



華電國際電力股份有限公司

HUADIAN POWER INTERNATIONAL CORPORATION LIMITED

Stock Code : 1071

# 2012 Annual Report



# 2012 Annual Report





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# Company Profile

Huadian Power International Corporation Limited (the "Company") and its subsidiaries (together the "Group") are one of the largest comprehensive energy companies in the Peoples'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. The power plants and companies affiliated with the Group are all strategically located in the vicinity of electricity load centres or coal mining regions. As at the date of this report, the controlled power plants of the Group which have commenced operation totaled 39, with the total controlled installed capacity of the Group amounting to 33,578.5 MW and the total interested installed capacity of the Group amounting to 29,261.6 MW, including 30,684.0 MW attributable to controlled coal- and gas-fired generating units, and 2,894.5 MW 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 resource reserves of approximately 2.1 billion tonnes and expected production capacity of approximately 13 million tonnes/year.

The Company was incorporated in Jinan, Shandong Province, the PRC on 28 June 1994. On 30 June 1999, the Company issued approximately 1,431 million H shares in its initial public offering, which were listed on The Stock Exchange of Hong Kong Limited ("Hong Kong Stock Exchange"). At the beginning of year 2005, the Company issued 765 million A shares, which were listed on the Shanghai Stock Exchange on 3 February 2005. On 1 December 2009, the Company issued 750 million A shares through a non-public issue, and such shares were listed on the Shanghai Stock Exchange. On 3 July 2012, the Company issued 600 million A shares through a non-public issue, and such shares were listed on the Shanghai Stock Exchange. To date, the Company has issued 5,940,056,200 A shares and 1,431,028,000 H shares, accounting for approximately 80.59% and 19.41% of the total issued share capital of the Company, respectively. As at the date of this report, the total number of employees of the Group amounted to 23,878.

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

## (1) 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 Laizhou Power Generation Company Limited ("Laizhou Company")	2,000	86.63%	2 x 1,000MW
6	Huadian Weifang Power Generation Company Limited ("Weifang Company")	2,000	45%	2 x 670MW + 2 x 330MW
7	Huadian Qingdao Power Generation Company Limited ("Qingdao Company")	1,200	55%	4 x 300MW
8	Huadian Zibo Thermal Power Company Limited ("Zibo Company")	733	100%	1 x 300MW + 2 x 145MW + 2 x 71.5MW
9	Huadian Zhangqiu Power Generation Company Limited ("Zhangqiu Company")	890	87.5%	2 x 300MW + 2 x 145MW
10	Huadian Tengzhou Xinyuan Thermal Power Company Limited ("Tengzhou Company")	930	93.257%	2 x 315MW + 2 x 150MW
11	Shandong Century Electric Power Development Company Limited ("Century Power Company")	936	84.31%	4 x 220MW + 2 x 28MW
12	Huadian Ningxia Lingwu Power Generation Company Limited ("Lingwu Company")	3,320	65%	2 x 1,060MW + 2 x 600MW
13	Ningxia Zhongning Power Generation Company Limited ("Zhongning Company")	660	50%	2 x 330MW
14	Sichuan Guang'an Power Generation Company Limited ("Guang'an Company")	2,400	80%	2 x 600MW + 4 x 300MW
15	Huadian Xinxiang Power Generation Company Limited ("Xinxiang Company")	1,320	90%	2 x 660MW
16	Huadian Luohe Power Generation Company Limited ("Luohe Company")	660	75%	2 x 330MW
17	Huadian Qudong Power Generation Company Limited ("Qudong Company")	300	90%	1 x 300MW
18	Anhui Huadian Suzhou Power Generation Company Limited ("Suzhou Company")	1,260	97%	2 x 630MW
19	Anhui Huadian Wuhu Power Generation Company Limited ("Wuhu Company")	1,320	65%	2 x 660MW
20	Hangzhou Huadian Banshan Power Generation Company Limited ("Hangzhou Banshan Company")	1,785	64%	3 x 390MW + 1 x 350MW + 1 x 135MW + 1 x 130MW
21	Hebei Huadian Shijiazhuang Thermal Power Company Limited ("Shijiazhuang Thermal Power Company")	1,075	82%	2 x 300MW + 2 x 200MW + 3 x 25MW
22	Hebei Huadian Shijiazhuang Luhua Thermal Power Company Limited ("Luhua Company")	660	90%	2 x 330MW
23	Hebei Huarui Energy Group Corporation Limited ("Huarui Company") (Note)	1,683.8	100%	—
24	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 1,683.8 MW. The installed capacity of wind power of Hebei Huadian Yuzhou Wind Power Company Limited ("Yuzhou Wind Power Company"), a wholly-owned subsidiary of Huarui Company, amounted to 99 MW.

# Company Profile (Continued)

## (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	Lixian Xinghe Ganbao Power Company Limited ("Ganbao Company") (Note 1)	34	100%	4 x 8.5MW
5	Lixian Xinghe Power Company Limited ("Lixian Company") (Note 1)	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 Power International Ningxia New Energy Power Company Limited ("Ningxia New Energy Company") (Note 2)	300	100%	200 x 1.5MW
11	Hebei Huadian Guyuan Wind Power Company Limited ("Guyuan Wind Power Company")	201	100%	134 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%	24 x 2MW
15	Huadian Ningxia Ningdong Shangde Solar Power Company Limited ("Shangde Solar Company")	10	60%	10 x 1MW

Note 1: In 2009, the Group entered into agreements separately to 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 after the Group completed the acquisition of 100% equity interest in their parent company, Huanyu Company, on 28 May 2012.

Note 2: Ningxia New Energy Company was incorporated in Yinchuan on 26 September 2012. Huadian Ningxia Ningdong Wind Power Company Limited, Huadian Ningxia Yueliangshan Wind Power Company Limited and Huadian Ningxia Liupanshan Wind Power Company Limited were deregistered at the same time, and all their assets were transferred to Ningxia New Energy Company.

# Company Profile (Continued)

## (3) DETAILS OF COAL MINING ENTERPRISES CONTROLLED OR INVESTED BY THE GROUP ARE AS FOLLOWS:

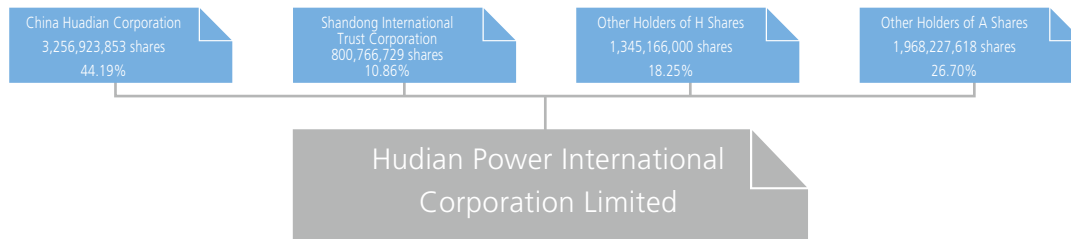
Name of company	Percentage of equity interest held by the Group	Resources reserve (million tonnes)	Interested resources reserve (million tonnes)	Capacity (thousand tonnes/year)
Shanxi Shuozhou Pinglu Maohua Bailu Coal Company Limited	100%	395	395	1,200
Shanxi Shuozhou Pinglu Maohua Wantongyuan Coal Company Limited	70%	373	261	2,100
Shanxi Shuozhou Pinglu Maohua Dongyi Coal Company Limited	70%	128	90	900
Shunge Mining Industry Company Limited of Inner Mongolia Alxa League Shunge Mining Group	100%	28	28	450
Inner Mongolia Haoyuan Coal Company Limited	85%	77	65	1,200
Anhui Wenhui New Products Promotion Company Limited	51%	39	20	600
Ningxia Yinxing Coal Company Limited	50%	1,037	519	4,000
Sichuan Huayingshan Longtan Coal Power Company Limited ("Longtan Company") (Note)	45%	97	44	1,500
Otog Front Banner Changcheng Mine Company Limited	35%	111	39	600
Inner Mongolia Fucheng Mining Company Limited	35%	238	83	2,400
Otog Front Banner Zhengtai Trading Company Limited	35%	216	76	2,400
Otog Front Banner Quanhui Trading Company Limited	35%	723	253	3,000
Otog Front Banner Baihui Trading Company Limited	35%	199	70	1,800
Linfen City Changfa Coal Coke Company Limited ("Changfa Coal Coke") (Note)	33%	117	39	1,200
Huadian Coal Industry Group Company Limited ("Huadian Coal")	12.56%	—	—	—
Shandong Luneng Heze Coal Power Development Company Limited	12.27%	—	—	—

