng Investment Company (Note 8)	Limited company	Shijiazhuang	Wang Li	75026749-2	Energy projects investment	977,300	—	100	100	Y	—	—
Hebei Fengyuan Industrial Company Limited ("Fengyuan Company") (Note 8)	Limited company	Shijiazhuang	Wang Li	73024734-7	Sale of coal and chemical products	102,000	—	100	100	Y	—	—
Shanxi Shuzhou Pingju Dongji Coal Company Limited ("Dongji Coal Company") (Note 9)	Limited company	Shuzhou	Diao Youfang	X0245004-7	Resources consolidation, improvement and expansion services (under construction)	12,180	—	70	70	Y	155,384	—
Shanxi Shuzhou Pingju Wantongguan Coal Company Limited ("Wantongguan Coal Company") (Note 9)	Limited company	Shuzhou	Diao Youfang	11147348-4	Resources consolidation, improvement and expansion services (under construction)	10,000	—	70	70	Y	170,385	—

Notes to the financial statements (unaudited) (Continued)

(Expressed in Renminbi'000 unless otherwise indicated)

IV. BUSINESS COMBINATIONS AND THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1 Background of major subsidiaries (continued)

(3) Subsidiaries acquired through business combinations under non-common control (continued)

Name of subsidiary	Type	Registration place	Legal representative	Organization code	Business Nature and operation scope	Registered capital	Closing amount of investment	Percentage of equity interest held by the Company	Percentage of voting rights held by the Company	Included in consolidated financial statements (Y/N)	Closing amount of minority interests	Amount in Current period's minority interests used to offset the profit/(loss) attributable to minority shareholders
						RMB'000	RMB'000	%	%		RMB'000	RMB'000
Shandong Century Electric Power Development Corporation Limited ("Century Power Company") (Note 10)	Corporation Limited	Longkou	Ba Hia	1694232-8	Generation and sale of electricity and heat	488,000	2,120,369	84.31	84.31	Y	358,092	—
Shanquan Pingli Power Plant Company Limited (B Plant) ("Pingli Power Company")	Limited company	Leifang	Ma Ruibing	61745103-6	Generation and sale of electricity	889,000	684,706	100	100	Y	—	—
Shijiazhuang huadian Heat Company Limited ("Shijiazhuang Heat Company") (Note 11)	Limited company	Shijiazhuang	Kang Jinhui	71636417-X	Sale of heat	332,370	237,374	100	100	Y	—	—
Ningxia Zhongxing Power Generation Company Limited ("Zhongxing Company")	Limited company	Zhongxing	Ji Jun	73597054-2	Generation and sale of electricity	285,600	142,800	50	50	Y	261,841	—
Inner Mongolia Alia League Shuangming Company Limited ("Shuangming Company")	Limited company	Alia League	Yang Shaoguo	75256317-2	Coal mine improvement and sales of mining equipment (under construction)	30,000	672,078	100	100	Y	—	—
Inner Mongolia Huayuan Coal Company Limited ("Huayuan Company")	Limited company	Ordos	Peng Guoquan	66493256-5	Sale of mining equipment and components	3,000	691,777	85	85	Y	128,948	—
Shenzhen Huangpu Star River Investment Company Limited ("Huangpu Company") (Note 12)	Limited company	Shenzhen	He Yongsheng	69712558-8	Investment and management of electricity	20,000	483,225	100	100	Y	—	—
Star River Hydroelectric Company (Note 12)	Limited company	Li Kian	Luo Xianqian	77530254-6	Generation and sale of electricity	50,000	—	100	100	Y	—	—
Garban Hydroelectric Company (Note 12)	Limited company	Li Kian	Luo Xianqian	77530253-8	Generation and sale of electricity	50,000	—	100	100	Y	—	—

Notes to the financial statements (unaudited) (Continued)

(Expressed in Renminbi'000 unless otherwise indicated)

IV. BUSINESS COMBINATIONS AND THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1 Background of major subsidiaries (continued)

(3) Subsidiaries acquired through business combinations under non-common control (continued)

Note 7: Although the Company's equity interest percentage and voting rights in Weifang Company are less than 50%, according to the articles of association of the company, the Company holds majority of seats in the Board of Directors and can participate in the financial and operating policy decisions of the company, and obtain benefits from its operating activity. As a result, the management of the Company determined that the Company is able to control Weifang Company and included it into the consolidated financial statements of the Company.

Note 8: Subsidiaries of Huarui Group Company, a subsidiary of the Company, include Huafeng Investment Company, Fengyuan Company, Hebei Huarui Matou Thermal Power Company Limited ("Matou Thermal Power Company"), Shijiazhuang Guanghua Thermal Power Company Limited ("Guanghua Thermal Power Company"), Handan Wanxing Power Thermal Company Limited ("Wanxing Thermal Power Company") and Yuzhou Wind Power Company. The closing amounts of investments to Huafeng Investment Company, Fengyuan Company, Matou Thermal Power Company, Guanghua Thermal Power Company and Wanxing Thermal Power Company are RMB 919,987,912, RMB 171,146,267, RMB 5,140,800, RMB 50,300,000 and RMB 5,734,000 respectively.

Note 9: Dongyi Coal Company and Wantongyuan Coal Company are the subsidiaries of Maohua Company, a subsidiary of the Company. The closing amounts of investments are RMB 397,600,000 and RMB 362,600,000 respectively.

Note 10: Subsidiaries of Century Power Company, a subsidiary of the Company, include Qingdao Guhe Power Generation Company Limited ("Guhe Company"), Longkou Dongyi Wind Power Company Limited ("Dongyi Wind Power Company") and Penglai Donghai Thermal Power Company Limited ("Donghai Thermal Power Company"). The closing amounts of investments to Guhe Company, Dongyi Wind Power Company and Donghai Thermal Power Company are RMB 6,000,000, RMB 6,000,000 and RMB 51,120,000 respectively.

Note 11: Subsidiaries of Shijiazhuang Heat Company, a subsidiary of the Company, include Shijiazhuang Huadian Yuhua Heat Company Limited ("Yuhua Heat Company"), Shijiazhuang Huadian Luhua Heat Company Limited ("Luhua Heat Company"), Shijiazhuang Huadian Yuxi Heat Company Limited ("Yuxi Heat Company"), Shijiazhuang Huadian Beicheng Heat Company Limited ("Beicheng Heat Company") and Shijiazhuang Huadian Shiguang Heat Company Limited. The closing amounts of investments to above mentioned heat companies are RMB 87,287,500, RMB 79,461,746, RMB 13,100,000, RMB 15,400,000 and RMB 688,000 respectively.

Note 12: Star River Hydroelectric Company and Ganbao Hydroelectric Company are the subsidiaries of Huanyu Company, a subsidiary of the Company. The closing amounts of investments to Star River Hydroelectric Company and Ganbao Hydroelectric Company are both RMB 50,000,000 respectively.

Notes to the financial statements (unaudited) (Continued)

(Expressed in Renminbi'000 unless otherwise indicated)

IV. BUSINESS COMBINATIONS AND THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

- 2 **The Company has no entities with special purpose or operating entities controlled through entrusted operating and leases during the period.**
- 3 **Changes of the consolidation scope of the Company during the year are referred to Note IV. 4.**
- 4 **Subsidiaries that newly consolidated and those that ceased to be consolidated during the period**

- (1) Subsidiaries that are newly consolidated during the period

Name	Note	Net assets at 30	For six months
		June 2012	period ended 30
		RMB'000	June 2012 Net
			profit/(loss)
			RMB'000
Shuozhou Thermal Power Company	Note 1	40,000	—
Huanyu Company	Note 2	398,862	4,882
Yinling Coal Transportation Company	Note 3	10,000	—
Mingyang Coal Sales Company	Note 3	9,989	(11)
Fuyuan Thermal Power Company	Note 3	60,000	—

Note 1: Shuozhou Thermal Power Company is a subsidiary acquired through business combinations under common control during the period. Details are referred to Note IV. 1(2) and IV.5.

Note 2: Huanyu Company is a subsidiary newly acquired through a third party by the Company during the period. Net profits of Huanyu Company of the period is the consolidated net profit from the acquisition date to 30 June 2012. Star River Hydroelectric Company and Ganbao Hydroelectric Company are the subsidiaries of Huanyu Company. Details are referred to Note IV. 1(3) and IV. 6.

Note 3: The above mentioned three companies are the subsidiaries newly established by the Company during the period. Details are referred to Note IV. 1(1).

- (2) The Company has no entity that is ceased to be consolidated during the period.

Notes to the financial statements (unaudited) (Continued)

(Expressed in Renminbi'000 unless otherwise indicated)

IV. BUSINESS COMBINATIONS AND THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5 Business combinations involving entities under common control during the period

(1) Acquisition of Shuozhou Thermal Power Company

On the acquisition date of 1 January 2012, the Company acquired 100% equity interests of Shuozhou Thermal Power Company from Huadian Shanxi Energy Company Limited ("Huadian Shanxi Energy") with a total combination cost of RMB 14.268 million. As Huadian Shanxi Energy is a wholly-owned subsidiary of China Huadian, Shuozhou Thermal Power Company is under ultimate control of China Huadian before and after the acquisition, which made up-mentioned acquisition a business combination under common control.

Shuozhou Thermal Power Company is a limited company established in Shuozhou, Shanxi province in 2008, which is principally engaged in the establishing, operating power plant and other business related to electricity. On the acquisition date, Shuozhou Thermal Power Company was on the initial stage of construction and with no business activities. As the above acquisition constitutes a business combination under common control, accordingly, the assets and liabilities of the Shuozhou Thermal Power Company have been accounted for at historical cost and the consolidated financial statements of the Group prior to this acquisition have been restated.

The identifiable carrying amount assets and liabilities of Shuozhou Thermal Power Company's are as follows:

Item	31 December 2011 and 1 January 2012	
	RMB'000	
Cash at bank and on hand		8,556
Receivables		187
Fixed assets		521
Construction in progress		172,149
Non-current assets		49
Receivables		(171,462)
		<hr/>
Net assets		10,000
		<hr/> <hr/>

On March 2012, the Company established Shuozhou Thermal Power Branch and transferred all the carrying amount of Shuozhou Thermal Power Company's assets and liabilities into it. As at 30 June 2012, Shuozhou Thermal Power Company has not yet completed the procedure of business cancellation.

Notes to the financial statements (unaudited) (Continued)

(Expressed in Renminbi'000 unless otherwise indicated)

IV. BUSINESS COMBINATIONS AND THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6 Business combinations involving entities not under common control during the period

(1) Acquisition of Huanyu Company

At 8 October 2011, the company entered into an equity transfer agreement with Shenzhen Zhi Jufeng Investment Company Limited and Shenzhen Weifei Technique Developing Company Limited ("the Former Shareholders"), and acquired 100% equity interests of Huanyu Company with a total consideration of RMB 483 million. Above-mentioned acquisition was accomplished at the acquisition date of 28 May 2012, through which the Company obtained control of Huanyu Company.

Huanyu Company was a limited company established at 20 November 2009 in Futian Shenzhen, which was principally engaged in the investment and management of electricity. On the date of the acquisition, Huanyu Company holds 100% equity interests of Star River Hydropower Company and Ganbao Hydropower Company; after the completion of the acquisition of Huanyu Company, the Company thus indirectly obtained the control of Star River Hydropower Company and Ganbao Hydropower Company. Star River Hydroelectric Company and Ganbao Hydroelectric Company were both established in Lixian Zagunao, Aba, Sichuan province on May 2005, and are principally engaged in the generation and sale of electricity.

The consolidated financial information of Huanyu Company is as follows:

Name	Operating income from Acquisition date to 30 June 2012	Net profit from acquisition date to 30 June 2012	Net cash inflow from operating activities from acquisition date to 30 June 2012
	RMB'000	RMB'000	RMB'000
Huanyu Company	9,073	4,882	5,475

Notes to the financial statements (unaudited) (Continued)

(Expressed in Renminbi'000 unless otherwise indicated)

IV. BUSINESS COMBINATIONS AND THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6 Business combinations involving entities not under common control during the period (continued)

(1) Acquisition of Huanyu Company (continued)

The identifiable assets and liabilities at the consolidated financial statement level of Huanyu Company are as follow:

Item	Date of purchase (28 May 2012)		31 December 2011
	Carrying Amount	Fair value	Carrying Amount
	RMB'000	RMB'000	RMB'000
Cash at bank and on hand	287	287	1,479
Receivables	600	600	159,909
Inventories	2,217	2,217	828
Other current assets	192	192	996
Fixed assets	209,528	590,707	213,195
Intangible assets	32,189	22,699	32,100
Payables	(129,367)	(129,945)	(291,265)
Deferred tax liabilities	—	(92,777)	—
Acquiree's identifiable assets and liabilities	<u>115,646</u>	<u>393,980</u>	<u>117,242</u>
Add: Goodwill		<u>89,245</u>	
Consideration		<u>483,225</u>	

As at the report date, the fair values of the transferred equity and debt were still under discussion between the Company and the Former Shareholders, and the cash consideration shall be adjusted according to the result. The accounting treatments of the acquisition of Huanyu Company were made according to the most reasonable estimation up to now.

For the above identifiable assets which have an active market, the quoted prices in the active market are used to establish their fair value; if there is no active market, their fair value is estimated based on the market price of the same or similar types of assets which have an active market; if there is no active market for even the same asset or similar types of assets, valuation techniques will be used by the professional valuer to determine the fair value of identifiable assets based on the valuation report. For the above identifiable liability, the payable amount or the present value of the payable amount is its fair value.

Notes to the financial statements (unaudited) (Continued)

(Expressed in Renminbi'000 unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 Cash at bank and on hand

Item	30 June 2012			31 December 2011 (restated)		
	Foreign currency amount '000	Exchange rate	RMB '000	Foreign currency amount '000	Exchange rate	RMB '000
Cash:						
RMB			2,216			1,951
Cash at bank:						
RMB			4,552,752			2,178,621
US dollar	681	6.3249	4,307	681	6.3009	4,291
HK dollar	5	0.8152	4	5	0.8107	4
Other monetary fund:						
RMB			519			414
Guarantee deposits for bank acceptance bills payable:						
RMB			156,879			297,535
Total			4,716,677			2,482,816

2 Bills receivable

(1) Classification of bills receivable

Category	30 June 2012 RMB'000	31 December 2011 RMB'000
Bank acceptance bills	243,749	308,651
Commercial acceptance bills	—	7,000
	243,749	315,651

All of the above bills are due within one year.

No amount due from shareholders who holds 5% or more of the voting rights of the Group is included in the closing balance of bills receivable.

(2) As at 30 June 2012, no commercial acceptance bills have been discounted by the Group (2011: RMB 7,000,000).

Notes to the financial statements (unaudited) (Continued)

(Expressed in Renminbi'000 unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2 Bills receivable (continued)

- (3) As at 30 June 2012, there are no acceptance bills transferred to accounts receivable due to non-performance for the issuers.
- (4) As at 30 June 2012, the top five outstanding endorsed bank acceptance bills that have not matured are as follows:

Issuer	Issuing date	Due date	Amount
			RMB'000
1. Agricultural Bank of China Co., Ltd. Beijing Development District subbranch	8 February 2012	8 August 2012	10,000
2. Shanghai Pudong Development Bank Co., Ltd. Puhui subbranch	28 February 2012	28 August 2012	10,000
3. China Construction Bank Co., Ltd Ningxia Zhongning subbranch	31 May 2012	30 November 2012	10,000
4. Shanghai Pudong Development Bank Co., Ltd. Hangzhou subbranch	12 January 2012	12 July 2012	10,000
5. Industrial Bank Co., Ltd. Tianjin Tanggu subbranch	31 March 2012	30 September 2012	10,000
Total			<u>50,000</u>

3 Trade receivables

- (1) Trade receivables by customer type:

Category	30 June 2012	31 December 2011
RMB'000		RMB'000
1. Trade receivables for sale of electricity	4,686,804	4,654,117
2. Trade receivables for sale of heat	283,335	216,456
3. Trade receivables for sale of coal	101,235	61,787
Sub-total	5,071,374	4,932,360
Less: Provision for bad and doubtful debts	6,750	6,750
Total	5,064,624	4,925,610

Notes to the financial statements (unaudited) (Continued)

(Expressed in Renminbi'000 unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3 Trade receivables (continued)

(2) The ageing analysis of trade receivables is as follows:

Ageing	30 June	31 December
	2012	2011
	RMB'000	RMB'000
Within one year (inclusive)	4,963,133	4,821,139
Between one and two years (inclusive)	97,239	100,219
Over three years	11,002	11,002
Sub-total	5,071,374	4,932,360
Less: Provision for bad and doubtful debts	6,750	6,750
Total	5,064,624	4,925,610

The ageing is counted starting from the date trade receivables are recognised.

(3) Trade receivables by category

Category	Note	30 June 2012				31 December 2011			
		Gross carrying amount		Provision for bad and doubtful debts		Gross carrying amount		Provision for bad and doubtful debts	
		Amount	Percentage	Amount	Percentage	Amount	Percentage	Amount	Percentage
		RMB'000	(%)	RMB'000	(%)	RMB'000	(%)	RMB'000	(%)
Individually significant amounts		4,702,799	92.73	—	—	4,608,558	93.44	—	—
Other insignificant trade receivables	(4)	368,575	7.27	6,750	1.83	323,802	6.56	6,750	2.08
Total		5,071,374	100.00	6,750	0.13	4,932,360	100.00	6,750	0.14

As at 30 June 2012, there are no Individually significant amounts trade receivables which impaired.

The Group does not hold any collateral over the above trade receivables which are impaired.

Notes to the financial statements (unaudited) (Continued)

(Expressed in Renminbi'000 unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3 Trade receivables (continued)

- (4) Provision for bad and doubtful debts for individually insignificant trade receivables at the end of the period

Content of trade receivables	Gross carrying amount	Provision for bad and doubtful debts	Percentage	Reason
	RMB'000	RMB'000	(%)	
Sale of electricity	6,361	6,361	100.00	Long ageing
Sale of heat	7,534	389	5.16	Long ageing
Total	13,895	6,750	48.58	

- (5) The Group does not receive or recover any provision for bad and doubtful debts made in full or in significant portion on individually significant trade receivables in previous years.
- (6) The Group does not actually write-off any trade receivables during the period.