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

# Company Profile (Continued)

## SHAREHOLDING STRUCTURE

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



# Chairman's Statement



## Dear Shareholders,

I hereby present the annual results of the Group for the year ended 31 December 2012 (the "Reporting Period"). In 2012, the Group actively responded to the complex and volatile market scenarios, firmly grasped the opportunities emerging from a loose coal market and swiftly reversed the passive aspects in operation, thereby achieving a significant increase in operating efficiency with profit for the year hitting a record high. For the financial year ended 31 December 2012, power generation of the Group amounted to 156.94 million MWh, representing an increase of approximately 4.10% over 2011; turnover amounted to approximately RMB59,080 million, representing an increase of approximately 9.05% over 2011; profit attributable to equity shareholders of the Company amounted to approximately RMB1,447 million and earnings per share was approximately RMB0.205. The board of directors of the Company proposes to declare a final cash dividend of RMB0.065 per share (tax inclusive) for the financial year of 2012.

In 2012, the Group stepped up supervision and inspection over production safety, further pushed forward the campaign for potential hazards elimination, stuck to rigorous appraisal, and put into practice correctional measures so that the Group's production safety remained at a steady level. The Group's 19 generating units were granted the honor of outperforming generating unit in the national thermal power energy efficiency standards & competition, among which the No. 5 generating unit of Zouxian Plant, No. 2 generating unit of Luohe Company, No. 2 generating unit of Qingdao Company and No. 3 generating unit of Zibo Company won the first prizes. In addition, the No. 5 generating unit of Zouxian Plant was awarded the national golden award for 600MW generating units in terms of reliability; Zouxian Plant and Suzhou Company was named as the national advanced entities in terms of electric reliability management. The Group put more efforts in the overall optimization and transformation of generating units and further optimized energy consumption indicators, with coal consumption for power supply decreasing to 312.89g/KWh, far below the national average level. Great emphasis was placed on environmental protection, and the management of environmental protection facilities and the upgrade of environmental technology were enhanced, resulting in constant improvement in environmental management.

To increase the returns to shareholders and strengthen its core competitiveness, the Group has been continuously exploring new opportunities for development of electricity business across the country. From 1 January 2012 up to the date of this report, the installed capacity of the Group kept increasing; the Group has completed construction and commenced operation of the new projects with an aggregate capacity of 3,943.0 MW. In particular, both of the two 1,000MW coal-fired generating units of Laizhou Company's port-power integrated project (港電一體化項目) were put into operation, with all economic indicators reaching a leading level among its peers in China.



# Chairman's Statement (Continued)



**Yun Gongmin**  
Chairman

The Group's projects under construction and preliminary projects are proceeding smoothly. As at the date of this report, the Group's projects with an aggregate capacity of 9,112.5MW involving thermal power, gas-fired power, hydropower, wind power and solar power generating units have been approved. In addition, the Group's thermal power and clean energy projects with an aggregate capacity of 4,859.3MW have obtained "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 relevant State or local authorities.

While continually expanding power source projects, the Group has been actively adjusting its industrial structure. As at the date of this report, the installed capacity of the Group's clean energy projects totaled 4,389.5 MW, accounting for 13.07% of the Group's power generation installed capacity. In 2012, the Group's coal business saw steady development and safety and stability were maintained at its coal mines.

In 2012, the Group was also active in capital operations. Seizing the opportunities emerging from the upturn in power industry, the Group successfully completed the non-public issue of A shares at a premium, raising an aggregate proceeds of RMB1,872 million and reducing its gearing ratio by 1.11 percentage points. Meanwhile, the Group actively used debt financing instruments to reduce the cost of capital.

The Group has always attached great importance to corporate governance, continuously promoted management innovation and improved its corporate governance structure and internal control system. In 2012, the Articles of Association was amended to further specify the Company's dividend distribution policy and to achieve a harmonious development between the Company's growth and the interest of its shareholders. The Group emphasized the fulfillment of corporate social values in pursuit of business development, and endeavored to promote social welfare and improve social civilization, driving and contributing to the socio-economic revitalization. Thanks to these efforts, the Group won the "National May 1 Labor Medal (全國五一勞動獎狀)" in 2012.

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

**Yun Gongmin**  
Chairman

Beijing, the PRC  
27 March 2013

# Business Review and Outlook



## BUSINESS REVIEW

### (1) Power Generation

Power generation of the Group in 2012 amounted to 156.94 million MWh, representing an increase of approximately 4.10% over 2011; the volume of power sold amounted to 146.72 million MWh, representing an increase of approximately 4.18% over 2011. The annual utilisation hours of the Group's generating units were 5,111 hours; in particular, the annual utilisation hours of the coal-fired generating units were 5,358 hours. Coal consumption for power supply was 312.89g/KWh.

### (2) Turnover

In 2012, turnover of the Group amounted to approximately RMB59,080 million, representing an increase of approximately 9.05% over 2011. Revenue generated from sale of electricity amounted to approximately RMB55,347 million, representing an increase of approximately 8.26% over 2011; revenue generated from sale of heat amounted to approximately RMB2,807 million, representing an increase of approximately 4.04% over 2011; and revenue from sale of coal was approximately RMB926 million, representing an increase of approximately 161.11% over 2011.

### (3) Profit

In 2012, operating profit of the Group amounted to approximately RMB6,983 million, representing an increase of approximately RMB3,828 million over 2011, mainly due to decrease in coal prices, increase in power generation volume and the tail-raising effect of on-grid tariffs adjustments. For the year ended 31 December 2012, the profit after tax attributable to equity shareholders of the Group amounted to approximately RMB1,447 million, and earnings per share was approximately RMB0.205.

# Business Review and Outlook (Continued)



## Chen Jianhua

Executive Director and  
General Manager

#### (4) The Capacity of Newly-installed Generating Units

From 1 January 2012 to the date of this report, the capacity of the Group's newly-installed generating units amounted to 3,943 MW:

Name of project	Installed capacity (MW)
Laizhou Company	2,000
Hangzhou Banshan Company	350
Zibo Company	300
Qudong Company	300
Luding Hydropower Company	460
Shuiluohu Company	38
Ningxia New Energy Company	198
Guyuan Wind Power Company	100.5
Yuzhou Wind Power Company	99
Kangbao Wind Power Company	49.5
Laizhou Wind Company	48
Total	3,943

# Business Review and Outlook (Continued)

## (5) Projects Approved and Under Construction

As at the date of this report, the Group's major generating units which have been officially approved by the relevant State or local authorities and under construction are as follows:

Name of project	Planned installed capacity
Anhui Huadian Lu'an Power Generation Company Limited ("Lu'an Company") Qudong Company	First 600MW generating unit Second 300MW heat-power co-generating unit
Zibo Company Expansion Project	Second 300MW heat-power co-generating unit 1 x 600MW generating unit
Shiliquan Plant Expansion Project	2 x 300MW heat-power co-generating units
Shuozhou Thermal Power Branch	2 x 600MW generating units
Chongqing Fengjie Project	2 x 300MW heat-power co-generating units
Tianjin Nanjiang Phase I Project	900MW gas-fired generating units
Tianjin Nanjiang Phase II Project	2 x 200MW gas-fired generating units
Tianjin Wuqing Distributed Energy Project	2 x 100MW gas-fired generating units
Xiasha Natural Gas-fired Heat-power Co-generating Project in Hangzhou	2 x 350MW gas-fired generating units
Phase II Project of Hangzhou Banshan Company	2 x 400MW gas-fired generating units
Jiangdong Natural Gas-fired Heat-power Co-generating Project in Hangzhou, Zhejiang	2 x 200MW gas-fired generating units
Longyou Natural Gas-fired Heat-power Co-generating Project in Zhejiang	1 x 300MW heat-power co-generating unit
Qingdao Company Phase III Project	610MW hydroelectric generating units
Shuiluohe Company	49.5MW wind power generating units
Guyuan Wind Power Company Phases III Project	99MW wind power generating units
Ningdong Wind Power Phases V & VI Projects of Ningxia New Energy Company	99MW wind power generating units
Phases I & II Projects of Wuyuan Wind Farm in Haiyuan of Ningxia New Energy Company	49.5MW wind power generating units
Ningxia New Energy Company Danangou Project	49.5MW wind power generating units
Ningxia New Energy Company Ganganliang Project	49.5MW wind power generating units
Ningxia New Energy Company Songjiayao Project	49.5MW wind power generating units
Ningxia New Energy Company Tuoliebao Project	49.5MW wind power generating units
Ningxia New Energy Company Xiajiayao Project	49.5MW wind power generating units
Ningxia New Energy Company Daju Project	49.5MW wind power generating units
Solar Power Generation Project in Taiyangshan, Wuzhong, Ningxia	10MW solar power generating units
Jincheng Wind Power Phase II Project of Laizhou Wind Company	48MW wind power generating units
Total	9,112.5MW

## (6) Preliminary Projects

As at the date of this report, the Group's major preliminary projects which have obtained "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 relevant State or local authorities are as follows:

Name of project	Planned installed capacity
Phase I Project of Shantou Huadian Power Generation Company Limited	2 x 600MW generating units
Guangdong Shenzhen Pingshan Distributed Energy Project	3 x 50MW generating units
Guangdong Shunde Qingyuan (Yingde) Natural Gas Distributed Energy Project	150MW generating unit
Guangdong Shunde Western Industrial Park Distributed Energy Project	150MW generating unit
Lu'an Company	Second 660MW generating unit
Shire Phase IX Natural Gas-fired Heat-power Co-generating Project in Hebei	2 x 400MW heat-power co-generating units
Shuiluohe Company	840MW hydroelectric generating units
Hutouya Wind Power Phase II Project of Laizhou Wind Power Company	48MW wind power generating units
Laizhou Guojiadian Wind Power Project	49.8MW wind power generating units
Kunlun Wind Power Phase I Project of Zibo Company	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
Phase II Project of Kangbao Wind Power Company	49.5MW wind power generating units
Shipeng Phase I Project of Kangbao Wind Power Company	49.5MW wind power generating units
Phase II Project in Haiyuan, Ningxia	396MW wind power generating units
Gaojialiang Phase I Project in Chifeng, Inner Mongolia	49.5MW wind power generating units
Phase II Solar Power Generation Project of Shangde Solar Company	20MW solar power generating units
Total	4,859.3MW

## BUSINESS OUTLOOK

### 1. Opportunities for the Group

The Group expects that the macro economy will show a weak recovery, coal demand will be stable, coal production capacity will continue to be unleashed, railroad capacity will improve and oversupply of coal will remain in 2013. Coal prices are projected to continue to fall year-on-year throughout 2013 given factors such as the high base in the first half of 2012. Steady growth in national electricity demand, decelerated newly installed capacity of coal-fired power, and stable utilisation hours of coal-fired generating units are also anticipated in 2013, which will help further improve the economic benefits of the Group's coal-fired power generation business.

### 2. Challenges for the Group and Countermeasures

Since 2012, China's economic growth has slowed down owing to continued global economic downturn and industrial restructuring. In the coming few years, China's economy is expected to maintain a steady growth amid the attempt to "sustain economic growth" and "make structural adjustment". As there is a positive correlation between economic growth and growth in electricity consumption, the elastic co-efficiency of electricity consumption in the next few years will stay at a low level. As such, electricity demand growth is very unlikely to regain the same high level as in the previous years and the slow growth may be normally expected. In face of such risks in the power market, the Group will, based on the assurance that the "three same-time (三同)" standards will be achieved in utilization hours, strive for more planned power generation, vigorously develop power generation which is profitable or supported by special policies, and effectively improve the fulfillment of the planned power generation, so as to increase market share. The Group will leverage on economies of scale and strengthen optimization of power structure among power plants and among generating units and at different times, to maximize power generation efficiency.

# Business Review and Outlook (Continued)

In recent years, increasing importance was attached to environmental protection by the State. In 2011, the Emission Standards of Air Pollutants for Thermal Power Plants was published and implemented, which was significantly stringent over the previous standards and clearly set out that coal-fired power plants shall satisfy the requirements of the new standards on environmental protection of the State before 1 July 2014. In view of this, the Group will place environmental protection at a more prominent position, further increase efforts in environmental protection and practically give priorities to upgrade of environmental technology and management of environmental protection facilities from the perspective of survival and development of the Group. In the near future, the Group will increase investment in upgrade projects of environmental technology including desulfuration, denitration and electric precipitation.

### 3. Development Strategy and Operational Plan for 2013

The Group will adhere to value-oriented thinking in the coming years and further optimize structures; strengthen regional adjustment and vigorously develop thermal power projects; focus on developing port-power integrated coal-fired power projects (港電一體煤電項目) along coastlines (rivers), and proactively develop coal-fired power transmission projects in regions with abundant resources; properly develop gas turbine projects in economically-developed regions with high tolerance of electricity tariffs and heat supply prices, on the condition of ensuring gas sources; actively seek resources, and accelerate development of renewable energy, including hydropower and wind power; step up development of existing hydropower assets in southwestern regions, with emphasis on developing quality hydropower projects; give priority to developing quality wind power projects, based on the resource condition and the consumption market; steadily advance the development of the coal industry; stick to "well utilizing existing resources, ensuring the quality of incremental resources, and enhancing the quality of aggregated resources", and speed up technical innovation and improvement of existing coal mines; actively develop additional coal resources featuring large reserves, favourable exploitation conditions, good quality and grade, and strong capacity for outward transmission. In 2013, the Group plans to invest approximately RMB15-17 billion in the development of thermal power, hydropower, wind power, coal mining and projects on upgrade of environmental technology. Assuming that external conditions remain stable without major changes in 2013, the Group will endeavor to achieve power generation of approximately 170 million MWh, utilisation hours of the power generating units of approximately 5,000 hours. In order to achieve the above goals, the Group will be focused on the following work:

- (1) To substantially improve efficiency. In respect of power generation, we will actively pursue a larger quota of planned power generation, strive to expand market share, and optimize power structure by leveraging our edges in scale to maximize power generation efficiency. As for fuel management, we will give proactive response to changes brought by uniformly adopting market-based coal prices, and enhance standardized and sophisticated fuel management in an all-around way.
- (2) To improve development quality. We will concentrate resources on high-yielding projects to further enhance development quality and efficiency; vigorously develop efficient coal-fired power projects, actively develop hydropower projects, press ahead with orderly wind power development, steadily develop gas-fired power generation projects and advance the coal industry development. Meanwhile, we will tighten up projects management and continuously promote sophisticated management of project quality to ensure the long-term operation safety after the units come on stream.
- (3) To comprehensively scale up environmental efforts. We will learn from previous success in environmental protection of units in service, do well in constructing environmental facilities of infrastructure projects, upgrade environmental technology and tighten management of environmental facilities.
- (4) To further enhance human resources management. We will establish a high-quality team of employees with a reasonable structure, continuously ramp up development of and incentives for key talents to provide strong personnel support for the Group's development.