Notes to the financial statements (unaudited) (Continued)

(Expressed in Renminbi'000 unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3 Trade receivables (continued)

- (7) As at 30 June 2012, trade receivables due from the five biggest debtors of the Group

Name of enterprise	Relationship with the Company	Amount		Ageing	Percentage of total trade receivables (%)
		RMB'000			
1. Shandong Electric Power Group Corporation	Third party	1,941,331		Within one year	38.28
2. Ningxia Electric Power Company	Third party	603,814		Within one year	11.91
3. Sichuan Electric Power Corporation	Third party	528,530		Within one year (Note)	10.42
4. Henan Electric Power Company	Third party	424,913		Within one year	8.38
5. Hebei Electric Power Company	Third party	341,403		Within one year	6.73
Total		<u>3,839,991</u>			<u>75.72</u>

Note: The ageing of the trade receivables amounted to RMB 6,360,598 (2011: RMB 6,360,598), which is part of the receivables due from Sichuan Electric Power Corporation, is over five years. The Group fully recognised the amount as provision for bad and doubtful debts.

- (8) No amount due from shareholders who hold 5% or more of the voting rights or other related parties of the Group is included in the closing balance of trade receivables.
- (9) As at 30 June 2012, derecognition of accounts receivable due to transfer of financial assets

Item	Amount derecognised	Losses related to derecognition
	RMB'000	RMB'000
Trade receivable factoring without recourse	<u>1,093,103</u>	<u>2,482</u>

- (10) The Group does not securitize accounts receivable, and has no asset or liability recognized due to the continuing involvement of securitized accounts receivable.

Notes to the financial statements (unaudited) (Continued)

(Expressed in Renminbi'000 unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4 Other receivables

(1) The ageing analysis of other receivables is as follows:

Ageing	30 June	31 December
	2012	2011
	RMB'000	RMB'000 (restated)
Within one year (inclusive)	789,632	553,139
Between one and two years (inclusive)	204,275	113,571
Between two and three years (inclusive)	60,857	65,073
Over three years	61,784	49,108
Sub-total	1,116,548	780,891
Less: Provision for bad and doubtful debts	3,226	3,226
Total	1,113,322	777,665

The ageing is counted starting from the date other receivables are recognised.

(2) Other receivables by category

Category	30 June 2012				31 December 2011 (restated)			
	Gross carrying amount		Provision for bad and doubtful debts		Gross carrying amount		Provision for bad and doubtful debts	
	Amount	Percentage	Amount	Percentage	Amount	Percentage	Amount	Percentage
	RMB'000	(%)	RMB'000	(%)	RMB'000	(%)	RMB'000	(%)
Individually significant other receivables	1,013,373	90.76	2,266	0.22	716,123	91.71	2,266	0.32
Other insignificant other receivables	103,175	9.24	960	0.93	64,768	8.29	960	1.48
Total	1,116,548	100.00	3,226	0.29	780,891	100.00	3,226	0.41

The Group does not hold any collateral over the above other receivables which are impaired.

- (3) The Group does not receive or recover any provision for bad and doubtful debts made in full or in significant portion on individually significant other receivables in previous years.
- (4) The Group does not actually write-off any other receivables during the period.

Notes to the financial statements (unaudited) (Continued)

(Expressed in Renminbi'000 unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4 Other receivables (continued)

(5) As at 30 June 2012, other receivables due from the five biggest debtors

Name of enterprise	Relationship with the Company	Amount	Ageing	Percentage of total other receivables
		RMB'000		(%)
1. Shuozhou Xialiyuan Coal Co., Ltd.	Third party	210,587	Within one year and between one and two years	18.86
2. Shuozhou Tong-coal Wantongyuan Erpu Coal Transportation and Sales Co., Ltd ("Erpu Transportation and Sales Company")	Related party	84,900	Within one year	7.60
3. Linfen City Changfa Coal Coke Co., Limited ("Linfen Changfa Company")	Related party	52,036	Between one and five years	4.66
4. Fujian Huadian Kemen Phase II Power Generation Co., Ltd. ("Huadian Kemen Phase II Company")	Related party	50,000	Within one year	4.48
5. Shandong Longkou Hualong Heat Engineering Co., Ltd.	Third party	40,393	Between one and two years	3.62
Total		437,916		39.22

(6) No amount due from shareholders who hold 5% or more of the voting rights included in the closing balance of other receivables.

(7) The Group does not have derecognition of other receivables due to transfer of financial assets during the period.

(8) The Group does not securitize other receivables, and has no asset or liability recognized due to the continuing involvement of securitized accounts receivable.

Notes to the financial statements (unaudited) (Continued)

(Expressed in Renminbi'000 unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5 Prepayments

(1) Prepayments by category:

Item	30 June 2012	31 December 2011
	RMB'000	RMB'000 (restated)
Prepayments for purchase of fuel	1,199,999	827,966
Prepayments for purchase of materials	257,110	137,478
Total	1,457,109	965,444

(2) Prepayments by ageing

Ageing	30 June 2012		31 December 2011 (restated)	
	Amount	Percentage	Amount	Percentage
	RMB'000	(%)	RMB'000	(%)
Within one year (inclusive)	1,411,595	96.88	924,176	95.73
Between one and two years (inclusive)	29,401	2.02	36,634	3.79
Between two and three years (inclusive)	12,727	0.87	3,860	0.40
Over three years	3,386	0.23	774	0.08
Total	1,457,109	100.00	965,444	100.00

The ageing is counted starting from the date prepayments are recognised.

As at 30 June 2012, the Group does not have individually significant prepayments with ageing over one period.

(3) No amount due from shareholders who hold 5% or more of the voting rights or other related parties of the Group is included in the closing balance of prepayments.

Notes to the financial statements (unaudited) (Continued)

(Expressed in Renminbi'000 unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6 Inventories

- (1) Inventories by category and an analysis of the movements of inventories for the period are as follows:

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance
	RMB'000	RMB'000	RMB'000	RMB'000
Coal, stalk and gas	2,012,683	21,330,720	(20,237,524)	3,105,879
Fuel oil	129,696	86,333	(97,681)	118,348
Materials, components and spare parts	709,931	4,156,148	(4,126,510)	739,569
Sub-total	2,852,310	25,573,201	(24,461,715)	3,963,796
Less: Provision for diminution in value of inventories	74,802	—	—	74,802
Total	<u>2,777,508</u>	<u>25,573,201</u>	<u>(24,461,715)</u>	<u>3,888,994</u>

- (2) Provision for diminution in value of inventories

Category of inventories	Opening balance	Increase for the period	Decrease for the period		Closing balance
			Reversal	Write-off	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Materials, components and spare parts	74,802	—	—	—	74,802

Notes to the financial statements (unaudited) (Continued)

(Expressed in Renminbi'000 unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7 Other current assets

Item	30 June 2012	31 December 2011
	RMB'000	RMB'000
VAT recoverable and prepaid taxes	915,298	764,266
Other	1,713	1,596
Sub-total	917,011	765,862
Less: Provision for impairment	—	—
Total	917,011	765,862

8 Available-for-sale financial assets

As at 30 June 2012, Available-for-sale financial assets represent 7,886,010 shares (2011: 7,886,010 shares) of the Bank of Communications Co., Ltd. and 480,000 shares(2011: 480,000 shares) of Yantai Yuancheng Enterprise Group Co., Ltd. held by the Group, the changes relating to fair value of period are referred to Note IX. 3.

9 Long-term receivables

Item	30 June 2012	31 December 2011
	RMB'000	RMB'000
Long-term loan receivables	54,365	66,365
long-term entrusted loan receivables	20,000	20,000
Finance leases (sales and leaseback)deposit	111,845	90,000
Sub-total	186,210	176,365
Less: Provision for bad and doubtful debts	—	—
Less: Non-current assets due within one year	42,094	—
Total	144,116	176,365

As at 30 June 2012, Long-term loan receivables represent loan principle and interest amounting to RMB 54,364,738 (2011: RMB 66,364,738) from Hebei New Resource Infrastructure Investment Company Limited by Shijiazhuang Huadian Xijiao Heat Company ("Xijiao Heat Company"), a subsidiary of the Company, bearing an interest rate at 90% of which announced by the People's Bank of China for the corresponding period. The loan mentioned above of which amounting to RMB 22,094,000 is due in one year, the rest will due in before 2015.

Notes to the financial statements (unaudited) (Continued)

(Expressed in Renminbi'000 unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9 Long-term receivables (continued)

As at 30 June 2012, Long-term entrust loan receivable represent entrusted loan principle amounting to RMB 20,000,000 from Ningxia Power Company by Zhongning Company, a subsidiary of the Company, bearing an interest rate implemented in accordance with which announced by the People's Bank of China for the corresponding period. The entrusted loan is due in one year.

As at 30 June 2012, finance leases (sales and leaseback) deposits represent deposits paid by Kailu Wind Power Company, Luohe Company, Pingshi Power Company and Guyuan Wind Power Company for its obligations under finance leases (sales and leaseback). The deposits will be a deduction of rent when sales and leaseback expire during the period from 2014 to 2016.

10 Long-term equity investments

(1) Long-term equity investments by category

Item	30 June	31 December
	2012	2011
	RMB'000	RMB'000
Investments in associates	10,845,771	10,428,371
Other long-term equity investments	253,504	297,704
Sub-total	11,099,275	10,726,075
Less: Provision for impairment	—	—
Total	11,099,275	10,726,075

Notes to the financial statements (unaudited) (Continued)

(Expressed in Renminbi'000 unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

10 Long-term equity investments (continued)

- (2) An analysis of the movements of Long-term equity investments for the period is as follows:

Investee name	Investment cost	Opening balance	Movement of additions and reductions	Adjustments under equity method		Cash dividends for the period	Closing balance	Shareholding percentage	Voting rights
				Gains/ (losses) in investment	Transfer of capital reserve				
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	(%)	(%)
Ningxia Electric Power Group Huadian Property Co., Ltd. ("Huadian Property") (Note 1)	630,000	1,055,192	—	17,618	8,847	—	1,081,657	23.66	23.66
Sichuan Luzhou Chuannan Power Generation Company Limited ("Luzhou Company")	290,000	282,446	—	46	—	—	282,492	16.57	16.57
Huadian Coal Industry Group Company Limited ("Huadian Coal") (Note 1)	344,000	64,064	—	8,058	—	—	72,122	40	40
China Huadian Finance Corporation Limited ("China Huadian Finance") (Note 1)	465,214	1,332,052	—	76,263	1,261	—	1,409,576	12.56	12.72
Huadian Jinshajiang Upstream Hydropower Development Co. Ltd. ("Jinshajiang Hydropower")	861,095	1,066,622	—	62,425	673	(37,038)	1,093,682	15.91	16.46
Hengshui Hengxing Power Generation Company Limited ("Hengshui Hengxing")	62,990	46,990	16,000	—	—	—	62,990	20	20
Hebei Jiantou Yuzhou Wind Power Company Limited ("Yuzhou Wind Company")	189,604	180,860	—	7,636	—	(6,747)	181,749	30	30
Xingtai Guotai Power Generation Company Limited ("Xingtai Guotai")	165,819	177,862	—	14,921	—	—	192,783	44.08	44.08
Hebei Xibaipo Second Power Generation Company Limited ("Xibaipo Company")	208,842	180,837	—	3,958	—	—	184,795	35	35
Guodian Inner Mongolia Dongsheng Thermal Power Company Limited ("Dongsheng Thermal Company")	435,996	438,987	—	22,776	—	—	461,763	35	35
	112,812	147,527	—	23,268	—	(23,000)	147,795	20	20

Notes to the financial statements (unaudited) (Continued)

(Expressed in Renminbi'000 unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

10 Long-term equity investments (continued)

- (2) An analysis of the movements of Long-term equity investments for the period is as follows: (continued)

Investee name	Investment cost	Opening balance	Movement of additions and reductions	Adjustments under equity method			Closing balance	Shareholding percentage	Voting rights
				Gains/(losses) in investment	Transfer of capital reserve	Cash dividends for the period			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	(%)	(%)
Guodian Huanan Thermal Power Company Limited ("Huanan Thermal Company")	143,682	198,210	—	6,792	—	—	205,002	35	35
Otog Front Banner Changcheng Mine Company Limited ("Changcheng Mine Company")	452,612	526,679	—	76,485	5,326	—	608,490	35	35
Inner Mongolia Fucheng Mining Company Limited ("Fucheng Mining Company")	498,042	605,997	—	57,430	2,111	—	665,538	35	35
Ningdong Railway Corporation Limited ("Ningdong Railway Company") (Note 1)	300,000	345,546	—	20,840	—	—	366,386	10	10
Lingfen Changfa Company	280,870	280,870	—	—	—	—	280,870	19.75	33
Otog Front Banner Quanhui Trading Company Limited ("Quanhui Trading")	938,834	938,834	—	—	—	—	938,834	35	35
Otog Front Banner Baihui Trading Company Limited ("Baihui Trading")	569,724	569,724	—	—	—	—	569,724	35	35
Otog Front Banner Zhengtai Trading Company Limited ("Zhengtai Trading")	644,885	644,885	—	—	—	—	644,885	35	35
Ningxia Yinxing Coal Company Limited ("Yinxing Coal")	600,000	600,000	—	3,680	1,288	—	604,968	45	45
Zoucheng Lunan Electricity Power Technology Development Co., Ltd. ("Zoucheng Lunan Company") (Note 2)	1,733	2,131	(2,131)	—	—	—	—	40	40
Erpu Transportation and Sales Company	111,100	111,100	—	—	—	—	111,100	49	49

Notes to the financial statements (unaudited) (Continued)

(Expressed in Renminbi'000 unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

10 Long-term equity investments (continued)

- (2) An analysis of the movements of Long-term equity investments for the period is as follows: (continued)

Investee name	Investment cost	Opening balance	Movement of additions and reductions	Adjustments under equity method			Closing balance	Shareholding percentage	Voting rights
				Gains/ (losses) in investment	Transfer of capital reserve	Cash dividends for the period			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	(%)	(%)
Sichuan Balanghe Hydropower Development Company Limited ("Balanghe Hydropower")	142,782	149,748	—	(5,348)	—	—	144,400	20	20
Sichuan Zhongqing Power Development Company Limited ("Zhongqing Hydropower")	11,175	13,175	—	(3,780)	—	—	9,395	32	32
Sichuan Litang Heyuan Hydropower Development Company Limited ("Litang Hydropower")	16,854	16,854	—	—	—	—	16,854	20	20
Datang Xiangcheng Hydropower Development Company Limited ("Xiangcheng Hydropower")	263,661	213,326	50,335	—	—	—	263,661	49	49
Datang Derongfang Hydropower Development Company Limited ("Derong Hydropower")	19,628	19,628	—	—	—	—	19,628	49	49
Other associates	219,961	218,225	—	6,407	—	—	224,632		
Total	8,981,915	10,428,371	64,204	400,475	19,506	(66,785)	10,845,771		

Note 1: Although the Company's equity interest percentage and voting rights in Huadian Coal, China Huadian Finance, Ningdong Railway Company and Huadian Property are less than 20%, according to the articles of association of the above four companies, the Company has the representative in the Board of Directors and can participate in the financial and operating policy decisions of them. As a result, the management of the Company determined that the Company has significant influence over Huadian Coal, China Huadian Finance, Ningdong Railway Company and Huadian Property, thus recognises them as associates.

Note 2: On 30 December 2011, the Company listed its 40% equity interest in Zoucheng Lunan Company for public trade in Shanghai United Assets and Equity Exchange. The transaction is closed in 7 March 2012 with a third party buyer with a consideration of RMB 2,016,400 calculated base on the asset appraisal report on the equity interest. At the date of the transaction, the carrying amount of the interest in Zoucheng Lunan Company was RMB 2,131,144.

Notes to the financial statements (unaudited) (Continued)

(Expressed in Renminbi'000 unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

10 Long-term equity investments (continued)

- (2) An analysis of the movements of Long-term equity investments for the period is as follows: (continued)

Investee name	Investment cost	Opening balance	Movement of additions and reductions	Closing balance	Closing balance	Voting rights	Cash dividends for the period
	RMB'000	RMB'000	RMB'000	RMB'000	(%)	(%)	RMB'000
Cost method							
Shandong Luneng Heze Coal Power Development Company Limited ("Luneng Heze Company")	103,609	103,609	—	103,609	12.27	12.27	—
Shanxi Jinzhongnan Railway Coal Distribution Company Limited ("Jinzhongnan Coal Company") (Note 1)	39,200	39,200	(39,200)	—	—	—	3,754
Sichuan Daduhe Shuangjiangkou Hydropower Development Company Limited ("Daduhe Hydropower Company")	23,500	23,500	—	23,500	5	5	—
Sichuan Huayingshan Coal Company Limited	20,000	20,000	—	20,000	2	2	—
Hebei Handan Thermal Power Corporation Limited	72,289	72,289	—	72,289	16	16	—
Sichuan Bahe Hydropower Development Company Limited	29,945	29,945	—	29,945	10	10	550
Weifang Venture Capital Company Limited ("Weifang Venture Capital") (Note 2)	5,000	5,000	(5,000)	—	—	—	—
Other investments	4,161	4,161	—	4,161	—	—	—
Total	297,704	297,704	(44,200)	253,504			4,304

Note 1: On 19 March 2012, the Company listed its 14% equity interest in Jinzhongnan Coal Company for public trade in Shanghai United Assets and Equity Exchange. The transaction is closed with a third party buyer with a consideration of RMB 39,317,600 calculated base on the asset appraisal report on the equity interest.

Note 2: On 3 February 2012, the Company listed its 9.769% equity interest in Weifang Venture Capital for public trade in Shanghai United Assets and Equity Exchange. The transaction is closed with a third party buyer with a consideration of RMB 5,000,000 calculated base on the asset appraisal report on the equity interest.