**Chen Jianhua**  
*Executive Director and General Manager*

Beijing, the PRC  
27 March 2013



# Directors, Supervisors and Senior Management



## DIRECTORS



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



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

# Directors, Supervisors and Senior Management (Continued)



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



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

# Directors, Supervisors and Senior Management (Continued)



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



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



**Mr. Zhong Tonglin**, Chinese, born in February 1960, is a senior engineer. Mr. Zhong graduated from Xi'an Jiaotong University with a Master's degree. He worked as a director and deputy general manager of the Company. Mr. Zhong has 30 years' experience in electric power infrastructure, design, management and securities finance. Before joining the Company, Mr. Zhong had worked at the Shandong Electric Power Design Institute, the Shandong Electric Power Infrastructure Company, Shandong No.3 Electric and Construction Company and Shandong Electric Power Group Corporation. Mr. Zhong resigned as deputy general manager of the Company on 30 October 2012 and resigned as director of Company on 28 December 2012.



**Mr. Gou Wei**, Chinese, born in June 1967, a senior engineer with a master's degree. Mr. Gou graduated from Sichuan University. He is currently a director and deputy general manager of the Company. He concurrently serves as the chairman of Sichuan Guang'an Power Generation Company Limited, the vice chairman of Sichuan Luzhou Chuannan Power Generation Company Limited, the chairman of Hangzhou Huadian Banshan Power Generation Company Limited, the chairman of Hebei Huarui Energy Group Corporation Limited, as well as an executive director of Huadian International Shandong Information Company Limited. He previously worked with Jiangyou Electric Power Plant, Sichuan Guang'an Power Generation Co., Ltd., Huadian Power International Corporation Limited, Hubei branch of China Huadian Corporation and Huadian Hubei Power Co., Ltd.. Mr. Gou has 23 years' experience in electric power generation industry, operation and management.



**Mr. Chu Yu**, Chinese, born in August 1963, an engineer, graduated from Shanghai Electric Power College. He is currently serving as a director of the Company and the head of Financial and Risk Management Department of China Huadian Corporation, the chairman of China Huadian Finance Corporation Limited, a director of Huadian Property Co., Ltd., Huadian Tendering Co. Ltd, Huadian Energy Corporation Limited and Guizhou Wujiang Hydropower Development Company Limited. He had worked at Yangzhou Power Plant, Yangzhou Power Generation Co., Ltd., China Huadian Jiangsu Branch and China Huadian Corporation. He has 28 years' experience in electric power generation and operation management.



# Directors, Supervisors and Senior Management (Continued)



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



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



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



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

# Directors, Supervisors and Senior Management (Continued)

## SUPERVISORS



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



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



**Mr. Chen Bin**, Chinese, born in September 1973, graduated from Guanghua School of Management, Peking University with a Master's degree in Economics. He currently serves as a supervisor of the Company and director of the Work Committee of the Company. Mr. Chen had served as deputy director of the Secretariat of the General Manager Office of China Guodian Corporation and assistant to general manager of Guodian Finance Corporation Ltd. in succession. Mr. Chen Bin has 16 years' experience in power generation industry.

## COMPANY SECRETARY



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

# Directors, Supervisors and Senior Management (Continued)

## SENIOR MANAGEMENT



**Mr. Wang Wenqi**, Chinese, born in March 1963, is a senior engineer with a Master's degree. He was formerly a deputy general manager of the Company. Mr. Wang graduated from Baylor University in the United States of America. He has 30 years' experience in electric power examination, research, management and securities finance. Before joining the Company, Mr. Wang had worked at the Shandong Electric Power Science and Research Institute and Shandong Electric Power Group Corporation. Mr. Wang resigned as deputy general manager of the Company on 28 March 2012.



**Mr. Luo Xiaoqian**, Chinese, born in December 1962, who graduated from Xi'an Jiaotong University and holds a Doctor's degree in management, is currently a deputy general manager of the Company. Mr. Luo concurrently serves as an executive director of Sichuan Huadian Luding Hydropower Company Limited, the chairman of Sichuan Huadian Za-gunao Hydroelectric Development Company Limited, the chairman of Lixian Xinghe Ganbao Power Company Limited, the chairman of Lixian Xinghe Power Company Limited, an executive director of Sichuan Huoxing Investment Co., Ltd., an executive director of Sichuan Xiexing Investment Co., Ltd., the chairman of Sichuan Liangshan Shuiluohe Hydropower Development Company Limited, as well as a director of Sichuan Daduhe Shuangjiangkou Hydropower Development Company Limited and Huadian Jinshajiang Upstream Hydropower Development Co. Ltd.. Mr. Luo has 30 years' experience in the design, infrastructure construction, production, operation and management of hydropower generation. Before joining the Company, Mr. Luo once served as deputy director, deputy chief engineer, chief engineer, director and party secretary of the machinery branch plant of Wujiangdu Power Plant, assistant to the general manager of Guizhou Wujiang Hydropower Development Co., Ltd. and director of the construction preparation office of Goupitan Hydropower Station, a deputy general manager of Guizhou Wujiang Hydropower Development Co., Ltd. and of Guizhou Company under China Huadian Corporation, and deputy director of the Engineering Management Department of China Huadian Corporation.



**Mr. Wang Hui**, Chinese, born in January 1964, a Master's degree holder, is a former deputy general manager of the Company. Mr. Wang graduated from Tsinghua University in Beijing and started his career in 1985, having 27 years' experience in hydropower generation design, infrastructure, production, operation and management. Before joining the Company, Mr. Wang successively served in Qinghai Longyangxia No.4 Engineering Bureau of the Ministry of Hydraulic and Electric Engineering, Qinghai Lijiaxia No.4 Engineering Bureau project office of the Ministry of Hydraulic and Electric Engineering, Comprehensive Office Of Hydropower Development Department of the Ministry of Energy, Hydropower Development Section of Hydropower and Agriculture Electricity Department of the Ministry of Power, Hydropower Development Section of Hydropower Department of State Electric Power Corporation, New Energy Section of Hydropower Department of State Electric Power Corporation, Quality and Technology Section of Power Department of State Electric Power Corporation, Hydro Power Section of Power Department of State Electric Power Corporation and Technical Section of Engineering Technology Department of China Huadian. Mr. Wang resigned as deputy general manager of the Company on 8 June 2012.



**Mr. Peng Guoquan**, Chinese, born in October 1966, a senior engineer with a Master's degree, is currently a deputy general manager of the Company. Mr. Peng concurrently serves as the chairman of Anhui Wenhui New Products Promotion Company Limited and of Anhui Hualin International Energy Company Limited. Mr. Peng graduated from Huazhong University of Science and Technology, majoring in thermal energy and power. Mr. Peng has 22 years' experience in power generation and management. Before joining the Company, Mr. Peng had served in Qingshan Thermal Power Plant, Wuchang Thermal Plant and Anhui Huadian Wuhu Power Company Limited.

# Directors, Supervisors and Senior Management (Continued)



**Mr. Xing Shibang**, Chinese, born in June 1960, a senior engineer with a master's degree, is currently a deputy general manager of the Company. Mr. Xing concurrently serves as the chairman of Huadian Qudong Power Generation Company Limited, Tianjin Huadian Fuyuan Thermal Power Company Limited, Hangzhou Huadian Xiasha Thermal Power Company Limited, Huadian Zibo Thermal Power Company Limited, Huadian Laizhou Power Generation Company Limited as well as Huadian International Shandong Materials Company Limited. Mr. Xing graduated from Xi'an Jiaotong University majoring in Business Administration. Mr. Xing has over 30 years' experience in power generation, operation and management. Mr. Xing had served as electricity operating director and director of Power Generation Department of Shiliquan Plant, the head of Production Department of Huadian Power International Corporation Limited, factory manager of Laicheng Plant and general manager of Huadian Weifang Power Generation Company Limited.