Notes to the financial statements (unaudited) (Continued)

(Expressed in Renminbi'000 unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

10 Long-term equity investments (continued)

(3) Information of significant investment in associates

Investee name	Type	Place of registration	Legal representative	Organisation code	Principal operation	Registered capital	Closing balance of total assets	Closing balance of net assets	Operating income for the period
						RMB'000	RMB'000	RMB'000	RMB'000
Ningxia Power Company	Limited company	Yinchuan	Liu Yingkuan	75080505-1	Generation and sale of electricity and investment holding	3,573,140	25,692,961	5,174,183	2,349,479
Huadian Property Luzhou Company	Limited company	Beijing	Cao Yinchang	77545281-1	Property development	1,747,500	4,028,562	2,236,089	201,232
	Limited company	Luzhou	Guo Yong	76728573-4	Generation and sale of electricity	200,000	3,809,288	235,306	1,067,762
Huadian Coal	Limited company	Beijing	Ding Huande	71093361-4	Provision of coal procurement service	3,657,143	33,028,815	15,517,245	6,952,637
China Huadian Finance	Limited company	Beijing	Wang Xi	11778303-7	Provision of corporate financial service to its group companies	5,000,000	28,028,437	6,643,806	752,214
Hengshui Hengqing	Limited company	Hengshui	Wang Jinsheng	74341504-7	Generation and sale of electricity and heat	475,000	1,510,428	548,803	688,066
Yuzhou Wind Company	Limited company	Zhangjiakou	Cao Xin	79842721-3	Generation and sale of electricity	364,000	1,682,458	428,512	94,883
Xingtai Guotai	Limited company	Xingtai	Wang Jinsheng	75244165-0	Generation and sale of electricity and heat	400,000	1,513,923	425,298	699,646
Xibaipo Company	Limited company	Shijiazhuang	Wang Yongzhong	75243698-2	Generation and sale of electricity and heat	880,000	4,050,795	1,025,458	1,198,728
Dongsheng Thermal Company	Limited company	Erdos	Miu Jun	78300656-3	Generation and sale of electricity and heat	500,000	3,227,190	691,210	495,806
Huaian Thermal Company	Limited company	Zhangjiakou	Li Enji	78981246-X	Generation and sale of electricity and heat	514,800	2,125,087	520,711	705,772
Changcheng Company	Limited company	Inner Mongolia	Shi Wei	77221211-8	Sale of mechanical equipments and accessories for coal mines	23,077	1,751,189	1,252,418	671,504
Fucheng Company	Limited company	Inner Mongolia	Shi Wei	78707803-8	Sale of ironstone and steel products	150,000	3,049,808	1,697,146	713,637
Lingfen Changfa Company	Limited company	Lin Fen	Wang Changfa	74855404-6	Wholesale and retail of refined coal coke and etc.(under construction)	10,000	66,025	6,500	—
Ningsong Railway Company	Corporation limited	Yin Chuan	Bao Jinquan	69432300-6	Railway development and management	3,000,000	4,636,952	3,833,565	427,653
Quanhui Trading	Limited company	Inner Mongolia	Fan Xilong	78300453-3	Building material, hardware & electrical & products, agriculture livestock products and electric products wholesale and retail (under construction)	5,000	3,137,329	2,662,383	—

Notes to the financial statements (unaudited) (Continued)

(Expressed in Renminbi'000 unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

10 Long-term equity investments (continued)

(3) Information of significant investment in associates (continued)

Investee name	Type	Place of registration	Legal representative	Organisation code	Principal operation	Registered capital	Closing balance of total assets	Closing balance of net assets	Operating income for the period
						RMB'000	RMB'000	RMB'000	RMB'000
Baihui Trading	Limited company	Inner Mongolia	Fan Xilong	78300454-1	Building material, hardware & electrical & products, agriculture livestock products and electric products wholesale and retail (under construction)	5,000	1,854,945	1,627,783	—
Zhengtai Trading	Limited company	Inner Mongolia	Wang Tao	76106842-1	Hardware & electro-mechanical products, dairy commodities, agriculture & livestock products wholesale and retail (under construction)	6,770	1,843,883	1,842,529	—
Yixing Coal	Limited company	Yin Chuan	Huang Jimhai	67040432-X	Development of coal mines	611,000	1,179,846	622,208	23,487
Jinshajiang Hydropower Company	Limited company	Cheng Du	Yang Qingling	78911988-4	Generation and sale of electricity(under construction)	92,552	1,412,573	297,352	—
Epu Transportation and Sales Company	Limited company	Shuozhou	Zhang Qiwen	57108816-5	Coal mine construction	10,000	177,570	15,100	—
Balanghe Hydropower	Limited company	Ganzi Tibetan Autonomous Region	Sun Yun	77984224-3	Generation and sale of electricity	120,000	1,440,004	496,828	39,275
Zhongxing Hydropower	Limited company	Ganzi Tibetan Autonomous Region	Cong Shuxiang	79580439-4	Generation and sale of electricity	10,000	259,075	(4,732)	1,170
Litang Hydropower	Limited company	Ganzi Tibetan Autonomous Region	Yang Bin	67141490-9	Generation and sale of electricity (under construction)	20,000	253,780	93,200	—
Xiangcheng Hydropower	Limited company	Ganzi Tibetan Autonomous Region	Wang Linrui	66955585-X	Generation and sale of electricity (under construction)	160,000	2,579,893	502,975	—
Derong Hydropower	Limited company	Ganzi Tibetan Autonomous Region	Wang Linrui	6965905-9	Generation and sale of electricity (under construction)	100,000	379,056	75,000	—

Note 1: All associates of The Company are registered in PRC.

Notes to the financial statements (unaudited) (Continued)

(Expressed in Renminbi'000 unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

11 Fixed assets

(1) Fixed assets

Item	Plants and buildings	Generators and related machinery and equipment	Mining structures and mining rights	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost					
Balance at the beginning of the period (restated)	35,690,502	86,813,667	385,355	2,023,482	124,913,006
Transferred from construction in progress	3,881,049	2,021,520	—	28,572	5,931,141
Additions from acquisition of subsidiaries	165,777	423,890	—	1,040	590,707
Net addition from sales and leaseback	—	(775,541)	—	—	(775,541)
Other additions during the period	530	2,940	1,200	7,852	12,522
Disposals during the period	—	(227,454)	—	(10,858)	(238,312)
Balance at the end of the period	<u>39,737,858</u>	<u>88,259,022</u>	<u>386,555</u>	<u>2,050,088</u>	<u>130,433,523</u>
Accumulated depreciation					
Balance at the beginning of the period (restated)	(7,517,757)	(26,985,417)	—	(1,157,404)	(35,660,578)
Charge for the period	(594,201)	(2,187,500)	(2,532)	(94,408)	(2,878,641)
Written-back on sales and leaseback	—	314,842	—	—	314,842
Written-off during the period	—	36,372	—	9,485	45,857
Balance at the end of the period	<u>(8,111,958)</u>	<u>(28,821,703)</u>	<u>(2,532)</u>	<u>(1,242,327)</u>	<u>(38,178,520)</u>
Carrying amounts					
At the end of the period	<u>31,625,900</u>	<u>59,437,319</u>	<u>384,023</u>	<u>807,761</u>	<u>92,255,003</u>
At the beginning of the period (restated)	<u>28,172,745</u>	<u>59,828,250</u>	<u>385,355</u>	<u>866,078</u>	<u>89,252,428</u>

As at 30 June 2012, the Group has the mortgaged fixed assets that have been restricted on the ownership. Details are referred to Note V. 19.

Notes to the financial statements (unaudited) (Continued)

(Expressed in Renminbi'000 unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

11 Fixed assets (continued)

- (2) As at 30 June 2012, the Group did not have any temporary idle fixed assets.
- (3) Details of fixed asset increase arising from finance leases (sales and leaseback transaction):

Item	30 June 2012			31 December 2011		
	Cost	Accumulated depreciation	Net book value	Cost	Accumulated depreciation	Net book value
Generators and related machineries and equipments	989,368	(20,100)	969,268	405,609	(6,425)	399,184

- (4) As at 30 June 2012, the Group did not have any fixed assets held for sale.
- (5) As at 30 June 2012, the Group had parts of fixed assets with pending certificates of ownership. The Board of Directors considered that the Group was entitled to lawfully and effectively occupy or the use of such fixed assets.

Notes to the financial statements (unaudited) (Continued)

(Expressed in Renminbi'000 unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

12 Construction in progress

Project	Budget amount	Opening balance	Additions for the period	Transfer to fixed assets	Closing balance	Percentage of input to budget	Accumulated capitalised interest	Including: capitalised interest for the period	Source of funds
	RMB'000	RMB'000 (restated)	RMB'000	RMB'000	RMB'000	(%)	RMB'000	RMB'000	
Luding Hydropower Company Phase I generating units	8,782,228	2,293,997	1,456,417	(3,733,130)	17,284	84	—	73,385	Self-financing and bank loans
Laizhou Power Company Phase I generating units	7,120,000	1,383,971	1,312,107	—	2,696,078	38	396,527	126,145	Self-financing and bank loans
Shuiluohu Company preliminary hydropower plants	12,413,778	320,070	16,946	—	337,016	3	—	—	Self-financing and bank loans
Shuiluohu Company Ningjiang Hydropower plant	1,012,320	925,946	67,998	—	993,944	98	100,225	14,484	Self-financing and bank loans
Shuiluohu Company Saduo Hydropower plant	1,796,800	743,895	120,510	—	864,405	48	72,449	36,051	Self-financing and bank loans
Guang'an Company Phase III generating units	4,490,400	479,098	53,676	(525,200)	7,574	92	—	—	Self-financing and bank loans
Zagunao Hydroelectric Company Shiping hydroelectric project	3,082,000	222,148	229,798	—	451,946	123	32,718	5,733	Self-financing and bank loans
Qudong Company Thermal Power project	2,810,000	1,247,592	213,544	—	1,461,136	52	179,109	42,564	Self-financing and bank loans
Zibo Thermal Power Company Phase II generating units	2,689,296	876,295	107,861	—	984,156	37	174,130	50,105	Self-financing and bank loans
Lu'an Company Phase I generating units	2,612,000	165,699	47,227	—	212,926	8	7,875	5,924	Self-financing and bank loans
Yuhua Thermal Power Company Thermal Power project	2,731,620	86,382	54,250	(51,138)	89,494	98	9,425	2,395	Self-financing and bank loans
Maohua Company Coal Mine projects	1,669,380	678,252	158,920	—	837,172	50	78,522	39,523	Self-financing and bank loans
Guyuan Wind Power Company Phase II Projects	927,320	134,762	34,433	—	169,195	18	23,031	17,351	Self-financing and bank loans
Luhua Heat project	861,857	110,119	4,764	—	114,883	101	5,832	4,456	Self-financing and bank loans
Laizhou Wind Company Jincheng Wind Phase I generating units	453,076	—	328,978	(328,978)	—	73	—	713	Self-financing and bank loans
Desulphurisation, technical improvement projects and others		4,496,533	2,459,248	(1,292,695)	5,663,086		344,616	112,090	Self-financing and bank loans
		<u>14,164,759</u>	<u>6,666,677</u>	<u>(5,931,141)</u>	<u>14,900,295</u>		<u>1,424,459</u>	<u>530,919</u>	

Note 1: As at 30 June 2012, the Group has the mortgaged constructions in process that have been restricted on the ownership. Details are referred to Note V.19.

Notes to the financial statements (unaudited) (Continued)

(Expressed in Renminbi'000 unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

13 Construction materials

Item	Opening balance	Additions through acquisition	Additions for the period	Decreases for the period	Closing balance
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Construction materials	160,856	—	2,133,299	(1,971,404)	322,751

14 Intangible assets

Item	Land use rights and sea use right	Mining rights and mineral exploration rights	Concession assets	Development right of hydropower	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost						
Balance at the beginning of the period	2,374,650	7,102,785	2,946,886	1,382,954	33,575	13,840,850
Additions for the period	7,675	—	—	—	2,275	9,950
Additions from acquisition of subsidiaries	22,699	—	—	—	—	22,699
Balance at the end of the period	2,405,024	7,102,785	2,946,886	1,382,954	35,850	13,873,499
Accumulated amortisation						
Balance at the beginning of the period	(328,825)	(5,849)	(206,985)	—	(11,795)	(553,454)
Charge for the period	(24,086)	(7,517)	(59,229)	—	(8,058)	(98,890)
Balance at the end of the period	(352,911)	(13,366)	(266,214)	—	(19,853)	(652,344)
Carrying amounts						
At the end of the period	2,052,113	7,089,419	2,680,672	1,382,954	15,997	13,221,155
At the beginning of the period	2,045,825	7,096,936	2,739,901	1,382,954	21,780	13,287,396

Notes to the financial statements (unaudited) (Continued)

(Expressed in Renminbi'000 unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

14 Intangible assets (continued)

The land use rights of the Group are mainly obtained through acquisitions. The sea use right of the Group is the right to use sea areas around Laizhou Port, Yantai, for general berth construction obtained by Laizhou Port Company, through cash consideration from People's Government of Shandong Province and State Oceanic Administration of People's Republic of China. The useful life of sea use right is 50 years starting from its registration date.

Mining right is a right to extract the mineral resources and obtain the extraction minerals, in the prescribed extension of excused mineral rights certification. Mineral exploration right is the permission to conduct mineral exploration activities to estimate the ultimate value of the minerals underneath a given property within the legal region according to the mineral exploration license. The application of mining rights can be made after the assessment work of mineral exploration right has been completed, and the prospecting reports have been submitted and recorded in the Department of Land and Resources. Mineral exploration right after transferring to mining right is stated in the balance sheet at cost less accumulated amortization and impairment losses, and is amortized on the units-of-production method.

Concession assets are recognised by Kailu Wind Power Company and Guyuan Wind Power Company, subsidiaries of the Company, according to service concession arrangements. Concession assets is amortised on a straight-line basis from the date the concession infrastructure are available for use over the rest concession period. As at 30 June 2012, the net book value of the concession assets held under finance lease amounted to RMB 300,179,100 (2011: RMB 315,927,000).

Development right of hydropower was obtained through acquisition of Shuiluohe Company. As at the acquisition date, all preliminary hydropower projects of Shuiluohe Company obtained approval for basin development and preliminarily work from SDRC. Amortisation of development right of hydropower will start after related hydropower plants are put into operation over its operation period on a straight-line basis.

As at 30 June 2012, the Group has the mortgaged intangible assets that have been restricted on the ownership. Details are referred to Note V. 19.

As at 30 June 2012, the Group's total land use rights with indefinite life amounted to RMB 459,077,000 (2011: RMB 459,077,000). They were mainly land use rights assigned by the PRC's land bureau with indefinite land use period. The Company and its subsidiaries will perform annual impairment test on intangible assets with indefinite useful life at year end.

Notes to the financial statements (unaudited) (Continued)

(Expressed in Renminbi'000 unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

15 Goodwill

Investee name	Note	Opening balance	Addition for the period	Decrease for the period	Closing balance	Provision for impairment at the period end
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Laicheng Plant	Note	12,111	—	—	12,111	—
Zibo Thermal Power Company	Note	4,555	—	—	4,555	—
Weifang Company	Note	20,845	—	—	20,845	—
Zagunao Hydroelectric Company	Note	16,011	—	—	16,011	—
Huarui Group Company	Note	53,769	—	—	53,769	—
Bainian Power Company	Note	342,490	—	—	342,490	—
Pingshi Power Company	Note	340,376	—	—	340,376	—
Star River Hydropower Company	Note	—	37,445	—	37,445	—
Ganbao Hydropower Company	Note	—	51,800	—	51,800	—
Total		790,157	89,245	—	879,402	—

Note: Goodwill of the Group represents the excess of cost of acquisition over the Group's interest in the fair value of the identifiable net assets of the acquiree under the business combination involving entities not under common control.

The Company and its subsidiaries will perform annual impairment test on goodwill at 2012 year end.

Notes to the financial statements (unaudited) (Continued)

(Expressed in Renminbi'000 unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16 Deferred tax assets /deferred tax liabilities

- (1) Deferred tax assets or liabilities and related deductible or taxable temporary differences after offsetting

Item	30 June 2012		31 December 2011	
	Deductible/ (taxable) temporary differences	Deferred tax assets/ (liabilities)	Deductible/ (taxable) temporary differences	Deferred tax assets/ (liabilities)
	RMB'000	RMB'000	RMB'000	RMB'000
Provision for stock and bad debt	107,028	26,757	107,028	26,757
Accrued salary expenses	27,739	6,934	31,356	7,839
Tax losses	2,991,883	731,725	2,648,172	662,043
Fair value adjustment	(6,934,019)	(1,709,072)	(6,669,722)	(1,642,834)
Depreciation of fixed assets	(4,220,848)	(1,055,174)	(3,973,351)	(993,587)
Others	34,104	8,526	29,400	7,350
Total	(7,994,113)	(1,990,304)	(7,827,117)	(1,932,432)
Offsetting amount		384,728		387,598
Amounts after offsetting presented in balance sheet				
Deferred tax assets		512,266		444,484
Deferred tax liabilities		(2,502,570)		(2,376,916)
Total		(1,990,304)		(1,932,432)

Notes to the financial statements (unaudited) (Continued)

(Expressed in Renminbi'000 unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16 Deferred tax assets /deferred tax liabilities (continued)

- (1) Deferred tax assets or liabilities and related deductible or taxable temporary differences after offsetting (continued)

The movements of deferred tax assets and liabilities for the period

	Deferred tax assets/(liabilities)				
	Opening balance	Movement charged to capital reserve	Movement charged to income statement	Acquisition of subsidiaries	Closing balance
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Provision for stock and bad debt	26,757	—	—	—	26,757
Accrued salary expenses	7,839	—	(905)	—	6,934
Tax losses	662,043	—	69,682	—	731,725
Fair value adjustment	(1,642,834)	(118)	26,657	(92,777)	(1,709,072)
Depreciation of fixed assets	(993,587)	—	(61,587)	—	(1,055,174)
Others	7,350	—	1,176	—	8,526
Total	(1,932,432)	(118)	35,023	(92,777)	(1,990,304)

Notes to the financial statements (unaudited) (Continued)

(Expressed in Renminbi'000 unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16 Deferred tax assets /deferred tax liabilities

(2) Details of unrecognised deferred tax assets

Item	30 June 2012	31 December 2011
	RMB'000	RMB'000
Deductible tax losses	5,366,620	4,640,006

(3) Expiration of deductible tax losses for unrecognised deferred tax assets

Year	30 June 2012	31 December 2011
	RMB'000	RMB'000
2012	31,158	20,391
2013	1,756,852	1,426,541
2014	54,071	23,923
2015	702,017	1,153,805
2016	2,054,780	2,015,346
2017	767,742	—
Total	5,366,620	4,640,006

(4) Unrecognised deferred tax liabilities

As at 30 June 2012, temporary differences relating to the undistributed profits of subsidiaries amounted to RMB 3,409,657,000 (2011: RMB 2,557,685,000). No deferred tax liability was recognised in respect of these taxable temporary differences as dividends from subsidiaries are not subject to PRC income tax, the Group controls the dividend policy of these subsidiaries and has no plan to dispose of these subsidiaries in the foreseeable future.

Notes to the financial statements (unaudited) (Continued)

(Expressed in Renminbi'000 unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

17 Other non-current assets

Item	30 June	31 December
	2012	2011
	RMB'000	RMB'000 (restated)
Prepayments for investment	345,622	589,985
VAT recoverable and other prepaid taxes	998,104	776,967
Deferred difference arising from a sales and leaseback arrangement	466,874	—
Other	196,000	—
	2,006,600	1,366,952

Prepayments for investment represent acquisition fund prepaid according to the investment agreement, and the Group is advancing the related agreements' implement according to the relevant requirements.

VAT recoverable and prepaid taxes mainly represent VAT input arising from fixed assets acquisition, which is deductible from VAT output.

Deferred difference arising from a sales and leaseback arrangement represents the deficit of sales proceeds over the net book value of the assets disposed under the sales and leaseback arrangement which resulted in a finance lease conducted by Pingshi Power Company, a subsidiary of the Company. The difference is deferred and amortised as an adjustment to the depreciation of the assets over their estimated useful lives.