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



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



**Mr. Xie Yun**, Chinese, born in November 1963, a senior engineer, graduated from Thermal Engineering Department of Tsinghua University with a bachelor's degree. He is currently a deputy general manager and chief engineer of the Company. Mr. Xie concurrently serves as an executive director of Huadian Zhejiang Longyou Thermal Power Company Limited and Huadian International Shandong Project Company Limited and as the chairman of Anhui Huadian Lu'an Power Generation Company Limited, Tianjin Huadian Nanjiang Thermal Power Company Limited and Tianjin Huadian Tiantou Heating Company Limited. Before joining the Company, Mr. Xie successively served in the Huabei Electricity Research Institute, Safe Production Department of the Ministry of Power, Generation and Transmission Operation Department of State Electric Power Corporation and Production Operation Department of China Huadian Corporation. He has 25 years' experience in scientific research, production and management of electric power.

# Management Discussion and Analysis

## (1) MACROECONOMIC CONDITIONS AND ELECTRICITY DEMAND

According to relevant information and statistics, the gross domestic product ("GDP") of the PRC in 2012 amounted to RMB51,932.2 billion, representing an increase of 7.8% over 2011. Power consumption of the whole society totaled 4,959.1 million MWh, representing a slower growth of 5.5% over 2011, of which the consumption of the primary industry accounted for 101.3 million MWh, basically flat year on year, secondary industry accounted for 3,666.9 million MWh, representing a year-on-year increase of 3.9%, and tertiary industry accounted for 569.0 million MWh, representing a year-on-year increase of 11.5%. Steady growth in national electricity demand, decelerated newly installed capacity of coal-fired power, and stable utilisation hours of coal-fired generating units are also anticipated in 2013, which will help further improve the economic benefits of the Group's coal-fired power generation business.

## (2) Turnover

In 2012, the Group strengthened the management, actively strove for planned output and optimized scheduling, and achieved a considerable increase in power generation. The total volume of power sold by the Group for the year was 146.72 million MWh, representing an increase of approximately 4.18% over 2011. Turnover for the year amounted to RMB59,080 million, representing an increase of approximately 9.05% over 2011. The increase in turnover was mainly due to the growth in volume of power sold, the tail-raising effect of on-grid tariffs adjustments in 2011 and higher sales of coal.

## (3) Major Operating Expenses

In 2012, the operating expenses of the Group amounted to approximately RMB52,096 million, representing an increase of approximately 2.10% over 2011. This was mainly attributable to the combined effect of more power generation, commencement of operation of new generating units, and lower coal prices.

The principal contribution to the operating expenses of the Group was fuel costs, which amounted to approximately RMB37,095 million in 2012, representing a decrease of approximately 4.57% over 2011. This was mainly due to lower coal prices. The fuel cost accounted for approximately 71.20% of the Group's operating expenses, representing a decrease of approximately 4.98 percentage points over 2011.

Depreciation and amortisation expenses of the Group amounted to approximately RMB6,283 million in 2012, representing an increase of approximately 12.72% over 2011. This was mainly due to the increase in depreciation expenses arising from the new generating units which have commenced operation since 2011 and the newly acquired enterprises.

Overhaul expenses of the Group amounted to approximately RMB952 million in 2012, representing an increase of approximately 53.84% over 2011. This was mainly due to the increase in generating units undergoing overhaul in 2012.

Repairs and maintenance costs of the Group amounted to approximately RMB1,010 million in 2012, representing an increase of approximately 43.24% over 2011. This was mainly due to the additional costs from the new generating units which have commenced operation since 2011 and the newly acquired enterprises.

Personnel costs of the Group amounted to approximately RMB2,809 million in 2012, representing an increase of approximately 14.18% over 2011, mainly due to the increase in staffing of new generating units being put into operation, the increase in employee remuneration and the newly acquired enterprises.

Administration expenses of the Group amounted to approximately RMB1,830 million in 2012, representing an increase of approximately 40.34% over 2011, mainly due to the additional expenses arising from the new generating units which have commenced operation since 2011 and the newly acquired enterprises as well as increase in the sewage charge.

## (4) Investment Income

Investment income of the Group amounted to approximately RMB480 million in 2012, representing a decrease of approximately RMB245 million or 33.82% over the year of 2011, which was mainly attributable to the higher base in 2011 as Huadian Coal introduced strategic investor and recognised gain on equity dilution in 2011. In 2012, the investment income of the Group mainly came from the gain on disposal of equity interest in Ningxia Power Generation Company (Group) Limited ("Ningxia Power Group") by the Group.

## (5) Other Revenue and Net Income

In 2012, the other revenue and net income of the Group amounted to approximately RMB751 million, representing an increase of approximately 15.00% over 2011, mainly due to the increase in government grants.

## (6) Share of Profit of Associates

In 2012, profit of associates attributable to the Group amounted to approximately RMB646 million, representing an increase of approximately 15.95% over 2011, mainly due to increased income from coal mines invested by the Company.

## (7) Finance Costs

Finance costs of the Group in 2012 amounted to approximately RMB6,288 million, representing an increase of approximately 25.98% over 2011. This was mainly attributable to the effect of the newly-acquired enterprises, the finance costs of new generating units being charged in income statement since the commencement of operation and the lagging effects of the three upward adjustments of loan interest rate by the State in 2011.

## (8) Pledge of Assets

As at 31 December 2012, the Company's subsidiaries, including Guang'an Company, Zhangqiu Company, Za-gunao Hydroelectric Company, Luding Hydropower Company, Qingdao Company, Tengzhou Company, Shijiazhuang Thermal Power Company, Luohe Company, Lingwu Company, Zhongning Company, Wuhu Company, Suzhou Company, Laizhou Company, and Ningxia New Energy Company, have altogether pledged their income stream in respect of the sale of electricity, or trade receivables for sale of electricity as security for loans amounting to approximately RMB14,332 million. In addition, the 75% equity interest in Pingshi Power Company held by the Company was pledged as security for repayment of the current portion of long term payables guaranteed by the Company.

As at 31 December 2012, the generating units and relevant equipment, projects under construction, land use right and mining rights of Pingshi Power Company, Shuiluohe Company and Shanxi Maohua Energy Investment Company Limited were mortgaged to secure their loans amounting to RMB3,577 million.

# Management Discussion and Analysis (Continued)

## (9) Indebtedness

As at 31 December 2012, the total borrowings of the Group amounted to approximately RMB93,313 million, of which borrowings denominated in US dollars and Euro amounted to approximately US\$199 million and approximately EUR26 million, respectively. The liabilities to assets ratio was 83.22%, approximately 0.82 percentage points lower than that in 2011. Borrowings of the Group were mainly of floating rates. Short-term borrowings and long-term borrowings due within one year amounted to approximately RMB29,139 million, and long-term borrowings due after one year amounted to approximately RMB64,174 million. In addition, the closing balance of short-term and super-short-term debenture payables of the Group amounted to approximately RMB11,664 million, and the medium-term notes and debentures issued through non-public offering to target subscribers amounted to approximately RMB10,352 million.

## (10) Contingent Liabilities

As at 31 December 2012, Guang'an Company, a subsidiary of the Company, provided guarantees to banks for loans amounting to approximately RMB164 million to Longtan Company, an associate of Guang'an Company. Zhongning Company provided guarantees to banks for loans amounting to approximately RMB25.11 million to Ningxia Power Group. Save as disclosed above, the Group had no other material contingent liabilities.

## (11) Cash Flow Analysis

In 2012, the net cash inflow from operating activities of the Group amounted to approximately RMB5,519 million, increased by approximately RMB4,456 million over 2011, mainly due to upward adjustments to the on-grid tariffs in 2011, more power generation of the Group and lower procurement prices of coal in 2012; the net cash outflow used in investing activities amounted to approximately RMB16,400 million, increased by approximately RMB3,265 million over 2011, mainly due to the increase in projects under construction and external investment of the Group in 2012 as compared to 2011; the net cash inflow from financing activities amounted to approximately RMB11,829 million, decreased by approximately RMB1,120 million over 2011, mainly due to increase in cash from the operating activities of the Group and proceeds from non-public issue of A shares which resulted in less net new borrowings in 2012.