18 Details of provisions for impairment

Item	Note	Opening balance	Charge for the period	Decrease for the period		Closing balance
				Reversal	Write off	
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Provision for bad and doubtful debts						
Trade receivables	V.3	6,750	—	—	—	6,750
Other receivables	V.4	3,226	—	—	—	3,226
Provision for diminution in value of inventories	V.6(2)	74,802	—	—	—	74,802
Total		84,778	—	—	—	84,778

Notes to the financial statements (unaudited) (Continued)

(Expressed in Renminbi'000 unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

19 Restricted assets

As at 30 June 2012, the assets with restrictions placed on their ownership were as follows:

Category	Note	Opening balance	Acquisition of subsidiaries	Additions for the period	Decrease for the period	Closing balance
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Assets used as guarantee						
— Cash at bank and on hand	V.1	297,535	—	123,570	(264,226)	156,879
— Bills receivables	V.2	7,000	—	—	(7,000)	—
— Trade receivables	V.3	1,520,593	—	230,830	(1,578,508)	172,915
— Inventory		53,250	—	—	(53,250)	—
— Fixed assets	V.11	104,422	—	69,617	(3,400)	170,639
— Construction in progress	V.12	1,669,841	—	213,400	—	1,883,241
— Intangible assets	V.14	157,683	—	255,000	(1,771)	410,912
Total		<u>3,810,324</u>	<u>—</u>	<u>892,417</u>	<u>(1,908,155)</u>	<u>2,794,586</u>

The Group's cash at bank and on hand used as guarantee represent bank deposits pledged for bills payable. The Group's trade receivables used as guarantee represent trade receivables for sale of electricity pledged for short-term loans. The Group's fixed assets, construction in progress and intangible assets used as guarantee represent plants and equipment, hydropower plant construction, land use rights and mining rights mortgaged for long-term loans.

20 Short-term loans

(1) Short-term loans by category

Item	30 June 2012	31 December 2011
	RMB'000	RMB'000
Unsecured loans	21,282,301	25,225,731
Secured loans	1,239,613	1,407,413
Mortgaged loans	155,400	66,000
Guaranteed loans	19,995	19,995
Total	<u>22,697,309</u>	<u>26,719,139</u>

(2) As at 30 June 2012, the Group do not have any past due short-term loans.

Notes to the financial statements (unaudited) (Continued)

(Expressed in Renminbi'000 unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

21 Bills payable

Category	30 June 2012	31 December 2011
	RMB'000	RMB'000
Bank acceptance bills	1,245,598	860,832
Commercial acceptance bills	—	55,000
Payment of domestic letter of credit on behalf of others	—	350,000
	1,245,598	1,265,832

The bills payable above are due within one year.

22 Trade payables

(1) Details of trade payables are as follows:

Item	30 June 2012	31 December 2011
	RMB'000	RMB'000 (restated)
Payables for fuel	2,584,500	1,363,230
Payables for construction, equipment and material	5,123,064	3,999,492
Payables for maintenance	76,887	49,559
Others	66,571	6,433
Total	7,851,022	5,418,714

As at 30 June 2012, the Group does not have any individually significant trade payables with ageing over one year.

The foreign currency included in the balance of trade payables amounted to USD nil (2011: USD nil).

(2) No amount due to shareholders who hold 5% or more of the voting rights of the Group is included in the closing balance of trade payables.

Notes to the financial statements (unaudited) (Continued)

(Expressed in Renminbi'000 unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

23 Advances from customers

(1) Details of advances from customers are as follows:

Item	30 June 2012	31 December 2011
	RMB'000	RMB'000
Sales of heat	58,308	664,339
Others	163,545	126,796
Total	221,853	791,135

As at 30 June 2012, the Group does not have any individually significant trade payables with ageing over one year.

(2) No amount due to shareholders who hold 5% or more of the voting rights of the Group is included in the closing balance of trade payables.

24 Wages payable

Item	Opening balance	Additions for the period	Payments for the period	Closing balance
	RMB'000 (restated)	RMB'000	RMB'000	RMB'000
Wages, bonuses, allowances and subsidies	8,935	646,691	646,493	9,133
Staff welfare	—	51,121	51,121	—
Social insurances				
Including: 1. Medical insurance	37,677	78,607	83,630	32,654
2. Pension insurance	6,938	198,140	195,173	9,905
3. Unemployment insurance	3,240	20,032	19,795	3,477
4. Work injury insurance	714	5,917	5,541	1,090
5. Maternity insurance	425	3,992	3,951	466
6. Supplementary pension insurance	1,115	43,626	41,981	2,760
Housing fund	8,434	176,366	173,071	11,729
Termination benefits	8,825	—	1,960	6,865
Labour union and staff education fund	39,569	26,399	18,340	47,628
Others	390	8,370	8,582	178
Total	116,262	1,259,261	1,249,638	125,885

The Group has joined supplementary pension insurance managed by China Huadian.

Notes to the financial statements (unaudited) (Continued)

(Expressed in Renminbi'000 unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

25 Taxes payable

Item	30 June 2012	31 December 2011
	RMB'000	RMB'000 (restated)
VAT	133,081	210,249
EIT	82,068	126,072
Individual income tax	9,886	21,199
Education surcharge	4,965	16,029
City maintenance and construction tax	5,706	16,452
Land use tax	18,007	21,072
Property tax	17,069	20,429
Others	23,533	15,131
Total	294,315	446,633

26 Interests payable

Item	30 June 2012	31 December 2011
	RMB'000	RMB'000
Interests payable for loans	285,376	304,887
Interests payable for debentures	174,072	116,445
Total	459,448	421,332

27 Other payables

(1) Details of other payables are as follows:

Item	30 June 2012	31 December 2011
	RMB'000	RMB'000 (restated)
Amounts due to China Huadian	1,910	83,145
Amounts due to other related parties	124,045	249,630
Amounts due to third parties	3,635,375	4,737,213
Total	3,761,330	5,069,988

Notes to the financial statements (unaudited) (Continued)

(Expressed in Renminbi'000 unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

27 Other payables (continued)

- (2) Except for amounts due to China Huadian, no amount due to shareholders who hold 5% or more of the voting rights of the Group is included in the closing balance of other payables.
- (3) As at 30 June 2012, except for quality guarantee deposits of constructions, the Group does not have any individually significant payable items with ageing over one year.
- (4) Amounts due to third parties mainly represent quality guarantee deposits of constructions.

28 Short-term debenture payables

Item	Opening balance	Addition for the period	Decrease for the period	Closing balance
	RMB'000	RMB'000	RMB'000	RMB'000
Short-term debenture	3,551,384	5,123,496	—	8,674,880

- (1) Details of short-term debenture payables are as follows:

Debenture	Face value	Date of issuance	Maturity period	Interest rate	Issuance amount	Opening balance	Additions		Interest		Principle paid for the period	Closing balance
							for the period	Discount amortisation	accrued for the period	paid for the period		
	RMB'000		Days	(%)	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
The first tranche of 2011 short-term debenture	100	11 August 2011	366	5.60	2,000,000	2,038,557	—	3,978	55,694	—	—	2,098,229
The second tranche of 2011 short-term debenture	100	20 October 2011	366	5.98	1,500,000	1,512,827	—	2,984	44,604	—	—	1,560,415
The first tranche of 2012 short-term debenture	100	10 February 2012	366	4.68	1,500,000	—	1,494,000	2,279	26,660	—	—	1,522,939
The first tranche of 2012 ultra-short-term debenture	100	19 June 2012	270	3.15	3,500,000	—	3,489,500	428	3,369	—	—	3,493,297
Total						3,551,384	4,983,500	9,669	130,327	—	—	8,674,880

As at 30 June 2012, the carrying amount of short-term debenture payables of the Group includes interest payable with the amount of RMB 191,488,000 (2011: RMB 61,099,000).

Notes to the financial statements (unaudited) (Continued)

(Expressed in Renminbi'000 unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

29 Non-current liabilities due within one year

(1) Non-current liabilities due within one year by category are as follows:

Item	Note	30 June 2012	31 December 2011
		RMB'000	RMB'000
Long-term loans due within one year	(2)	7,355,528	8,589,344
Mid-term note payable due within one year	V.31	—	1,499,052
Obligation under finance lease due within one year	(3)	303,385	143,119
Long-term payables due within one year	(4)	841,929	131,462
Total		8,500,842	10,362,977

As at 30 June 2012, the foreign currencies included in the balance of long-term loans due within one year amounting to USD 600,800 and EUR 2,908,200 (2011: USD 1,522,114 and EUR 2,390,202), and the foreign currencies included in the balance of long-term payables due within one year amounting to USD 119,909,953 (2011: USD 8,665,429) at exchange rate 6.3249 and 7.8710 (2011:6.3009 and 8.1625), respectively.

(2) Long-term loans due within one year

Item	30 June 2012	31 December 2011	
		RMB'000	RMB'000
Secured loans	944,575	938,575	
Mortgaged loans	124,560	124,560	
Guaranteed loans	111,141	117,301	
Unsecured loans	6,175,252	7,408,908	
Total	7,355,528	8,589,344	

The secured loans due within one year are secured by the income stream in respect of the sales of electricity. The mortgaged loans due within one year are mortgaged by the fixed assets, construction in progress and intangible assets.

Notes to the financial statements (unaudited) (Continued)

(Expressed in Renminbi'000 unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

29 Non-current liabilities due within one year(continued)

(2) Long-term loans due within one year (continued)

(a) At 30 June 2012, the top five largest long-term loans due within one year

Debtor	Loan starting date	Loan ending date	Currency	Interest rate (%)	30 June 2012 RMB'000
1. ICBC Beijing Xueyuan Road Subbranch	22 September 2011	16 November 2012	RMB	5.63	500,000
2. ICBC Beijing Xueyuan Road Subbranch	22 September 2011	16 November 2012	RMB	5.63	500,000
3. ICBC Beijing Xueyuan Road Subbranch	12 May 2010	10 May 2013	RMB	5.99	420,000
4. ICBC Chengzhan Subbranch	1 September 2004	31 December 2012	RMB	6.35	200,000
5. Huadian Finance	25 June 2010	25 June 2013	RMB	5.76	198,000
Total					<u>1,818,000</u>

(b) As at 30 June 2012, the Group do not have any overdue loans in the balance of long-term loans due within one year.

(3) Obligation under finance lease due within one year

As at 30 June 2012, net obligations under finance leases due within one year is RMB 303,385,000 (Total amount of RMB 315,911,000, net of unrecognised finance charges amounting to RMB 12,526,000).

(4) Long-term payables due within one year

As at 30 June 2012, long-term payables due within one year including payables for debts of the Group as bank loan guarantor amounting to RMB 758,419,000 (2010: RMB 54,600,000) and payables for central heating construction amounting to RMB 83,510,000 (2010: RMB 76,862,000).

Notes to the financial statements (unaudited) (Continued)

(Expressed in Renminbi'000 unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 Long-term loans

(1) Long-term loans by category

Item	30 June 2012	31 December 2011
	RMB'000	RMB'000
Unsecured loans	52,208,887	49,892,848
Secured loans	13,351,150	12,984,450
Mortgaged loans	3,326,290	3,284,216
Loans guaranteed by third parties	450,772	444,706
Loans guaranteed by China Huadian	1,702,474	1,711,804
Loans guaranteed by China Huadian Finance	—	2,000,000
Loans guaranteed by SEPCO	—	5,791
Less: Long-term loans due within one year	7,355,528	8,589,344
Total	63,684,045	61,734,471

As at 30 June 2012, the foreign currencies included in the balance of long-term loans (excluding due within one year) amounting to USD 58,829,082 and EUR 22,431,081 (2011: USD 31,276,793 and EUR 21,157,613) at exchange rate 6.3249 and 7.8710 (2011: 6.3009 and 8.1625) respectively.

(2) As at 30 June 2012, the top five largest long-term loans

Debtor	Loan starting date	Loan ending date	Currency	Interest rate	30 June 2012	31 December 2011
				(%)	RMB'000	RMB'000
1. Syndicated Loans (Note 1)	26 December 2005	26 December 2025	RMB	6.35	3,010,000	3,040,000
2. Syndicated Loans (Note 2)	28 June 2006	28 June 2022	RMB	6.12	2,000,000	2,100,000
3. Syndicated Loans (Note 3)	27 June 2007	26 June 2022	RMB	6.80	1,817,880	1,880,160
4. Ping'an assets management Co., Ltd	1 June 2011	20 March 2021	RMB	6.06	1,080,000	1,080,000
5. Postal savings bank of China, Sichuan Branch	27 December 2009	27 December 2019	RMB	6.12	995,000	995,000
Total					8,902,880	9,095,160

Notes to the financial statements (unaudited) (Continued)

(Expressed in Renminbi'000 unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 Long-term loans (continued)

(2) As at 30 June 2012, the top five largest long-term loans (continued)

Note 1: Syndicated Loans above included Bank of China Chengdu Development West District Subbranch, China Development Bank Sichuan Branch, Industrial and Commercial Bank of China Chengdu Zhiqian Subbranch and China Huadian Finance.

Note 2: Syndicated Loans above included China Development Bank Beijing Branch, Industrial and Commercial Bank of China Anhui Branch, Bank of Communications Wuhu Branch, Bank of Communications Beijing Branch and China Huadian Finance.

Note 3: Syndicated Loans above included China Development Bank, Industrial and Commercial Bank of China Guangdong Branch Banking Dept. Counter, Bank of China Shaoguan Branch and Bank of Communication Guangzhou Branch.

31 Debentures payable

Item	Opening balance	Addition for the period	Decrease for the period	Closing balance
	RMB'000	RMB'000	RMB'000	RMB'000
Medium-term notes	5,362,631	6,474,238	(1,500,000)	10,336,869
Less: Debentures payable due within one year	1,499,052	948	(1,500,000)	—
	<u>3,863,579</u>	<u>6,473,290</u>	<u>—</u>	<u>10,336,869</u>

Notes to the financial statements (unaudited) (Continued)

(Expressed in Renminbi'000 unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 Debentures payable (continued)

The analysis of debentures payable is set out as follows:

Debenture	Face value	Date of issuance	Maturity period	Interest rate	Issuance amount	Opening balance	Additions for the period	Discount amortisation	Decrease for the period	Closing balance
	RMB			(%)	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
The first tranche of 2009 medium-term notes	100	17 March 2009	From 18 March 2009 to 18 March 2012	3.38	1,500,000	1,499,052	—	948	(1,500,000)	—
The second tranche of 2009 medium-term notes	100	25 March 2009	From 26 March 2009 to 26 March 2014	3.96	1,500,000	1,489,957	—	2,243	—	1,492,200
The first tranche of 2010 medium-term notes	100	30 August 2010	From 31 August 2010 to 31 August 2015	3.78	2,400,000	2,373,622	—	3,588	—	2,377,210
The first tranche of 2012 medium-term notes	100	22 May 2012	From 23 May 2012 to 23 May 2017	4.72	1,500,000	—	1,477,500	480	—	1,477,980
2012 private placement bonds	100	13 March 2012	From 14 March 2012 to 14 March 2015	5.02	5,000,000	—	4,985,000	4,479	—	4,989,479
Total						5,362,631	6,462,500	11,738	(1,500,000)	10,336,869

The debentures above are paid interests annually and principals are repaid on maturity.

32 Long-term payables

Item	Note	30 June 2012	31 December 2011
		RMB'000	RMB'000
Payables for debts	(1)	758,419	784,673
Payables for central heating construction	(1)	83,510	83,912
Payables for finance leases	(2)	1,033,645	630,297
Other long-term payables		96,000	—
Less: Long-term payables due within one year		1,145,314	274,581
Total		826,260	1,224,301

As at 30 June 2012, the foreign currencies included in the balance of long-term payables (excluding due within one year) amounting to USD Nil (2011: USD 115,867,987).

Notes to the financial statements (unaudited) (Continued)

(Expressed in Renminbi'000 unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

32 Long-term payables (continued)

- (1) Payables for repay the debts and payables for central heating construction

According to corresponding contracts, payables for debts is due in 30 June 2013, and payables for central heating construction is due in 31 December 2012. Details are refer to Note V.29(4).

- (2) Obligations under finance leases

As at 30 June 2012, the total future minimum lease payments under finance leases are as follows:

Minimum lease payments	30 June 2012	31 December 2011
	RMB'000	RMB'000
Within one year (inclusive)	315,911	149,306
Between one and two years (inclusive)	309,777	162,360
Between two and three years (inclusive)	270,636	162,360
Over three year	285,183	267,028
Sub-total	1,181,507	741,054
Less: Finance expenses not recognized	147,862	110,757
Total	1,033,645	630,297

The obligations under finance leases mentioned before due within one year, net of unrecognised finance charges, is disclosed in Note V.29.(3).

In 2012, the Group entered into three agreements with different leasing companies to sell certain of the Group's facilities to these leasing companies and leaseback the facilities for a 3-year to 5-year period. The Group has the option to purchase the facilities at a nominal price of RMB 1 at the end of the lease period. As at 30 June 2012, the net book value of the facilities held under finance lease included in fixed assets and intangible assets amounted to RMB 969,268,000 and RMB 300,179,000 (2011:RMB 399,184,000 and RMB 315,927,000), respectively.

- (3) No amount due to shareholders who hold 5% or more of the voting rights or other related parties of the Group is included in the closing balance of long-term payables.

Notes to the financial statements (unaudited) (Continued)

(Expressed in Renminbi'000 unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

33 Other non-current liabilities

As at 30 June 2012, the other non-current liabilities included deferred income arising from cash received on heating pipe network construction amounting to RMB 1,261,141,000 (2011: RMB 1,190,240,000) and deferred government grants amounting to RMB 338,480,000 (2011: RMB 333,322,000). The above mentioned deferred income and deferred government grants are amortized over the estimated useful life of related assets using the straight-line method.

34 Share capital

	30 June 2012	31 December 2011
	RMB'000	RMB'000
Share capital	6,771,084	6,771,084

The share capital of the Company included A shares with restriction on disposals amounting to RMB 150,000,000, and shares without restriction on disposals amounting to RMB 6,621,084,200.

35 Capital reserve

	Opening balance	Additions for the period	Decrease for the period	Closing balance
	RMB'000 (restated)	RMB'000	RMB'000	RMB'000
Share premiums	3,914,680	1,829,084	—	5,743,764
Other capital reserves	688,453	8,311	—	696,764
Total	4,603,133	1,837,395	—	6,440,528

As state in Note 1, the Company received all the net proceeds non-public offering, total amount of RMB 1,829,084,307 from target subscribers on 28 June 2012. The aforementioned proceeds have been verified by KPMG Huazhen, and issued the KPMG-A(2012)CR No.0022 Capital Verification Report. As the aforementioned non-public offering were not listed on the Shanghai Stock Exchange until 4 July 2012, all the net proceeds of the aforementioned non-public offering were credited to the capital reserve account as at 30 June 2012.

Other capital reserves mainly represent government grants as state capital injection and share of an associate's fair value movements of available-for-sale financial assets and share premium, etc.

36 Specific reserve

Specific reserve is the provisions for production maintenance and production safety expenditures based on coal production volume according to the related regulations.

Notes to the financial statements (unaudited) (Continued)

(Expressed in Renminbi'000 unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

37 Surplus reserve

Item	30 June 2012 and 31 December 2011
	RMB'000
Statutory surplus reserve	1,479,421
Discretionary surplus reserve	68,089
Total	1,547,510

38 Retained profits

Item	Note	Amount
		RMB'000
Opening balance retained profits		3,175,032
Add: Net profit attributable to equity shareholders of the Company		269,940
Closing balance retained profits	(1)	3,444,972

(1) Retained profits at the end of the period

As at 30 June 2012, no surplus reserve made by the subsidiaries for the period included in the consolidated retained profits attributable to the Company (2011: RMB 13,956,000).

According to the Company's Articles of Association, the retained profits available for distribution are the lower of the amount as determined under CAS and the amount determined under International Financial Reporting Standards ("IFRSs").

39 Operating income and Operating costs

(1) Operating income and Operating costs

Item	Six months period ended 30 June	
	2012	2011
	RMB'000	RMB'000
Revenue from principal activities	29,437,280	26,397,470
Revenue from other operating activities	120,639	99,036
Operating costs	25,637,415	24,370,695

Notes to the financial statements (unaudited) (Continued)

(Expressed in Renminbi'000 unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

39 Operating income and Operating costs (continued)

- (2) Principal activities (by industry/by product)

Industry/product name	Six months period ended 30 June			
	2012		2011	
	Operating income	Operating costs	Operating income	Operating costs
	RMB'000	RMB'000	RMB'000	RMB'000
Sale of electricity	27,646,607	23,632,030	24,938,951	22,679,423
Sale of heat	1,576,348	1,739,805	1,458,519	1,631,007
Sale of coal	214,325	187,866	—	—
Total	<u>29,437,280</u>	<u>25,559,701</u>	<u>26,397,470</u>	<u>24,310,430</u>

- (3) Principal activities (by geographical area)

The Group's principal activities are mainly the generation and sale of electricity and sale of coal in the PRC.

- (4) Six months period ended 30 June 2012 Operating income from the top five customers

The Group has only two customer (Six months period ended 30 June 2011: one) whose recognised revenue for the period accounted for more than 10% of total operating income. Operating income from the Group's top five customers at the period are as follows:

Customer name	Operating income	Percentage of total operating income
	RMB'000	(%)
1. SEPCO	13,255,720	44.85
2. Ningxia Electric Power Company	2,990,426	10.12
3. Sichuan Electric Power Corporation	2,732,059	9.24
4. Hebei Electric Power Company	1,900,598	6.43
5. Henan Electric Power Company	1,771,126	5.99
Total	<u>22,649,929</u>	<u>76.63</u>

Notes to the financial statements (unaudited) (Continued)

(Expressed in Renminbi'000 unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

40 Sales taxes and surcharges

Item	Six months period ended 30 June		Taxation basis and rates
	2012	2011	
	RMB'000	RMB'000	
City maintenance and construction tax	61,884	51,904	1-7% of VAT payable
Education surcharge	49,620	43,577	3-5% of VAT payable
Total	111,504	95,481	

41 General and Administrative Expenses

General and administrative expenses mainly include emission fee, entertainment fee, coal management fee occurred after entering into plants, professional fee, transportation fee and other general and administrative expenses.

42 Finance expenses

Item	Six months period ended 30 June	
	2012	2011
	RMB'000	RMB'000
Interest expenses from loans and payables	3,692,551	2,705,990
Less: Borrowing costs capitalised	530,919	394,460
Interest income from deposits and receivables	(33,625)	(24,666)
Net exchange losses/(gains)	15,688	(43,964)
Other finance expenses	7,071	4,221
Total	3,150,766	2,247,121

The interest rate per annum at which the borrowing costs were capitalised for the period by the Group was 5.53%-7.70%(Six months period ended 30 June 2011: 4.69%-6.90%).

Notes to the financial statements (unaudited) (Continued)

(Expressed in Renminbi'000 unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

43 Investment income

(1) Investment income by item

Item	Note	Six months period ended 30 June	
		2012	2011
		RMB'000	RMB'000
Income from long-term equity investments under cost method		4,304	—
Income from long-term equity investments under equity method	(2)	400,475	337,706
Gain on dilution of an associate		—	567,896
Investment income from the remeasurement to fair value of previously-held equity interest before step acquisition		—	13,011
Investment income from disposal of long-term equity investments		3	—
Total		404,782	918,613

(2) Investees from which long-term equity investment income under equity method accounting for the top five of the total profit of the Company and its subsidiaries are as follows

Investee	Six months period ended 30 June		Reason for movements for the period
	2012	2011	
	RMB'000	RMB'000	
Changcheng Mine Company	76,485	45,079	Profit or loss from normal operations
Huadian Coal	76,263	76,001	Profit or loss from normal operations
China Huadian Finance	63,425	43,788	Profit or loss from normal operations
Fucheng Mining Company	57,430	71,193	Profit or loss from normal operations
Dongsheng Company	23,268	14,012	Profit or loss from normal operations

Notes to the financial statements (unaudited) (Continued)

(Expressed in Renminbi'000 unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

44 Non-operating income

(1) Non-operating income by item is as follows:

Item	Note	Six months period ended 30 June		Amount recognized in extraordinary gain and loss
		2012	2011	
		RMB'000	RMB'000	
Gains on disposal of fixed assets		29,377	2,234	29,377
Government grants	(2)	98,876	98,167	98,876
CERs income		54,807	37,743	—
Sales of installed capacity quota		50,000	—	50,000
Others		38,736	28,387	38,736
Total		271,796	166,531	216,989

(2) Details of government grants

Item	Six months period ended 30 June	
	2012	2011
	RMB'000	RMB'000
Grants of sale of heat	61,859	17,676
Grants of eliminating backward production facilities	11,250	9,000
Interest subsidies	2,760	6,978
Grants of sale of electricity (Note 1)	14,240	29,720
VAT refunding of wind and stalk power generation (Note 2)	—	4,305
Taxes refunding of sale of heat (Note 3)	535	5,630
Others	8,232	24,858
Total	98,876	98,167

Notes to the financial statements (unaudited) (Continued)

(Expressed in Renminbi'000 unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

44 Non-operating income (continued)

(2) Details of government grants (continued)

Note 1: According to the related Notice from Local government and the Local Ministry of Finance, parts of the Group's generation companies earned the grants for electricity generation and coal purchasing.

Note 2: According to Notice of VAT Policy for Comprehensive Utilisation of Resources and Other Products (Cai Shui [2008] No.156) issued by the Ministry of Finance and the State Administration of Taxation, the Group's wind and stalk power generation earned the VAT refund policies.

Note 3: According to Notice of continue implementing the preferential taxation policies on VAT, Property Tax and the Urban Land Use Tax (Cai Shui [2009] No.11) issued by the Ministry of Finance and the State Administration of Taxation, the Group's revenue from sale of heat from 2010 to 2012 earned the VAT refund policies.

45 Non-operating expenses

Item	Six months period ended 30 June		Amount recognized in extraordinary gain and loss
	2012	2011	
	RMB'000	RMB'000	RMB'000
Losses on disposal of fixed assets	266	11	266
CERs expenses	3,742	2,798	—
Others	3,174	4,001	3,174
Total	7,182	6,810	3,440

46 Income tax

Item	Note	Six months period ended 30 June	
		2012	2011
		RMB'000	RMB'000
Income tax for the year based on tax law and corresponding regulations		139,247	37,752
Deferred taxation adjustments	(1)	(35,023)	(7,055)
(Over)/under-provision for income tax in respect of preceding year		(4,957)	381
Total		99,267	31,078

Notes to the financial statements (unaudited) (Continued)

(Expressed in Renminbi'000 unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

46 Income tax (continued)

(1) The analysis of deferred taxation adjustments is set out below:

Item	Six months period ended 30 June	
	2012	2011
	RMB'000	RMB'000
Origination and reversal of temporary differences	12,617	(7,055)
Recognition of previously unrecognised tax losses	(47,640)	—
Total	(35,023)	(7,055)

(2) Reconciliation between income tax and accounting profits is as follows:

Item	Six months period ended 30 June	
	2012	2011
	RMB'000	RMB'000
Profit before taxation	480,400	125,232
Expected income tax at a tax rate of 25%	120,100	31,308
Add: Non-deductible expenses	5,474	1,866
Non-taxable income	(122,519)	(98,686)
Effect of preferential tax rate of subsidiaries on income tax	(51,535)	(43,563)
(Over)/under-provision in respect of preceding year	(4,957)	381
Tax losses	152,704	139,772
Income tax expense	99,267	31,078

Notes to the financial statements (unaudited) (Continued)

(Expressed in Renminbi'000 unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

47 Calculation of basic earnings per share and diluted earnings per share

(1) Basic earnings per share

Basic earnings per share is calculated by dividing consolidated net profit of the Company attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding:

	Six months period ended 30 June	
	2012	2011
Consolidated net profit of the Company attributable to ordinary shareholders (RMB'000)	269,940	118,908
Weighted average number of ordinary shares outstanding ('000 share)	6,771,084	6,771,084
Basic earnings per share (RMB per share)	0.040	0.018

Calculation of weighted average number of ordinary shares is as follows:

	Six months period ended 30 June	
	2012	2011
	'000 share	'000 share
Issued ordinary shares at 1 January	6,771,084	6,771,084
Effect of shares issued	—	—
Weighted average number of ordinary shares at 30 June	6,771,084	6,771,084

(2) Diluted earnings per share

There were no dilutive potential ordinary shares in existence for the period, therefore the diluted earnings per share is the same as the basic earnings per share.

Notes to the financial statements (unaudited) (Continued)

(Expressed in Renminbi'000 unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

48 Other comprehensive income

Item	Six months period ended 30 June	
	2012	2011
	RMB'000	RMB'000
1. Losses arising from available-for-sale financial assets	473	429
Less: Tax expenses arising from available-for-sale financial assets	118	107
Sub-total	355	322
2. Share of other comprehensive income of investees accounted for under the equity method	(1,510)	(5,165)
Less: Reclassification adjustments for amounts transferred to profit or loss	(2,183)	(2,499)
Sub-total	673	(2,666)
Total	1,028	(2,344)

49 Notes to cash flow statement

(1) Other cash received relating to operating activities

Item	Amount
	RMB'000
Cash received relating to other operating activities	117,005
Government grants received relating to profits	43,977
Others	35,384
Total	196,366

(2) Other cash paid relating to operating activities

Item	Amount
	RMB'000
Cash paid relating to administration expenses	611,797
Cash paid relating to cash receipt from sale of electricity which collected on behalf of others under trade receivables factoring	563,000
Others	153,200
Total	1,327,997

Notes to the financial statements (unaudited) (Continued)

(Expressed in Renminbi'000 unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

49 Notes to cash flow statement (continued)

(3) Other cash received relating to investing activities

Item	Amount
	RMB'000
Cash received relating to fixed deposits	65,000
Interest income	33,625
Principal received from borrowings to a third party	12,000
Cash received relating to guarantee for bidding	44,753
Total	155,378

(4) Other cash paid relating to investing activities

Item	Amount
	RMB'000
Cash repaid relating to guarantee for bidding	1,996
Total	1,996

(5) Other cash received relating to financing activities

Item	Amount
	RMB'000
Cash received relating to bills financing	372,120
Government grants received relating to assets	30,875
Total	402,995

(6) Other cash paid relating to financing activities

Item	Amount
	RMB'000
Cash paid relating to finance lease deposit and surcharge	32,263
Cash paid relating to financing surcharges	44,903
Others	24,822
Total	101,988

Notes to the financial statements (unaudited) (Continued)

(Expressed in Renminbi'000 unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

50 Information of cash flow statement

(1) Supplement to cash flow statement

Supplement	Six months period ended 30 June	
	2012	2011
	RMB'000	RMB'000 (restated)
1. Reconciliation of net profit to cash flow from operating activities:		
Net profit	381,133	94,154
Add: Depreciation of fixed assets	2,869,018	2,612,411
Amortisation of intangible assets	98,890	85,786
Gains on disposal of fixed assets	(29,111)	(2,223)
Maintenance and production fund and production safety related expenditures	4,872	—
Finance expenses	3,150,766	2,247,121
Direct cost for acquisition	900	400
Gains arising from investments	(404,782)	(918,613)
Increase in deferred tax assets	(67,782)	(36,936)
Increase in deferred tax liabilities	32,759	29,882
Increase in gross inventories	(1,109,269)	(1,045,987)
Increase in operating receivables	(845,976)	(874,182)
Increase in operating payables	1,222,284	149,409
Net cash flow from operating activities	5,303,702	2,341,222
2. Change in cash and cash equivalents:		
Cash at the end of the year	4,559,798	4,846,430
Less: Cash at the beginning of the year	2,111,725	1,240,089
Net increase in cash and cash equivalents	2,448,073	3,606,341

Notes to the financial statements (unaudited) (Continued)

(Expressed in Renminbi'000 unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

50 Information of cash flow statement (continued)

(2) Information on acquisition of subsidiaries during the period

Item	Six months period ended 30 June	
	2012	2011
	RMB'000	RMB'000
1. Consideration of acquisition a subsidiary's equity and debt	483,225	283,315
2. Cash and cash equivalents paid for acquiring subsidiaries	601,800	115,754
Add: Cash and cash equivalents paid in current year for subsidiaries acquired in previous year	1,123,526	100,997
Less: Cash and cash equivalents paid in previous year for subsidiaries acquired in current year	270,810	—
Cash and cash equivalents held by subsidiaries	287	138,089
3. Net cash paid for the acquisition	1,454,229	78,662
4. Non-cash assets and liabilities held by the acquired subsidiaries		
Current assets	3,009	195,798
Non-current assets	613,406	2,501,178
Current liabilities	(129,945)	(391,518)
Non-current liabilities	(92,777)	(1,407,532)

(3) Details of cash and cash equivalents

Item	Six months period ended 30 June	
	2012	2011
	RMB'000	RMB'000 (restated)
1. Cash at bank and on hand		
Including: Cash on hand	2,216	2,559
Bank deposits available on demand	4,557,063	4,841,094
Other monetary fund available on demand	519	2,777
2. Closing balance of cash and cash equivalents	4,559,798	4,846,430

Note: Cash and cash equivalents disclosed above exclude cash with restricted usage.

Notes to the financial statements (unaudited) (Continued)

(Expressed in Renminbi'000 unless otherwise indicated)

VI. RELATED PARTY AND RELATED PARTY TRANSACTIONS

1 Parent of the Company

Company name	Related party relationship	Type	Registered place	Legal representative	Business nature	Registered capital	Percentage of equity interest to the Company	Percentage of voting right to the Company	Organisation code
						RMB'000	(%)	(%)	
China Huadian	Ultimate controlling party	State-owned enterprise	Beijing, the PRC	Yun Gongmin	Development, construction and operation management of electricity related business, organisation of production and sale of electricity and heat	12,000,000	47.21(Note)	47.21	71093107-X

Note: This included 1.27% equity interest, 85,862,000 shares of H shares, which were held through China Huadian Hong Kong Co., Ltd. (a wholly owned subsidiary of China Huadian).

- 2 **Please refer to Note IV. 1 for the information related to subsidiaries of the Company.**
- 3 **Please refer to Note V. 10(3) for information related to associates of the Company.**

Notes to the financial statements (unaudited) (Continued)

(Expressed in Renminbi'000 unless otherwise indicated)

VI. RELATED PARTY AND RELATED PARTY TRANSACTIONS (CONTINUED)

4 Other related parties

Name of other related parties	Related party relationship	Organisation code
SITC	Holding 11.83% equity interest of the Company	16304514-X
China Huadian Engineering (Group) Corporation ("Huadian Engineering") and its subsidiaries	Controlled by China Huadian	10001149-5
CHD Power Plant Operation Company Limited ("CHD Operation")	Controlled by China Huadian	71093481-X
Beijing Anfu Real Estate Development Co., Ltd. ("Anfu Company")	Controlled by China Huadian	80144508-5
Huadian Technology & Trade Co., Ltd. ("Huadian Technology & Trade")	Controlled by China Huadian	71092444-3
Huadian Tendering Co., Ltd. ("Huadian Tendering")	Controlled by China Huadian	71093130-1
China Huadian Group Capital Holdings Limited ("CHD Capital")	Controlled by China Huadian	71093480-1
China Huadian New Energy Development Company Limited ("Huadian New Energy")	Controlled by China Huadian	71093502-X
China Fortune International Trust Co., Ltd. ("Fortune Trust")	Controlled by China Huadian	19352565-4
Huadian Shanxi Energy	Controlled by China Huadian	69429229-1
Sichuan Huadian Fuel Co., Ltd. ("Sichuan Huadian fuel")	Controlled by China Huadian	57074147-6
Anhui Huadian Lu'an Power Generation Co., Ltd. ("Anhui Lu'an Power")	Controlled by China Huadian	75299577-6
Huadian Hubei Power Generation Co., Ltd. ("Huadian Hubei Power")	Controlled by China Huadian	27175132-4
Huadian Kemen Phase II Company	Controlled by China Huadian	56926696-2
Shanghai Huadian Electric Power Development Company Limited ("Shanghai Huadian Electric")	Controlled by China Huadian	75955843-X

Notes to the financial statements (unaudited) (Continued)

(Expressed in Renminbi'000 unless otherwise indicated)

VI. RELATED PARTY AND RELATED PARTY TRANSACTIONS (CONTINUED)

5 Transactions with related parties

The below transactions with related parties were conducted under normal commercial terms or relevant agreements.