# Directors' Report

The board of directors ("Directors") the Company (the "Board") has pleasure in presenting the annual report together with the audited financial statements of the Group for the year ended 31 December 2012.

## PRINCIPAL ACTIVITIES

The Group is principally engaged in the generation and sale of electricity and heat. All electricity generated is supplied to the grid companies where the plants are located. As the Group principally has one reportable segment, which is the generation and sale of electricity and heat in the PRC, therefore, no additional reportable segment has been presented and no additional information about geographical areas were included in the above mentioned financial statements. The profit of the Group for the year ended 31 December 2012 and the Group's and the Company's financial positions as of that date prepared in accordance with IFRSs are set out on pages 40 to 96 of the annual report.

## STATUTORY SURPLUS RESERVE

According to the Company's Articles of Association, the Company is required to transfer at least 10% (at the discretion of the Board) of its profit after tax, as determined under the PRC accounting rules and regulations, to its statutory surplus reserve until the surplus reserve balance reaches 50% of its registered capital. The transfer to the statutory surplus reserve must be made before the distribution of dividend to shareholders. The statutory surplus reserve can be used to make up losses (if any) of the previous year and may be converted into share capital by issuance of new shares to shareholders in proportion to their existing shareholdings or by increasing the par value of the shares currently held by them, provided that the balance after the issue of new shares is not less than 25% of the registered share capital. The Board resolved to transfer 10% of the annual profit after tax as determined under the PRC accounting rules and regulations, amounting to RMB6,603,000 (2011: RMB13,956,000), to the statutory surplus reserve on 27 March 2013.

## DIVIDENDS

Pursuant to a resolution passed at the Board meeting held on 27 March 2013, the Board proposes to declare a final cash dividend of RMB0.065 per share (tax inclusive) (based on the total share capital of 7,371,084,200 shares) for the financial year ended 31 December 2012, totaling RMB479,120,473 (tax inclusive). The total dividend accounts for approximately 33.12% of the profit attributable to equity shareholders of the Group for 2012 and 2.46% of the equity attributable to equity shareholders of the Group for 2012. The dividend distribution proposal is subject to the approval by the shareholders at the annual general meeting.

## RESOLUTIONS PASSED AT BOARD MEETINGS IN 2012

In 2012, the Board convened a total of 6 Board meetings, details of which are summarized as follows:

1. The 8th meeting of the sixth session of the Board was convened on 28 March 2012, and the announcement of the resolutions of the meeting was published in China Securities Journal, Shanghai Securities News and Securities Times on 29 March 2012.
2. The 9th meeting of the sixth session of the Board was convened from 23 April 2012 to 24 April 2012, at which the Board was briefed on the business operation of the Company in the first quarter of 2012, and considered and approved the Company's first quarterly report of 2012 and its summary.
3. The 10th meeting of the sixth session of the Board was convened on 8 June 2012, and the announcement of the resolutions of the meeting was published in China Securities Journal, Shanghai Securities News and Securities Times on 29 June 2012.
4. The 11th meeting of the sixth session of the Board was convened from 29 August 2012 to 30 August 2012, and the announcement of the resolutions of the meeting was published in China Securities Journal, Shanghai Securities News and Securities Times on 31 August 2012.
5. The 12th meeting of the sixth session of the Board was convened on 30 October 2012, and the announcement of the resolutions of the meeting was published in China Securities Journal, Shanghai Securities News and Securities Times on 31 October 2012.
6. The 13th meeting of the sixth session of the Board was convened on 29 November 2012, at which the resolution in relation to the transfer of the 23.66% equity interest in Ningxia Power Group at a consideration of not less than RMB1,360 million by way of open tender and other resolutions were considered and approved.

Details of the relevant transactions mentioned above which were proceeded with or completed in 2012 are set out in the section headed "Significant Events" of this annual report.

## SUBSIDIARIES AND ASSOCIATED COMPANIES

Particulars of the Company's subsidiaries and associated companies as at 31 December 2012 are set out in notes 22 and 23 respectively to the financial statements prepared in accordance with IFRSs included in this annual report.

## BANK LOANS AND OTHER BORROWINGS

Details of bank loans and other borrowings of the Group and the Company as at 31 December 2012 are set out in note 31 to the financial statements prepared in accordance with IFRSs included in this annual report.

## INTEREST CAPITALISED

Details relating to the interest capitalised by the Group during the year 2012 are set out in note 9 to the financial statements prepared in accordance with IFRSs included in this annual report.

## PROPERTY, PLANT AND EQUIPMENT

Details relating to movements in property, plant and equipment of the Group and those of the Company during the year 2012 are set out in note 18 to the financial statements prepared in accordance with IFRSs included in this annual report.

## RESERVES

Details relating to movements in reserves of the Group and the Company for the year ended 31 December 2012 are set out in the consolidated statement of changes in shareholders' equity in the financial statements prepared and note 38(a) to the financial statements prepared in accordance with IFRSs included in this annual report respectively.

# Directors' Report (Continued)

## DONATIONS

During the year of 2012, the Group made donations for charitable purposes in an aggregate amount of approximately RMB620,000 (2011: RMB290,000).

## EMPLOYEES' PENSION SCHEMES

The Group is required to make contributions to pension schemes operated by the State at range from 18% to 20% of the total staff salaries. The members of the schemes is entitled to receive from the State a pension equal to a fixed proportion of his or her salary prevailing at the retirement date. In addition, the Group and its staff participate in a pension scheme managed by China Huadian to supplement the abovementioned schemes. The Group's contribution to these schemes amounted to RMB428 million during the year 2012.

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

## EMPLOYEES' MEDICAL INSURANCE

During 2012, there was no change in employees' medical insurance of the Group as compared with that of 2011. The Group anticipates that implementation of the above medical insurance will not have any significant impact on the business operation and financial position of the Group. Apart from the above contributions, the Group is not required to pay any other medical expenses for its staff.

## PRE-EMPTIVE RIGHTS

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

## SHARE CAPITAL

Details of the share capital of the Company for the year 2012 and as at 31 December 2012 are set out in the Company's statement of changes in shareholders' equity in the financial statements prepared in accordance with IFRSs and note 38(c) to the financial statements prepared in accordance with IFRSs included in this annual report.

## MAJOR CUSTOMERS AND SUPPLIERS

For the financial year of 2012, details regarding the percentages of the Group's sales and purchases attributable to its major customers and major suppliers, respectively, are as follows:

	Approximate Percentage in the Group's Sales	Approximate Percentage in the Group's Purchases
The largest customer	45.43%	
The five largest customers combined	75.37%	
The largest supplier		15.63%
The five largest suppliers combined		40.23%

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

## SHAREHOLDINGS OF SUBSTANTIAL SHAREHOLDERS

So far as the directors of the Company are aware, each of the following persons, not being a director, supervisor, chief executive or members of the senior management of the Company, had an interest or short position as at 31 December 2012 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 Securities and Futures Ordinance (the "SFO"), or was otherwise interested in 5% or more of any class of issued share capital of the Company as at 31 December 2012, or was a substantial shareholder of the Company as at 31 December 2012 (as defined by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Hong Kong Listing Rules")):

Name of shareholder	Class of shares	Number of shares held	Approximate percentage of the total number of shares of the Company in issue	Approximate percentage of the total number of A shares of the Company in issue	Approximate percentage of the total number of H shares of the Company in issue
China Huadian Corporation ("China Huadian")	A shares	3,171,061,853	43.02%	53.38%	—
	H shares	85,862,000(L) (Note 1)	1.16%	—	6.00%
Shandong International Trust Corporation("Shandong International Trust")	A shares	800,766,729	10.86%	13.48%	—
Cheah Cheng Hye (謝清海)	H shares	100,202,000(L) (Note 2)	1.36%	—	7.00%
Morgan Stanley	H shares	71,840,440(L)	0.97%	—	5.02%
		37,517,566 (S)	0.51%	—	2.62%

(L)= long position

(S)= short position



# Directors' Report (Continued)

Note 1: So far as the Directors of the Company are aware or are given to understand, 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 China Huadian, namely, China Huadian Hong Kong Company Limited.