- (1) Table of related party transactions concerning sale and purchase of goods, rendering of or receiving services

The Group

Related party	Content of transaction <i>Note 1</i>	Six months period ended 30 June			
		2012		2011	
		Amount RMB'000	Percentage of the same type of transaction (%)	Amount RMB'000	Percentage of the same type of transaction (%)
Huadian Engineering and its subsidiaries	Construction expenses and Equipment expenses	166,737	2.72	29,173	0.56
Huadian Engineering's subsidiaries	Technical Service fee	5,475	13.21	—	—
CHD Capital	Agency fees	4,120	100.00	280	100.00
China Huadian Finance	Commission charges	10,307	17.23	—	—
Huadian Coal	Coal services fee	—	—	20,739	100.00
	Purchase of coal	1,216,662	6.69	714,642	3.65
Sichuan Huadian fuel, Shanxi Huasheng Tongpei Coal Company Limited("Shanxi Huasheng"), Changcheng Mine Company and Fucheng Mining Company	Purchase of coal	125,485	0.69	—	—
Ningdong Railway Company	Fuel transportation fees	38,188	1.50	14,618	0.73
Huadian New Energy	CDM services fees	2,550	100.00	—	—
Huadian Technology & Trade	Property management services fees	3,846	23.24	3,530	29.88
Shanghai Huadian Electric Xibaipo Company	Maintenance fee	16,089	4.53	—	—
	Purchase of electricity	—	—	31,333	26.33
Baoding Huacheng Residual Thermal Power Generation Company Limited ("Huacheng Company")	Sale of electricity rights	—	—	5,949	3.27
Anhui Lu'an Power	Power generation substitution income	27,285	23.83	—	—
CHD Operation	Operation service income	508	2.74	—	—
Huadian Hubei Power	Provision of Maintenance fee	1,534	8.28	—	—
Huadian Shanxi Energy	Purchase of quota service	2,250	3.06	—	—
Huadian Kemen Phase II Company	Sale of quota service	50,000	100.00	—	—
Key management personnel	Payment of remuneration	1,911	0.17	1,927	0.16

Notes to the financial statements (unaudited) (Continued)

(Expressed in Renminbi'000 unless otherwise indicated)

VI. RELATED PARTY AND RELATED PARTY TRANSACTIONS (CONTINUED)

5 Transactions with related parties (continued)

- (1) Table of related party transactions concerning sale and purchase of goods, rendering of or receiving services (continued)

The Company

Related party	Content of transaction <i>Note 1</i>	Six months period ended 30 June			
		2012		2011	
		Amount <i>RMB'000</i>	Percentage of the same type of transaction (%)	Amount <i>RMB'000</i>	Percentage of the same type of transaction (%)
Huadian Engineering and its subsidiaries, Materials Company	Construction expenses and Equipment expenses	128,919	21.57	153,902	54.23
Zoucheng Heat Company	Sale of heat	50,427	43.78	28,651	32.97
	Operation service income	543	8.78	543	11.15
Zouxian Company	Properties rental income	18,898	95.16	18,898	98.42
Huadian Technology & Trade	Property Management services fees	3,846	59.26	3,530	59.22
Key management personnel	Payment of remuneration	1,911	0.73	1,927	0.71

Note 1: The pricing of the related party transactions mentioned above is based on the market price and the principal of fair consultation.

Notes to the financial statements (unaudited) (Continued)

(Expressed in Renminbi'000 unless otherwise indicated)

VI. RELATED PARTY AND RELATED PARTY TRANSACTIONS (CONTINUED)

5 Transactions with related parties (continued)

(2) Related party lease

Table of transactions concerning leasing in:

The Group and the Company

Lessor name	Lessee name	Type of assets leased	Inception date of lease	Maturity date of lease	Basis for determining lease expense	Lease expenses recognized in the period
<i>RMB'000</i>						
Anfu Company	The Company	China Huadian Building	1 April 2009	31 December 2014	Trustee area	24,501
CHD Operation	The Company	Buildings and vehicles	1 November 2011	31 October 2013	Trustee period	648

(3) Related party guaranty

The Group

Guarantor	Guarantee	Amount of guaranty	Inception date of guaranty	Maturity date of guaranty	Guaranty completed (Y/N)
<i>RMB'000</i>					
Providing guaranty					
Guang'an Company	Sichuan Huayingshan Longtan Coal Power Company Limited	163,577	9 January 2006	14 April 2022	N
Zhongning Company	Ningxia Power Company	25,110	22 December 2006	21 December 2021	N
Guaranty secured					
China Huadian	Banshan Company	102,474	25 June 2004	30 May 2022	N
China Huadian	Lingwu Company	1,600,000	6 January 2011	20 March 2021	N

Notes to the financial statements (unaudited) (Continued)

(Expressed in Renminbi'000 unless otherwise indicated)

VI. RELATED PARTY AND RELATED PARTY TRANSACTIONS (CONTINUED)

5 Transactions with related parties (continued)

(3) Related party guaranty (continued)

The Company

Guarantor	Guarantee	Amount of guaranty	Inception date of guaranty	Maturity date of guaranty	Guaranty completed (Y/N)
<i>RMB'000</i>					
Providing guaranty					
The Company	Suzhou Biomass Energy Company	148,200	29 July 2008	29 July 2025	N
The Company	Ningdong Wind Power Company	30,000	13 March 2009	12 February 2023	N
The Company	Kailu Wind Power Company	213,571	12 August 2009	23 August 2022	N
The Company	Kailu Wind Power Company	175,250	19 June 2009	11 July 2022	N
The Company	Kailu Wind Power Company	355,000	27 September 2011	29 September 2022	N
The Company	Xinxiang Company	179,956	30 December 2011	29 December 2014	N
The Company	Suzhou Company	58,200	29 December 2009	19 August 2019	N
The Company	Maohua Company	251,811	16 August 2012	8 January 2016	N
The Company	Maohua Company	285,000	30 July 2013	29 July 2015	N
The Company	Maohua Company	368,000	22 September 2016	21 September 2018	N
The Company	Maohua Company	200,000	21 January 2012	26 February 2016	N
The Company	Maohua Company	90,000	9 February 2013	8 February 2015	N
The Company	Luohe Company	37,500	31 January 2012	30 January 2015	N
The Company	Pingshi Power Generation Company	162,500	29 March 2012	29 December 2016	N

The Group and the Company paid RMB 1.5 million to China Huadian Finance during the period for the guarantee (for the six months period ended 30 June: Nil), and the guarantee mentioned above is matured on May 2012.

Notes to the financial statements (unaudited) (Continued)

(Expressed in Renminbi'000 unless otherwise indicated)

VI. RELATED PARTY AND RELATED PARTY TRANSACTIONS (CONTINUED)

5 Transactions with related parties (continued)

- (4) Related party borrowing and refunding

The Group

Related party	Borrowing Amount	Refunding Amount	Interest income recognised in the six months period ended 30 June 2012
	RMB'000	RMB'000	RMB'000
Funds provided			
Linfen Changfa Company	—	—	2,253
Ningxia Power Company	—	—	675
Zhongxing Power Company	—	—	283
Total	—	—	3,211

Related party	30 June 2012	31 December 2011	Interest income recognised in the six months period ended 30 June 2012
	RMB'000	RMB'000	RMB'000
Deposit			
China Huadian Finance	1,652,470	1,077,982	15,353

Related party	Borrowing Amount	Refunding Amount	Interest income recognised in the six months period ended 30 June 2012
	RMB'000	RMB'000	RMB'000
Funds received			
China Huadian	—	—	45,013
SITC	621,840	(727,080)	52,451
China Huadian Finance	3,435,000	(3,580,460)	215,880
Huadian Tendering	—	(100,000)	3,280
Fortune Trust	—	(1,000)	15,610
Huadian Shanxi Energy	—	(105,061)	2,131
Total	4,056,840	(4,513,601)	334,365

Notes to the financial statements (unaudited) (Continued)

(Expressed in Renminbi'000 unless otherwise indicated)

VI. RELATED PARTY AND RELATED PARTY TRANSACTIONS (CONTINUED)

5 Transactions with related parties (continued)

- (4) Related party borrowing and refunding (continued)

The Group (continued)

Related party	Obtain cash	Pay the rent
	RMB'000	RMB'000
Obligation under sales and leaseback arrangements		
China Huadian Finance	200,000	(1,483)

The Company

Related party	Borrowing Amount	Refunding Amount	Interest income recognised in the six months period ended 30 June 2012
	RMB'000	RMB'000	RMB'000
Funds provided			
Zagunao Hydroelectric Company	510,000	—	15,558
Shantou Company	—	—	12,488
Maohua Company	—	—	2,459
Suzhou Biomass Energy Company	10,000	—	73
Luding Hydropower Company	500,000	—	473
Zibo Thermal Power Company	50,000	—	47
Tengzhou Thermal Power Company	200,000	—	158
Shaoguan Thermal Power Company	41,000	—	486
Zhangqiu Company	200,000	—	158
Laizhou Power Generation Company	300,000	—	684
Kailu wind power company	30,000	—	58
Total	1,841,000	—	32,642

Notes to the financial statements (unaudited) (Continued)

(Expressed in Renminbi'000 unless otherwise indicated)

VI. RELATED PARTY AND RELATED PARTY TRANSACTIONS (CONTINUED)

5 Transactions with related parties (continued)

(4) Related party borrowing and refunding (continued)

The Company (continued)

Related party	30 June	31 December	Interest income
	2012	2011	recognised in the six months period ended 30 June 2012
	RMB'000	RMB'000	RMB'000
Deposit			
China Huadian Finance	246,992	48,049	1,707

Related party	Borrowing	Refunding	Interest income
	Amount	Amount	recognised in the six months period ended 30 June 2012
	RMB'000	RMB'000	RMB'000
Funds received			
China Huadian	—	—	3,849
SITC	—	—	8,706
China Huadian Finance	1,855,000	(1,610,000)	22,103
Huadian Tendering	—	(100,000)	3,280
Fortune Trust	—	(1,000)	15,610
Materials Company	—	—	1,492
Project Company	45,000	—	14
Total	1,900,000	(1,711,000)	55,054

Notes to the financial statements (unaudited) (Continued)

(Expressed in Renminbi'000 unless otherwise indicated)

VI. RELATED PARTY AND RELATED PARTY TRANSACTIONS (CONTINUED)

5 Transactions with related parties (continued)

- (5) Equity investments in related parties

The Group and the Company

Related party	Content of transaction	Six months period ended 30 June	
		2012	2011
		RMB'000	RMB'000
Capital investment			
Jinshajiang	Capital Injection	16,000	—
Hydropower			
Xiangcheng	Capital Injection	50,335	—
Hydropower			
Shanxi Huasheng	Capital Injection	—	6,000

- (6) Related party transferring of equity interests

The Company

Related party	Content of transaction	Six months period ended 30 June			
		2012		2011	
		Amount	Percentage of the same type of transaction	Amount	Percentage of the same type of transaction
		RMB'000	(%)	RMB'000	(%)
Huadian Shanxi Energy	Purchase of equity interest of subsidiaries	14,268	2.87	—	—

- (7) Commitment with related parties

As at 30 June 2012, commitment with related parties is as follows:

Item	30 June 2012	31 December 2011
RMB'000		RMB'000
Capital commitment	392,121	368,215
Commitment on properties rental and management fees	144,662	156,076
Total	536,783	524,291

Notes to the financial statements (unaudited) (Continued)

(Expressed in Renminbi'000 unless otherwise indicated)

VI. RELATED PARTY AND RELATED PARTY TRANSACTIONS (CONTINUED)

6 Balance of related party receivables, payables, loans and deposits

The Group

Item	Related party	30 June	31 December
		2012	2011
		RMB'000	RMB'000 (restated)
Receivables from related party			
Prepayments for construction and construction materials	Huadian Engineering and its subsidiaries	289,899	249,515
Prepayments for fuel	Huadian Coal, China Huadian, Changcheng Mine Company and Fucheng Mining Company	132,560	70,353
Prepayments for maintenance	Shanghai Huadian Electric	8,548	—
Prepayments for fuel transportation	Ningdong Railway Company and Erpu Transportation and Sales Company	96,811	93,795
Trade receivables for sale of installed capacity quota	Huadian Kemen Phase II Company	50,000	—
Trade receivables for sale of electricity	Anhui Lu'an Power	2,010	—
Entrusted loans	Ningxia Power Company	20,000	20,000
Payment made on behalf	Linfen Changfa Company and Zhongxing Power Company	69,112	66,576
Payables to related party			
Trade Payables for construction equipments	Huadian Engineering and its subsidiaries	(258,053)	(268,597)
Trade Payables for fuel	Huadian Coal, Shanxi Huasheng and Sichuan Huadian Fuel	(78,584)	(4,586)
Trade Payables for Property Management services fees	Huadian Technology & Trade	(1,177)	—
Trade Payables for CDM service fee	Huadian New Energy	(787)	(787)
Trade Payables for maintenance service fee	Lunan Company and Hebei Tianwei-huarui Electric Company Limited	(93)	(624)
Trade Payables capacity quota	Huadian Shanxi Energy	(101,750)	(99,500)
Other payables	China Huadian and Huadian Shanxi Energy	(1,910)	(193,101)
Receipt in advance for sales of electricity rights	Huacheng Company	(10,000)	(10,000)
Loans from shareholders	China Huadian and SITC	(3,146,984)	(3,240,396)
Other Loans	China Huadian Finance, Huadian Tendering and Fortune Trust	(6,739,625)	(6,986,085)
Payables under sale and leaseback transaction	China Huadian Finance	(199,500)	—

Notes to the financial statements (unaudited) (Continued)

(Expressed in Renminbi'000 unless otherwise indicated)

VI. RELATED PARTY AND RELATED PARTY TRANSACTIONS (CONTINUED)

6 Balance of related party receivables, payables, loans and deposits

The Company

Item	Related party	30 June	31 December
		2012	2011
		RMB'000	RMB'000
Receivables from related party			
Prepayments for construction and construction	Huadian Engineering and its subsidiaries, Material Company	44,622	26,620
Entrusted loans	Zagunao Hydroelectric Company, Suzhou Biomass Energy Company, Luding Hydropower Company, Tengzhou Thermal Power Company, Shaoguan Thermal Power Company, Laizhou Power Generation Company, Maohua Company, Shantou Company, Zhangqiu Company, Zibo Thermal Power Company and Kailu Wind Power Company	2,365,256	495,548
Prepayments for purchase of fuel	Huadian Coal	88,460	20,300
Prepayments for investment	Huadian Shanxi Energy	—	44,268
Payables to related party			
Other payables	China Huadian	(1,710)	(82,945)
Trade Payables for construction equipments	Huadian Engineering and its subsidiaries	(995)	(2,153)
Loans from shareholders	China Huadian and SITC	(396,976)	(393,127)
Other Loans	Huadian Tendering, Fortune Trust, China Huadian Finance and Material Company	(984,000)	(845,000)
Prepayment/(Receipt in advance) for purchase and sales of fuel	The Company's subsidiaries	142,592	(79,296)

VII. CONTINGENCIES

Haoyuan Company is a subsidiary acquired by the Group on 30 September 2011. As at 30 June 2012 Haoyuan Company was became the defendant due to the facts incurred before the acquisition date. As at the report date, all those litigations were in progress, and the results of those litigations were still uncertain, but the management of the Company had considered that the outcome of such litigations will not result in significant adverse effect on the financial position and operating results of the Group based on the acquired evidences.

Apart from the above litigations and the guarantees as set out in Note VI 5(3), the Group has no other material contingent liabilities as at 30 June 2012.

Notes to the financial statements (unaudited) (Continued)

(Expressed in Renminbi'000 unless otherwise indicated)

VIII. SIGNIFICANT COMMITMENTS

1 Capital commitments

Item	30 June 2012	31 December 2011
	RMB'000	RMB'000
Investment contracts entered into but not performed or performed partially	1,156,696	1,487,686
Significant construction contracts entered into under performance or preparation of performance	12,230,020	15,261,795
Construction contracts authorised but not signed	22,186,362	23,662,289
Total	35,573,078	40,411,770

2 Operating lease commitments

At 31 December and 30 June 2012, the total future minimum lease payments under non-cancellable operating leases of buildings and land were payable as follows:

Item	30 June 2012	31 December 2011
	RMB'000	RMB'000
Within one year (inclusive)	106,519	88,023
Between one and two years (inclusive)	87,111	79,042
Between two and three years (inclusive)	52,921	77,811
Over three years	344,658	362,014
Total	591,209	606,890

Notes to the financial statements (unaudited) (Continued)

(Expressed in Renminbi'000 unless otherwise indicated)

IX. OTHER SIGNIFICANT ITEMS

1 Segment reporting

The Group's principal operating business is the generation and sale of electricity and sale of coal in the PRC. Based on the structure of the Group's internal organisation, management requirements and the internal reporting system, the Group determines that it only has one reportable segment, which is the generation and sale of electricity in the PRC. Therefore, no additional reportable segment has been presented and no additional information about geographical areas has been disclosed. The Group's transaction information has been disclosed in Note V. 39. The Group's major external customer is the grid operator in relation to the sale of electricity and the revenue has been disclosed in Note V. 39 and Note IX. 2(1).

2 Risk analysis, sensitivity analysis, and fair values for financial instruments

The Group has exposure to the following risks from its use of financial instruments in the normal course of the Group's operations, which mainly include:

- Credit risk
- Liquidity risk
- Interest rate risk
- Foreign currency risk

This note presents information about the Group's exposure to each of the above risks and their sources, the Group's objectives, policies and processes for measuring and managing risks, etc.

The Group aims to seek the appropriate balance between the risks and benefits from its use of financial instruments and to mitigate the adverse effects that the risks of financial instruments have on the Group's financial performance. Based on such objectives, the Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The internal audit department of the Group undertakes both regular and ad-hoc reviews of risk management controls and procedures.

Notes to the financial statements (unaudited) (Continued)

(Expressed in Renminbi'000 unless otherwise indicated)

IX. OTHER SIGNIFICANT ITEMS (CONTINUED)

2 Risk analysis, sensitivity analysis, and fair values for financial instruments (continued)

(1) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Group's credit risk is primarily attributable to cash at bank and receivables. Exposure to these credit risks are continuously monitored by management on an ongoing basis.

The cash at bank of the Group is mainly held with well-known financial institutions. Management does not foresee any significant credit risks from these deposits and does not expect that these financial institutions may default and cause losses to the Group.

In respect of receivables, the Group has established a credit policy. All the customers of the Group have long-term business relationship with it, of which are mainly grid companies, thermal companies, coal-fired power companies and coal transportation and sales companies that rarely have credit loss. For monitoring the credit risk, the Group analysed its customers' information through ageing and other factors. Receivables from grid companies, coal-fired power companies and coal sales companies are due within 30 days from the date of billing. And receivables from thermal companies are due within 90 days. Normally, the Group does not obtain collateral from customers. In respect of other receivables, the Group performed individual credit evaluations on customers' financial status regularly to monitor credit risk. Provision for bad and doubtful debts meets management's expectation.