Note 2: So far as the Directors of the Company are aware or are given to understand, these 100,202,000 H shares were held in name of HKSCC Nominees Limited. Each of Cheah Capital Management Limited, Cheah Company Limited and Value Partners Group Limited was deemed to be interested in the same tranche of H Shares by virtue of their direct or indirect control by Cheah Cheng Hye; Hang Seng Bank Trustee International Limited was deemed to be interested in the same tranche of H Shares by virtue of being trustee for Cheah Cheng Hye and To Hau Yin was deemed to be interested in the same tranche of H Shares by virtue of being the spouse or a child under 18 of Cheah Cheng Hye.

Save as disclosed above and so far as the directors are aware, as at 31 December 2012, no other person (other than the directors, supervisors, chief executive or members of senior management of the Company) had any 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.

## SUFFICIENCY OF PUBLIC FLOAT

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

## DIRECTORS, SUPERVISORS, CHIEF EXECUTIVES AND SENIOR MANAGEMENT

The following table sets forth certain information concerning the directors, supervisors and senior management of the Company for the financial year ended 31 December 2012. All directors and supervisors are currently serving a term of three years, renewable upon re-election and re-appointment every three years.

Name	Position in the Company	Changes
Yun Gongmin	Chairman, Non-executive Director	Reappointed upon election at the AGM held on 8 June 2011
Chen Feihu	Vice Chairman, Non-executive Director	Reappointed upon election at the AGM held on 8 June 2011
Chen Dianlu	Vice Chairman, Non-executive Director	Reappointed upon election at the AGM held on 8 June 2011
Chen Jianhua	Executive Director, General Manager	Reappointed upon election at the AGM held on 8 June 2011
Wang Yingli	Non-executive Director	Reappointed upon election at the AGM held on 8 June 2011
Chen Bin	Non-executive Director	Reappointed upon election at the AGM held on 8 June 2011
Zhong Tonglin	Executive Director, Deputy General Manager	Ceased to be deputy general manager of the Company after the 12th meeting of the sixth session of the Board held on 30 October 2012, and ceased to be an executive Director upon the conclusion of the 2nd EGM held on 28 December 2012
Gou Wei	Executive Director, Deputy General Manager	Appointed as deputy general manager of the Company at the 10th meeting of the sixth session of the Board held on 8 June 2012, and as an executive Director at the 2nd EGM held on 28 December 2012
Chu Yu	Non-executive Director	Reappointed upon election at the AGM held on 8 June 2011
Wang Yuesheng	Independent Non-executive Director	Reappointed upon election at the AGM held on 8 June 2011
Wang Jixin	Independent Non-executive Director	Appointed upon election at the AGM held on 8 June 2011
Ning Jiming	Independent Non-executive Director	Reappointed upon election at the AGM held on 8 June 2011
Yang Jinguan	Independent Non-executive Director	Reappointed upon election at the AGM held on 8 June 2011
Li Xiaopeng	Chairman of the Supervisory Committee	Reappointed upon election at the AGM held on 8 June 2011
Peng Xingyu	Supervisor	Reappointed upon election at the AGM held on 8 June 2011
Chen Bin	Supervisor	Reappointed upon election at the AGM held on 8 June 2011
Zhou Lianqing	Secretary to the Board	Appointed at the first meeting of the sixth session of the Board held on 8 June 2011
Wang Wenqi	Deputy General Manager	Ceased to be deputy general manager of the Company following the 8th meeting of the sixth session of the Board held on 28 March 2012
Luo Xiaoqian	Deputy General Manager	Appointed at the first meeting of the sixth session of the Board held on 8 June 2011
Wang Hui	Deputy General Manager	Ceased to be deputy general manager of the Company following the 10th meeting of the sixth session of the Board held on 8 June 2012
Peng Guoquan	Deputy General Manager	Appointed at the first meeting of the sixth session of the Board held on 8 June 2011
Xing Shibang	Deputy General Manager	Appointed at the first meeting of the sixth session of the Board held on 8 June 2011
Chen Cunlai	Chief Financial Officer	Appointed at the first meeting of the sixth session of the Board held on 8 June 2011
Wang Huiming	Deputy General Manager	Appointed at the first meeting of the sixth session of the Board held on 8 June 2011
Xie Yun	Chief Engineer, Deputy General Manager	Appointed as chief engineer of the Company at the first meeting of the sixth session of the Board held on 8 June 2011, and as deputy general manager of the Company at the 10th meeting of the sixth session of the Board held on 8 June 2012

The Directors' and Supervisors' remunerations for the year ended 31 December 2012 are set out in note 11 to the financial statements prepared in accordance with IFRSs included in this annual report.

The biographical details of the existing Directors, Supervisors and members of senior management of the Company, including essentially the particulars required under paragraph 12 of Appendix 16 to the Hong Kong Listing Rules (if and as applicable and appropriate), are set out on pages 12 to 18 in this annual report.

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

## SHAREHOLDINGS OF DIRECTORS, SUPERVISORS, CHIEF EXECUTIVES AND SENIOR MANAGEMENT

Name	Position in the Company	Number of A shares held	Capacity as holder of A shares
Gou Wei	Executive Director, Deputy General Manager	10,000 (Note)	Beneficial owner

Note: Accounting for approximately 0.0001% of the Company's total issued A shares at 31 December 2012.

# Directors' Report (Continued)

Save as disclosed above, as at 31 December 2012, none of the Directors, Supervisors, chief executives or members of senior management of the Company and their respective associates had any interest or short position in the shares, underlying shares and/ or debentures (as the case may be) of the Company and/or any of its associated corporations (within the meaning of Part XV of the SFO) which was required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interest and short position which any such Director, Supervisor, chief executive or member of senior management was taken or deemed to have under such provisions of the SFO) and was required to be entered in the register of interests required to be kept by the Company pursuant to section 352 of the SFO, or which was otherwise required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies as set out in Appendix 10 to the Hong Kong Listing Rules (which for this purpose shall be deemed to apply to the Supervisors to the same extent as it applies to the Directors).

During the year of 2012 and as at 31 December 2012, none of the Directors, Supervisors, chief executives or members of senior management of the Company or any of their respective spouses or children under 18 years of age were granted any right, and the Company (or its subsidiaries, holding company or subsidiaries of its holding company) had not made and was not a party to any arrangement enabling any of them, to subscribe for any share capital or debt securities of the Company or any other body corporate.

## DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS

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

In 2012, the Company has purchased liability insurance for its Directors and Supervisors.

## SERVICE CONTRACTS OF THE DIRECTORS AND SUPERVISORS

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

## MANAGEMENT CONTRACT

In 2012, there was no management or administration contract in respect of all or substantial part of the Company's business.

## SIGNIFICANT EVENTS

Significant events of the Company in the year ended 31 December 2012 are as follows:

### (1) Completion of Non-public Issuance of A Shares

On 3 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.

### (2) Amendments to the Articles of Association

At the annual general meeting of the Company held on 8 June 2012, the resolution regarding the exercise of general mandate by the Board to issue, allot and deal with additional shares of the Company was considered and approved, and the Board was authorized to make such appropriate and necessary amendments to the Articles of Association as they think fit to reflect such increases in the registered capital of the Company. On 3 July 2012, the Company completed the non-public issuance of 600,000,000 A shares with net proceeds amounting to RMB1,829,084,377, and relevant registration and deposit procedures were completed with the Shanghai Branch of China Securities Depository and Clearing Corporation Limited. The Board made corresponding amendments to the Articles of Association pursuant to the above resolution of the annual general meeting.