The ageing analysis of debtors that are past due but not impaired based on individual or collective assessment is set out as follows:

Ageing	30 June 2012	31 December 2011
	RMB'000	RMB'000
Past due within three months (inclusive)	335,572	37,972
Past due three to six months (inclusive)	114,752	73,001
Past due six months to one year (inclusive)	217,171	96,781
More than one year past due	79,999	87,556
Total	747,494	295,310

Notes to the financial statements (unaudited) (Continued)

(Expressed in Renminbi'000 unless otherwise indicated)

IX. OTHER SIGNIFICANT ITEMS (CONTINUED)

2 Risk analysis, sensitivity analysis, and fair values for financial instruments (continued)

(1) Credit risk (continued)

The debtors of the Group that are neither past due nor impaired mainly relate to a wide range of customers for whom there was no recent history of default.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry, country or area in which the customers operate and therefore significant concentrations of credit risk arise primarily when the Group has significant exposure to individual customers. At the balance sheet date, 62% (2011: 65%) of the total trade receivables and other receivables were due from the five largest customers of the Group. Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet. Except for the financial guarantees given by the Group and the Company as set out in Note VI.5(3), the Group does not provide any other guarantees which would expose the Group to credit risk. The maximum exposure to credit risk in respect of these financial guarantees at the balance sheet date is disclosed in Note VI.5(3).

(2) Liquidity risk

Liquidity risk is the risk that an enterprise may encounter deficiency of funds in meeting obligations associated with financial liabilities. The Company and its individual subsidiaries are responsible for their own cash management, including short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the Company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash, readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

Notes to the financial statements (unaudited) (Continued)

(Expressed in Renminbi'000 unless otherwise indicated)

IX. OTHER SIGNIFICANT ITEMS (CONTINUED)

2 Risk analysis, sensitivity analysis, and fair values for financial instruments (continued)

(2) Liquidity risk (continued)

At the balance sheet date, rest of contractual term and the earliest payment date required of the contractual cash flows belonging to the Group's financial assets and liabilities which have not been discounted, including interests calculated on contractual interest rate (if the interest rate is float, the actual interest rate as at 30 June 2012 and 31 December 2011 are adopted) are as follows:

Item	30 June 2012					Balance sheet carrying amount
	Contractual undiscounted cash flow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets						
Cash at bank and on hand	4,716,677	—	—	—	4,716,677	4,716,677
Receivables	6,441,212	—	—	—	6,441,212	6,422,245
Available-for-sale financial assets	39,978	—	—	—	39,978	39,978
Long-term Receivables (including due within one year)	46,586	24,708	129,158	—	200,452	186,210
Sub-total	11,244,453	24,708	129,158	—	11,378,319	11,365,110
Financial liabilities						
Short-term loans	(23,488,489)	—	—	—	(23,488,489)	(22,697,309)
Short-term debenture payables	(9,029,468)	—	—	—	(9,029,468)	(8,674,880)
Long-term loans (including due within one year)	(11,631,878)	(16,397,317)	(28,003,101)	(44,757,696)	(100,789,992)	(71,039,573)
Debentures Payable	(172,944)	(1,964,120)	(9,723,282)	(63,429)	(11,923,775)	(10,336,869)
Payables	(13,461,024)	—	—	—	(13,461,024)	(13,457,974)
Long-term payables (including due within one year)	(1,157,840)	(405,777)	(555,819)	—	(2,119,436)	(1,971,574)
Sub-total	(58,941,643)	(18,767,214)	(38,282,202)	(44,821,125)	(160,812,184)	(128,178,179)
Net amount	(47,697,190)	(18,742,506)	(38,153,044)	(44,821,125)	(149,413,865)	(116,813,069)

Notes to the financial statements (unaudited) (Continued)

(Expressed in Renminbi'000 unless otherwise indicated)

IX. OTHER SIGNIFICANT ITEMS (CONTINUED)

2 Risk analysis, sensitivity analysis, and fair values for financial instruments (continued)

(2) Liquidity risk (continued)

In order to resolve the liquid risk arising from the maturity of short term loan contract, the group will continually communicate and cooperate with bank and other financial institutes to acquire more financing. As at 30 June 2012, the Group has unused bank credit limits and debts financing facilities of RMB 84.567 billion.

Item	31 December 2011 (restated)					Balance sheet carrying amount
	Contractual undiscounted cash flow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets						
Cash at bank and on hand	2,482,816	—	—	—	2,482,816	2,482,816
Receivables	6,029,877	—	—	—	6,029,877	6,018,926
Available-for-sale financial assets	39,506	—	—	—	39,506	39,506
Long-term receivables	5,272	90,861	98,961	—	195,094	176,365
Sub-total	8,557,471	90,861	98,961	—	8,747,293	8,717,613
Financial liabilities						
Short-term loans	(27,489,753)	—	—	—	(27,489,753)	(26,719,139)
Short-term debenture payables	(3,701,700)	—	—	—	(3,701,700)	(3,551,384)
Long-term loans (including due within one year)	(12,691,999)	(14,973,844)	(28,429,428)	(40,235,884)	(96,331,155)	(70,323,815)
Debentures Payable (including due within one year)	(1,660,955)	(150,120)	(4,095,273)	—	(5,906,348)	(5,362,631)
Payables	(12,309,490)	—	—	—	(12,309,490)	(12,303,872)
Long-term payables (including due within one year)	(280,768)	(899,483)	(429,388)	—	(1,609,639)	(1,498,882)
Sub-total	(58,134,665)	(16,023,447)	(32,954,089)	(40,235,884)	(147,348,085)	(119,759,723)
Net amount	(49,577,194)	(15,932,586)	(32,855,128)	(40,235,884)	(138,600,792)	(111,042,110)

Notes to the financial statements (unaudited) (Continued)

(Expressed in Renminbi'000 unless otherwise indicated)

IX. OTHER SIGNIFICANT ITEMS (CONTINUED)

2 Risk analysis, sensitivity analysis, and fair values for financial instruments (continued)

(3) Interest rate risk

Interest-bearing financial instruments at fixed rates and at variable rates expose the Group to fair value interest rate risk and cash flow interest risk, respectively. The Group determines the appropriate weightings of the fixed and floating rate interest-bearing instruments based on the current market conditions and performs regular reviews and monitoring to achieve an appropriate mix of fixed and floating rate exposure.

(a) At the 30 June 2012 and 31 December 2011, the Group held the following interest-bearing financial instruments:

Item	30 June 2012		31 December 2011 (restated)	
	Annual interest rate	Amount	Annual interest rate	Amount
	(%)	RMB'000	(%)	RMB'000
Fixed rate instruments				
Financial assets				
— Cash at bank	3.30	122,165	3.10-4.50	317,950
— Other receivables	—	—	7.22	8,000
Financial liabilities				
— Short-term loans	4.72-7.54	(10,145,544)	4.37-7.87	(10,242,263)
— Long-term loans (including due within one year)	2.25-7.76	(3,389,361)	2.25-7.70	(3,196,285)
— Short-term debenture payables	3.15-5.98	(8,674,880)	2.89-5.98	(3,551,384)
— Debentures payable (including due within one year)	3.78-5.02	(10,336,869)	3.38-3.96	(5,362,631)
— Other payables	6.10	(50,000)	6.10	(50,000)
Total		(32,474,489)		(22,076,613)

Notes to the financial statements (unaudited) (Continued)

(Expressed in Renminbi'000 unless otherwise indicated)

IX. OTHER SIGNIFICANT ITEMS (CONTINUED)

2 Risk analysis, sensitivity analysis, and fair values for financial instruments (continued)

(3) Interest rate risk (continued)

- (a) At the 30 June 2012 and 31 December 2011, the Group held the following interest-bearing financial instruments: (continued)

Item	30 June 2012		31 December 2011 (restated)	
	Annual interest rate	Amount	Annual interest rate	Amount
	(%)	RMB'000	(%)	RMB'000
Variable rate instruments				
Financial assets				
— Cash at bank	0.35	4,592,296	0.50-1.49	2,162,915
— Other receivables	6.40-7.59	256,300	7.59	140,105
— Long term receivables (including due within one year)	3.69-6.65	128,000	4.00-6.65	136,365
Financial liabilities				
— Short-term loans	3.35-8.53	(12,551,765)	2.92-8.53	(16,476,876)
— Long-term loans (including due within one year)	3.80-9.18	(67,650,212)	0.66-9.31	(67,127,530)
— Other payables	—	—	5.90-6.56	(173,841)
Total		(75,225,381)		(81,338,862)

- (b) Sensitivity analysis

As at 30 June 2012, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would decrease/increase the Group's equity and net profit by RMB 618,632,000 (2011: RMB 655,494,000).

In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the balance sheet date, the impact on the net profit and equity is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis is performed on the same basis for the previous year.

Notes to the financial statements (unaudited) (Continued)

(Expressed in Renminbi'000 unless otherwise indicated)

IX. OTHER SIGNIFICANT ITEMS (CONTINUED)

2 Risk analysis, sensitivity analysis, and fair values for financial instruments (continued)

(4) Foreign currency risk

In respect of accounts receivables and payables denominated in foreign currencies other than the functional currency, the Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

- (a) At the 30 June 2012 and 31 December 2011, the Group's exposure to currency risk arising from recognised assets or liabilities denominated in foreign currencies is presented in the following tables. For presentation purposes, the amounts of the exposure are shown in Renminbi, translated using the spot rate at the balance sheet date.

Item	30 June 2012		31 December 2011	
	USD	EUR	USD	EUR
	RMB'000	RMB'000	RMB'000	RMB'000
Cash at bank	4,307	—	4,710	—
Short-term loans	(1,003,762)	—	(1,179,712)	—
Long-term loans (including due within one year)	(375,888)	(199,445)	(206,663)	(192,210)
Long-term payables (including due within one year)	(758,419)	—	(784,673)	—
Total	(2,133,762)	(199,445)	(2,166,338)	(192,210)

- (b) The following are the exchange rates for Renminbi against foreign currencies applied by the Group:

Item	Average rate		Reporting date mid-spot rate	
	30 June 2012	31 December 2011	30 June 2012	31 December 2011
	USD	6.3075	6.4584	6.3249
EUR	8.1745	9.0003	7.8710	8.1625

Notes to the financial statements (unaudited) (Continued)

(Expressed in Renminbi'000 unless otherwise indicated)

IX. OTHER SIGNIFICANT ITEMS (CONTINUED)

2 Risk analysis, sensitivity analysis, and fair values for financial instruments (continued)

(4) Foreign currency risk (continued)

(c) Sensitivity analysis (continued)

Assuming all other risk variables remained constant, a 10% strengthening of the Renminbi against the US dollar and Euro at 30 June 2012 and 31 December 2011 would have increased the Group's equity and net profit by the amount shown below, whose effect is in Renminbi and translated using the spot rate at the period-end date:

Item	Equity	Net profit
	RMB'000	RMB'000
30 June 2012		
USD	160,032	160,032
EUR	14,958	14,958
Total	174,990	174,990
31 December 2011		
USD	162,475	162,475
EUR	14,416	14,416
Total	176,891	176,891

A 10% weakening of the Renminbi against the US dollar and Euro at 30 June 2012 and 31 December 2011 would have had the equal but opposite effect on them to the amounts shown above, on the basis that all other variables remained constant.

The sensitivity analysis above assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the balance sheet date. The analysis is performed on the same basis for the previous year.

Notes to the financial statements (unaudited) (Continued)

(Expressed in Renminbi'000 unless otherwise indicated)

IX. OTHER SIGNIFICANT ITEMS (CONTINUED)

2 Risk analysis, sensitivity analysis, and fair values for financial instruments (continued)

(5) Fair values

(a) Financial instruments carried at fair value

The following table presents the carrying value of financial instruments measured at fair value as at 30 June 2012 across the three levels of the fair value hierarchy. The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. The levels are defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: inputs other than quoted prices that are observable for the asset or liability, either directly (ie as prices) or indirectly (ie derived from prices);

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

30 June 2012

Assets	Note	Level 1	Level 2	Level 3	Total
		RMB'000	RMB'000	RMB'000	RMB'000
Available-for-sale Financial assets	V.8	39,978	—	—	39,978

31 December 2011

Assets	Note	Level 1	Level 2	Level 3	Total
		RMB'000	RMB'000	RMB'000	RMB'000
Available-for-sale Financial assets	V.8	39,506	—	—	39,506

During the period ended 30 June 2012, there were no significant transfers between instruments in Level 1 and Level 2, there were no changes in valuation technique of fair value.

Notes to the financial statements (unaudited) (Continued)

(Expressed in Renminbi'000 unless otherwise indicated)

IX. OTHER SIGNIFICANT ITEMS (CONTINUED)

2 Risk analysis, sensitivity analysis, and fair values for financial instruments (continued)

(5) Fair values (continued)

- (b) Fair value of other financial instruments (carried at other than fair value)

All financial instruments are carried at amounts not materially different from their fair value as at 30 June 2012 and 31 December 2011 except as follows:

Item	30 June 2012		31 December 2011	
	Carrying amount	Fair value	Carrying amount	Fair value
	RMB'000	RMB'000	RMB'000	RMB'000
Debentures payable	10,509,552	10,546,460	5,479,076	5,497,190
Long-term loans	2,463,252	2,417,530	3,196,285	3,169,398
Total	12,972,804	12,963,990	8,675,361	8,666,588

(6) Estimation and assumption of fair values

The following summarises the major methods and assumptions used in estimating the fair values of financial assets and items set out in Note IX 2(5) above that measured at fair value on the balance sheet date.

- (a) Available-for-sale financial assets

Fair value is based on quoted market prices at the balance sheet date for available-for-sale financial assets if there is an active market.

- (b) Receivables

The fair value is estimated as the present value of the future cash flows, discounted at the market interest rates at the balance sheet date.

- (c) Loans, debentures payable and long-term payables

The fair value of loans, debentures payable and long-term payables is estimated as the present value of future cash flows, discounted at the market rate of interest at the balance sheet date.

Notes to the financial statements (unaudited) (Continued)

(Expressed in Renminbi'000 unless otherwise indicated)

IX. OTHER SIGNIFICANT ITEMS (CONTINUED)

2 Risk analysis, sensitivity analysis, and fair values for financial instruments (continued)

(6) Estimation and assumption of fair values (continued)

(d) Financial guarantees

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

(e) Interest rates used for determining fair value

The interest rates used to discount estimated cash flows are based on the market interest rate and the interbank debenture market maturity yield at the balance sheet date plus an adequate credit spread and are as follows:

Item	2012 Interest rate adopted (%)	2011 Interest rate adopted (%)
Long-term receivables	6.40	6.90
Long-term loans (including due within one year)	6.58-6.98	6.40-6.83
Debentures payable (including due within one year)	3.87-4.78	2.92-4.02

3 Assets at fair value

Item	Balance at the beginning of the period RMB'000	Additions from acquisition RMB'000	Increase for the period RMB'000	Changes in fair value for the period RMB'000	Decrease for the period RMB'000	Balance at the end of the period RMB'000
Available-for-sale financial assets	39,506	—	—	472	—	39,978

Notes to the financial statements (unaudited) (Continued)

(Expressed in Renminbi'000 unless otherwise indicated)

XI. NOTES TO MAJOR ITEMS IN THE PARENT'S FINANCIAL STATEMENTS

1 Trade receivables

(1) Trade receivables by customer type:

Item	30 June	31 December
	2012	2011
	RMB'000	RMB'000
1. Trade receivables for sale of electricity	706,788	841,545
2. Trade receivables for sale of heat	61,603	17,208
Sub-total	768,391	858,753
Less: Provision for bad and doubtful debts	—	—
Total	768,391	858,753

(2) The ageing analysis of trade receivables is as follows:

Item	30 June	31 December
	2012	2011
	RMB'000	RMB'000
Within one year (inclusive)	768,391	858,753

The ageing is counted starting from the date trade receivables is recognized.

(3) Accounts receivable by category:

Category	Note	30 June 2012				31 December 2011			
		Gross carrying amount		Provision for bad and doubtful debts		Gross carrying amount		Provision for bad and doubtful debts	
		Amount	Percentage	Amount	Percentage	Amount	Percentage	Amount	Percentage
		RMB'000	(%)	RMB'000	(%)	RMB'000	(%)	RMB'000	(%)
Individually significant amounts	(4)	768,128	99.97	—	—	858,515	99.97	—	—
Other insignificant trade receivables	(4)	263	0.03	—	—	238	0.03	—	—
Total		768,391	100.00	—	—	858,753	100.00	—	—

Notes to the financial statements (unaudited) (Continued)

(Expressed in Renminbi'000 unless otherwise indicated)

XI. NOTES TO MAJOR ITEMS IN THE PARENT'S FINANCIAL STATEMENTS (CONTINUED)

1 Trade receivables (continued)

- (4) The Company does not make provision for bad and doubtful debts on trade receivables.
- (5) The Company does not actually write-off any trade receivables during the period.
- (6) The analysis of significant trade receivables is as follows:

Name of enterprise	Relationship with the Company	Amount	Ageing	Percentage of total trade receivables
		RMB'000		(%)
1. SEPCO	Third party	706,788	Within one year	91.98
2. Zaozhuang Heat Corporation	Third party	61,339	Within one year	7.99
Total		<u>768,127</u>		<u>99.97</u>

- (7) No amount due from shareholders who hold 5% or more of the voting rights or other related parties of the Company is included in the closing balance of trade receivables.
- (8) The Company does not derecognize of any accounts receivable due to transfer of financial assets during the period.
- (9) The Company does not securitize accounts receivable, and has no asset or liability recognized due to the continuing involvement of securitized accounts receivable.

Notes to the financial statements (unaudited) (Continued)

(Expressed in Renminbi'000 unless otherwise indicated)

XI. NOTES TO MAJOR ITEMS IN THE PARENT'S FINANCIAL STATEMENTS (CONTINUED)

2 Other receivables

(1) The ageing analysis of other receivables is as follows:

Ageing	30 June 2012	31 December 2011
	RMB'000	RMB'000
Within one year (inclusive)	2,841,181	853,501
Between one and two years (inclusive)	1,156,825	1,634,038
Between two and three years (inclusive)	1,055,728	508,665
Over three years	20,941	15,744
Sub-total	5,074,675	3,011,948
Less: Provision for bad and doubtful debts	2,524	2,524
Total	5,072,151	3,009,424

The ageing is counted starting from the date other receivables is recognized.

(2) Other receivables by category

Category	30 June 2012				31 December 2011			
	Gross carrying amount		Provision for bad and doubtful debts		Gross carrying amount		Provision for bad and doubtful debts	
	Amount	Percentage	Amount	Percentage	Amount	Percentage	Amount	Percentage
	RMB'000	(%)	RMB'000	(%)	RMB'000	(%)	RMB'000	(%)
Individually significant amounts	5,060,962	99.73	2,266	0.04	3,001,163	99.64	2,266	0.08
Other insignificant other receivables	13,713	0.27	258	1.88	10,785	0.36	258	2.39
Total	5,074,675	100.00	2,524	0.05	3,011,948	100.00	2,524	0.08

The Company does not hold any collateral over the other receivables which are impaired.

Notes to the financial statements (unaudited) (Continued)

(Expressed in Renminbi'000 unless otherwise indicated)

XI. NOTES TO MAJOR ITEMS IN THE PARENT'S FINANCIAL STATEMENTS (CONTINUED)

2 Other receivables (continued)

- (3) The Group does not receive or recover any provision for bad and doubtful debts made in full or in significant portion on individually significant other receivables in previous period.
- (4) The Company does not actually write-off any other receivables during the period.
- (5) The analysis of significant other receivables is as follows:

Other receivables	Relationship with the Company	Amount	Ageing	Percentage of total other receivables
		RMB'000		(%)
1. Amounts due from subsidiaries	Subsidiary	5,006,407	Within one year and between one and four year	98.65
2. Guarantee for compliance	Third party	2,423	Within one year	0.05
Total		<u>5,008,830</u>		<u>98.70</u>

- (6) No amount due from shareholders who hold 5% or more of the voting rights of the Company is included in the closing balance of other receivables.
- (7) Except amounts due from subsidiaries mentioned above in (5), there was no amount due from related parties of the Company in the closing balance of other receivables.
- (8) The Company does not derecognize of any other receivables due to transfer of financial assets during the period.
- (9) The Company does not securitize other receivables, and has no asset or liability recognized due to the continuing involvement of securitized accounts receivable during the period.

3 Long-term receivables

Long-term receivables represent debts due from subsidiaries of the Company Shijiazhuang Heat Company, Yuhua Heat Company, Xijiao Heat Company, Yuxi Heat Company and Beicheng Heat Company.

Notes to the financial statements (unaudited) (Continued)

(Expressed in Renminbi'000 unless otherwise indicated)

XI. NOTES TO MAJOR ITEMS IN THE PARENT'S FINANCIAL STATEMENTS (CONTINUED)

4 Long-term equity investments

(1) Long-term equity investments by category:

Item	30 June 2012	31 December 2011
	RMB'000	RMB'000
Investments in subsidiaries	26,652,268	24,732,209
Investments in associates	8,209,901	7,897,715
Other long-term equity investments	127,109	166,309
Total	34,989,278	32,796,233

(2) An analysis of the movements of long-term equity investments for the period is as follows:

Investee name	Investment costs	Opening balance	Movement of additions and deductions	Closing balance	Shareholding percentage	Voting rights	Cash dividends for the period
Cost method – subsidiaries							
Guang'an Company	1,267,577	1,267,577	—	1,267,577	80	80	—
Qingdao Company	345,668	345,668	—	345,668	55	55	—
Weifang Company	823,483	823,483	—	823,483	45	45	—
Zibo Thermal Power Company	374,800	374,800	—	374,800	100	100	—
Zhangqiu Company	617,077	617,077	—	617,077	87.5	87.5	—
Tengzhou Thermal Power Company	424,400	424,400	—	424,400	93.26	93.26	—
Xinxiang Company	372,100	372,100	—	372,100	90	90	—
Suzhou Company	829,267	829,267	—	829,267	97	97	—
Lingwu Company	1,332,655	1,332,655	—	1,332,655	65	65	—
Luding Hydropower Company	1,266,090	1,266,090	—	1,266,090	100	100	—
Wuhu Company	644,046	644,046	—	644,046	65	65	—
Zouxian Company	2,070,000	2,070,000	—	2,070,000	69	69	—
Luohe Company	475,300	475,300	—	475,300	75	75	—
Kailu Wind Power Company	797,128	797,128	—	797,128	100	100	—
Shijiazhuang Thermal Power Company	908,511	908,511	—	908,511	82	82	—
Banshan Company	386,724	386,724	—	386,724	64	64	—
Zagunao Hydroelectric Company	788,362	593,942	194,420	788,362	64	64	—
Maohua Company	1,547,000	1,547,000	—	1,547,000	100	100	—
Guyuan Wind Power Company	336,100	336,100	—	336,100	100	100	—

Notes to the financial statements (unaudited) (Continued)

(Expressed in Renminbi'000 unless otherwise indicated)

XI. NOTES TO MAJOR ITEMS IN THE PARENT'S FINANCIAL STATEMENTS (CONTINUED)

4 Long-term equity investments (continued)

- (2) An analysis of the movements of long-term equity investments for the period is as follows: (continued)

Investee name	Investment costs	Opening balance	Movement of additions and deductions	Closing balance	Shareholding percentage	Voting rights	Cash dividends for the period
	RMB'000	RMB'000	RMB'000	RMB'000	(%)	(%)	RMB'000
Cost method — subsidiaries							
Huarui Group Company	966,895	966,895	—	966,895	100	100	—
Qudong Company	341,740	261,740	80,000	341,740	90	90	—
Material Company	38,648	38,648	—	38,648	100	100	—
Project Company	50,336	3,336	47,000	50,336	100	100	—
Suzhou Biomass Energy Company	43,680	43,680	—	43,680	78	78	—
Zoucheng Heat Company	56,000	56,000	—	56,000	70	70	—
Laizhou Wind Power Company	80,333	80,333	—	80,333	55	55	9,103
Kezuzhongqi Wind Power Company	80,000	80,000	—	80,000	100	100	—
Ningdong Wind Power Company	170,000	150,000	20,000	170,000	100	100	—
Laizhou Company	980,000	307,500	672,500	980,000	75	75	—
Lu'an Company	109,180	109,180	—	109,180	95	95	—
Century Power Company	2,120,369	2,120,369	—	2,120,369	84.31	84.31	—
Pingshi Power Company (Note 2)	684,706	684,706	—	684,706	100	100	—
Yueliangshan Wind Power Company	95,000	95,000	—	95,000	100	100	—
Luhua Thermal Power Company	391,475	337,475	54,000	391,475	90	90	—
Zhongming Company	142,800	227,237	—	227,237	50	50	—
Liupanshan Wind Power Company	15,000	15,000	—	15,000	100	100	—
Laizhou Port Company	69,916	69,916	—	69,916	65	65	—
Laizhou Wind Company	91,914	40,000	51,914	91,914	100	100	—

Notes to the financial statements (unaudited) (Continued)

(Expressed in Renminbi'000 unless otherwise indicated)

XI. NOTES TO MAJOR ITEMS IN THE PARENT'S FINANCIAL STATEMENTS (CONTINUED)

4 Long-term equity investments (continued)

- (2) An analysis of the movements of long-term equity investments for the period is as follows: (continued)

Investee name	Investment costs	Opening balance	Movement of additions and deductions	Closing balance	Shareholding percentage	Voting rights	Cash dividends for the period
	RMB'000	RMB'000	RMB'000	RMB'000	(%)	(%)	RMB'000
Cost method – subsidiaries							
Wenhui Company	283,315	283,315	—	283,315	51	51	—
Hualin Company	25,500	25,500	—	25,500	51	51	—
Kangbao Company	80,000	55,000	25,000	80,000	100	100	—
Shijiazhuang Heat Company	237,374	112,374	125,000	237,374	100	100	—
Haoyuan Company	691,777	691,777	—	691,777	85	80	—
Shunge Company	672,078	672,078	—	672,078	100	100	—
Huoxing Company	850,245	825,245	25,000	850,245	100	100	—
Xieqing Company	889,755	864,755	25,000	889,755	100	100	—
Shuozhou Thermal Power Company	40,000	—	40,000	40,000	100	100	—
Mingyang Company	7,000	—	7,000	7,000	70	70	—
Yinling Company	10,000	—	10,000	10,000	100	100	—
Fuyuan Thermal Power Company	60,000	—	60,000	60,000	98	98	—
Huanyu Company	483,225	—	483,225	483,225	100	100	—
Other	103,282	103,282	—	103,282			
Total	26,567,831	24,732,209	1,920,059	26,652,268			9,103

Note 1: For information on subsidiaries of The Company, see Note IV.1.

Note 2: According to the pledge contract signed between China Agriculture Bank Foshan Branch and the Company as at 18 May 2010, the Company pledged 75% of its investment in Pingshi Power Company for the payables assumed by the Company as bank loans guarantors.

Notes to the financial statements (unaudited) (Continued)

(Expressed in Renminbi'000 unless otherwise indicated)

XI. NOTES TO MAJOR ITEMS IN THE PARENT'S FINANCIAL STATEMENTS (CONTINUED)

4 Long-term equity investments (continued)

- (2) An analysis of the movements of long-term equity investments for the period is as follows: (continued)

Investee name	Investment costs	Opening balance	Movement of additions and deductions	Adjustments under equity method		Cash dividends for the period	Closing balance
				Gains/(losses) in investment	Transfer of capital reserve		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Equity method — associates							
Ningxia Power Company	630,000	1,055,192	—	17,618	8,847	—	1,081,657
Huadian Property	290,000	282,446	—	46	—	—	282,492
Luzhou Company	344,000	64,064	—	8,058	—	—	72,122
Huadian Coal	432,414	1,237,803	—	70,867	1,172	—	1,309,842
China Huadian Finance	796,533	967,376	—	57,529	610	(33,592)	991,923
Zoucheng Lunan Company	1,733	2,131	(2,131)	—	—	—	—
Changcheng Mine Company	452,612	526,679	—	76,485	5,326	—	608,490
Fucheng Mining Company	498,042	605,997	—	57,430	2,111	—	665,538
Ningdong Railway Company	300,000	345,546	—	20,840	—	—	366,386
Quanhui Trading	938,834	938,834	—	—	—	—	938,834
Baihui Trading	569,724	569,724	—	—	—	—	569,724
Zhengtai Trading	644,885	644,885	—	—	—	—	644,885
Yixing Coal	600,000	600,000	—	3,680	1,288	—	604,968
Jinshajiang Hydropower Company	62,990	46,990	16,000	—	—	—	62,990
Other associates	9,000	10,048	—	2	—	—	10,050
Total	6,570,767	7,897,715	13,869	312,555	19,354	(33,592)	8,209,901

Investee name	Investment Costs	Opening balance	Movement of additions and reductions	Closing balance	Shareholding Percentage	Voting rights Percentage	Cash dividends for the period
Cost method — other long-term equity investments							
Luneng Heze Company	103,609	103,609	—	103,609	12.27	12.27	—
Jinzhongnan Coal Company	39,200	39,200	(39,200)	—	—	—	3,754
Daduhe Hydropower Company	23,500	23,500	—	23,500	5	5	—
Total	166,309	166,309	(39,200)	127,109			3,754

- (3) For information on associates of the Company, see Note V. 10.

Notes to the financial statements (unaudited) (Continued)

(Expressed in Renminbi'000 unless otherwise indicated)

XI. NOTES TO MAJOR ITEMS IN THE PARENT'S FINANCIAL STATEMENTS (CONTINUED)

5 Operating income and Operating costs

(1) Operating income and Operating costs

Item	Six months period ended 30 June	
	2012	2011
	RMB'000	RMB'000
Operating income from principal activities	4,640,823	4,106,188
Other operating income	28,533	30,471
Operating costs	4,136,341	3,994,564

(2) Principal activities (by industry/by product)

Industry/product	Six months period ended 30 June			
	2012		2011	
	Operating income	Operating costs	Operating income	Operating costs
	RMB'000	RMB'000	RMB'000	RMB'000
Sale of electricity	4,525,639	4,013,851	4,019,277	3,884,101
Sale of heat	115,184	116,916	86,911	104,128
Total	4,640,823	4,130,767	4,106,188	3,988,229

(3) Principal activities (by geographical area)

The Company's principal activities are the generation and sale of electricity in the PRC.

Notes to the financial statements (unaudited) (Continued)

(Expressed in Renminbi'000 unless otherwise indicated)

XI. NOTES TO MAJOR ITEMS IN THE PARENT'S FINANCIAL STATEMENTS (CONTINUED)

5 Operating income and Operating costs (continued)

(4) Operating income from the top five customers

Incomes from the Company's top five customers are as follows:

Customer name	Operating income	Percentage of total operating income
	RMB'000	(%)
1. SEPCO	4,525,639	96.92
2. Zaozhuang Heat Corporation	55,126	1.18
3. Zoucheng Heat Company	50,427	1.08
4. Zouxian Company	18,898	0.41
5. Laiwu City Heating Power Company	8,552	0.18
Total	<u>4,658,642</u>	<u>99.77</u>

6 Investment income

(1) Investment income by item

Item	Note	Six months period ended 30 June	
		2012	2011
		RMB'000	RMB'000
Income from long-term equity investments under cost method	(2)	12,857	198,962
Income from long-term equity investments under equity method	(3)	312,555	271,682
Gain on dilution of an associate		—	527,502
Gain on disposal of long-term equity		3	—
Total		<u>325,415</u>	<u>998,146</u>

Notes to the financial statements (unaudited) (Continued)

(Expressed in Renminbi'000 unless otherwise indicated)

XI. NOTES TO MAJOR ITEMS IN THE PARENT'S FINANCIAL STATEMENTS (CONTINUED)

6 Investment income (continued)

- (2) Investees from which long-term equity investment income under cost method accounting for the top five of the total profit of the Company and its subsidiaries are as follows:

Investee	Six months period ended 30 June		Reason for movements for the period
	2012	2011	
	RMB'000	RMB'000	
Laizhou Wind Power Company	9,103	15,108	Under cost method, investment income is recognised when dividend is declared by subsidiary.
Jinzhongnan Coal Company	3,754		Under cost method, investment income is recognised when dividend is declared by other Investee.
Lingwu Company	—	120,370	Under cost method, investment income is recognised when dividend is declared by subsidiary.
Ningdong Wind Power Company	—	50,871	Under cost method, investment income is recognised when dividend is declared by subsidiary.
Material Company	—	12,613	Under cost method, investment income is recognised when dividend is declared by subsidiary.

- (3) Investees from which long-term equity investment income under equity method accounting for the top five of the total profit of the Company and its subsidiaries are as follows:

Investee	Six months period ended 30 June		Reason for movements for the period
	2012	2011	
	RMB'000	RMB'000	
Changcheng Company	76,485	45,079	Profit or loss from normal operations
Huadian Coal	70,867	70,665	Profit or loss from normal operations
China Huadian Finance	57,529	39,714	Profit or loss from normal operations
Fucheng Company	57,430	71,193	Profit or loss from normal operations
Ningdong Railway Company	20,840	12,815	Profit or loss from normal operations

Notes to the financial statements (unaudited) (Continued)

(Expressed in Renminbi'000 unless otherwise indicated)

XI. NOTES TO MAJOR ITEMS IN THE PARENT'S FINANCIAL STATEMENTS (CONTINUED)

7 Supplement to cash flow statement

Supplement	Six months period ended 30 June	
	2012	2011
	RMB'000	RMB'000
1. Reconciliation of net (losses)/profit to cash flows from operating activities:		
Net (losses)/profit	(299,345)	348,466
Add: Depreciation of fixed assets	428,688	427,906
Amortisation of intangible assets	6,372	6,410
Income on disposal of fixed assets	(243)	—
Financial expense	939,250	591,084
Direct cost for acquisition	900	400
Gains arising from investments	(325,415)	(998,146)
Decrease /(Increase) in gross inventories	9,245	(227,497)
(Increase)/Decrease in operating receivables	(126,915)	163,283
Decrease in operating payables	(765,516)	(528,582)
Net cash outflow from operating activities	(132,979)	(216,676)
2. Change in cash and cash equivalents:		
Cash at the end of the period	1,950,124	706,639
Less: Cash at the beginning of the period	421,704	156,819
Net increase in cash and cash equivalents	1,528,420	549,820

Supplements

1 DETAILS OF EXTRAORDINARY GAINS AND LOSSES AT 30 JUNE 2012.

Item	Amount
	<i>RMB'000</i>
Gains on disposal of non-current assets	29,111
Government grants recognised through profit or loss (excluding those having close relationships with the Company's operation and enjoyed in fixed amount or quantity according to uniform national standard)	98,876
Sales of installed capacity quota	50,000
Gain on disposal of long-term equity investment	3
Other non-operating income and expenses besides items mentioned above	35,562
Amount of effect on taxation	(40,536)
Amount of effect on minority shareholders after taxation	(47,536)
	<hr/>
Total	125,480
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Above extraordinary gain and loss items are listed by amount before taxation.

2 DIFFERENCE IN ACCOUNTING DATA UNDER DOMESTIC AND OVERSEAS ACCOUNTING STANDARDS

The differences between the financial statements prepared under IFRS and PRC accounting standards (PRC GAAP) on consolidated net profit and consolidated net assets are as follows:

Item	Note	Net profit		Net assets	
		Six months period ended 30 June		30 June	31 December
		2012	2011	2012	2011
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> (restated)
Amount under PRC GAAP		381,133	94,154	25,970,503	23,641,882
Adjustments under IFRSs:					
Business combination involving entities under common control	(1)	(14,656)	(14,561)	699,768	713,357
Government grants	(2)	6,954	6,619	(412,113)	(412,567)
Maintenance and Production Fund Adjustment	(3)	22,890	—	—	—
Taxation impact of the adjustments		2,169	3,365	(141,533)	(142,635)
		<hr/>	<hr/>	<hr/>	<hr/>
Amount under IFRSs		398,490	89,577	26,116,625	23,800,037
		<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

2 DIFFERENCE IN ACCOUNTING DATA UNDER DOMESTIC AND OVERSEAS ACCOUNTING STANDARDS (CONTINUED)

Note:

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

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

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

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

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

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

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

Supplements (Continued)

3 RETURN ON NET ASSETS AND EARNINGS PER SHARE

In accordance with "Regulation on the Preparation of Information Disclosures of Companies Issuing Public Shares No.9-Calculation and Disclosure of the Return on Net Assets and Earnings Per Share" (2010 revised) issued by the CSRC, the Group's return on net assets and earnings per share are calculated as follows:

	30 June 2012	
	Inclusive of extraordinary gains and losses	Net of extraordinary gains and losses
Weighted average return on net assets (%)	1.66	0.89
Consolidated net profit attributable to the Company's ordinary equity shareholders (RMB'000)	269,940	144,460
Weighted average net assets attributable to the Company's ordinary equity shareholders (RMB'000)	16,237,085	16,237,085
Fully diluted return on net assets (%)	1.48	0.79
Consolidated net profit attributable to the Company's ordinary equity shareholders (RMB'000)	269,940	144,460
Weighted average net assets attributable to the Company's ordinary equity shareholders (RMB'000)	18,229,513	18,229,513
Basic earnings per share (RMB)	0.040	0.021
Consolidated net profit attributable to the Company's ordinary equity shareholders (RMB'000)	269,940	144,460
Weighted average number of ordinary shares ('000 shares)	6,771,084	6,771,084

There were no dilutive potential ordinary shares in existence during the presented period, thus diluted earnings per share was equal to basic earnings per share.