For details, please refer to the announcement of the Company dated 8 June 2012.

At the extraordinary general meeting of the Company held on 28 December 2012, the amendments to Article 180 of the Articles of Association were approved. Such amendments aimed to further specify the Company's cash dividends policy and to comply with the "Notice Regarding Further Implementation of Cash Dividends Distribution of Listed Companies" issued by China Securities Regulatory Commission ("CSRC") in May 2012. For details, please refer to the announcement of the Company dated 28 December 2012. The amended Articles of Association came into effect upon approval by the State-owned Assets Supervision and Administration Commission of the State Council on 30 January 2013.

### (3) Extraordinary General Meetings

The 2012 first extraordinary general meeting of the Company was held on 27 March 2012, at which the resolution regarding the entering into of the Financial Services Agreement between the Company and China Huadian Corporation Finance Company Limited and the resolution regarding the establishment of the Nomination Committee under the Board were considered and approved.

For details, please refer to the announcement of the Company dated 27 March 2012 in relation to the voting results of the extraordinary general meeting.

The 2012 second extraordinary general meeting of the Company was held on 28 December 2012, at which the following resolutions were considered and approved: the amendments to the existing Articles of Association; the entering into of the Framework Agreement for Purchase (Supply) of Coal, Equipments and Services between China Huadian and the Company; the election and appointment of Mr. Gou Wei as a Director and the authorization to the Board to determine the remuneration of Mr. Gou Wei as a Director; and the disposal of the Company's entire 23.66% equity interest in Ningxia Power Group through Shanghai United Assets And Equity Exchange by way of open tender.

For details, please refer to the announcement of the Company dated 28 December 2012 in relation to the voting results of the extraordinary general meeting.

# Directors' Report (Continued)

## (4) Transfer of Equity Interest in Ningxia Power Group

The Group entered into a transfer agreement in relation to the disposal of the equity interest in Ningxia Power Group with the Aluminum Corporation of China Limited ("Chalco") on 31 December 2012, pursuant to which the Group sold and Chalco purchased the 23.66% equity interest in Ningxia Power Group at a consideration of not less than RMB1,360 million. Chalco, a third party independent of the Group, is not a connected person of the Group. The disposal of the equity interest in Ningxia Power Group is expected to be conducive to optimize the Group's assets structure and liquidize the Group's existing assets.

For details, please refer to the announcements of the Company dated 30 November 2012 and 31 December 2012.

## (5) 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. Relevant issuances are summarized as follows:

Debt Financing Instruments	Date of issuance	Size of issuance (RMB100 million)	Coupon rate (%)
First tranche of short-term debentures of 2012	10 February 2012	15	4.68
Private placement bonds of 2012	13 March 2012	50	5.02
First tranche of medium-term notes of 2012	22 May 2012	15	4.72
First tranche of super-short-term debentures of 2012	19 June 2012	35	3.15
Second tranche of short-term debentures of 2012	12 September 2012	20	4.22
Second tranche of super-short-term debentures of 2012	19 September 2012	30	4.15
Third tranche of short-term debentures of 2012	13 December 2012	15	4.65

The issuance of the above debt financing instruments has optimized the Group's debt structure.

## CONNECTED TRANSACTION

Pursuant to the Hong Kong Listing Rules, the connected transactions conducted by the Group for the year ended 31 December 2012 are as follows:

### (1) China Huadian's Subscription for New A Shares

The registration and deposit procedures for the new A shares issued under the Issuance were completed with the Shanghai Branch of China Securities Depository and Clearing Corporation Limited. China Huadian subscribed for 60,000,000 new A shares under the Issuance at a subscription price of RMB3.12 per share, totaling RMB187.2 million. China Huadian's subscription price was the same as that of other investors. The new A shares subscribed by China Huadian are subject to a 36-month lockup period and expected to be listed and tradable on 3 July 2015.

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

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

## CONTINUING CONNECTED TRANSACTIONS

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

#### A. Connected transactions expected to be conducted in 2013:

On 6 November 2012, the Group and China Huadian entered into the Coal, Equipments and Services Purchase (Supply) Framework Agreement between Huadian Power International Corporation Limited and China Huadian Corporation ("Framework Agreement"), which constituted all framework agreements for purchase of coal, engineering equipment, systems and products by the Company (including subsidiaries incorporated into the consolidated financial statements of the Company; the same applies below) from China Huadian (including its subsidiaries and invested companies directly or indirectly held as to 30% or more by it; the same applies below), provision of material procurement service, technical service, maintenance service, financial agent service, equity transaction intermediary service, CDM registration service, quota services and property service at the headquarters of the Company by China Huadian to the Company and supply of coal and provision of maintenance service and quota services by the Company to China Huadian. The term of the Framework Agreement commenced from 1 January 2013 and expires on 31 December 2013. Pursuant to the Framework Agreement, the annual cap for purchase of coal by the Group from China Huadian is RMB6.0 billion; the annual cap for provision of engineering equipments, systems, products and engineering construction contracting projects, supplies procurement services and other miscellaneous by the Group from China Huadian is RMB1.5 billion; and sale of coal and provision of services such as overhauls and maintenance of generating units of power plants, alternative power generation and relevant quota services to China Huadian is RMB2.0 billion.

For details, please refer to the announcement dated 6 November 2012 and the circular dated 9 November 2012 of the Company.

# Directors' Report (Continued)

## B. Connected transactions conducted in 2012

On 9 November 2011, the Group entered into the similar Coal, Equipments and Services Purchase (Supply) Framework Agreement with China Huadian, pursuant to which, during the period from 1 January 2012 to 31 December 2012, the annual cap for purchase of coal by the Group from China Huadian was RMB5.0 billion; the annual cap for provision of design, engineering equipment, systems, engineering products and construction subcontracting services by China Huadian to the Group was RMB1.3 billion; the annual cap for provision of coal procurement services, other services, quota services and property management services by China Huadian was RMB200 million, and the annual cap for sale of coal and provision of maintenance services to China Huadian by the Group was RMB2.0 billion.

In 2012, the actual amount of coal procurement by the Group from China Huadian was RMB2,551 million; the actual amount of provision of design, engineering equipments, systems, engineering products and construction subcontracting services by China Huadian was RMB607 million, and the actual amount of provision of coal procurement services, other services, quota services and property management services by China Huadian was RMB183 million. The Group didn't sell any coal to China Huadian during 2012. In addition, the amount of provision of maintenance services and quota services by the Group to China Huadian in 2012 was approximately RMB97 million.

For details, please refer to the announcement dated 9 November 2011 and circular dated 12 December 2011 of the Company.

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

On 7 February 2012, the Group entered into the Financial Services Agreement with Huadian Finance (a non wholly-owned subsidiary of China Huadian) for a term of three years commencing from 1 January 2012 to 31 December 2014, pursuant to which Huadian Finance shall provide certain financial services (including deposit services, settlement services, loan services) to the Group. Pursuant to the Financial Services Agreement, the maximum daily balance of the deposits placed by the Group with Huadian Finance is RMB4.8 billion and shall not be more than the average daily loan balance from Huadian Finance to the Group.

For details, please refer to the announcements dated 9 November 2011 and 7 February 2012 and the circular dated 10 February 2012 of the Company.

In 2012, the average daily balance of the deposits placed by the Group with Huadian Finance did not exceed RMB4.8 billion and was not more than the average monthly loan balance from Huadian Finance to the Group.

### (3) Continued Implementation of the Lease Agreement with Beijing Anfu Real Estate Development Co., Ltd. ("Anfu Real Estate")

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

For details, please refer to the connected transaction announcement of the Company dated 9 November 2011.

The annual rental paid by the Group to Anfu Real Estate during 2012 amounted to approximately RMB49 million.

### (4) Continued Implementation of the Coal Purchase Framework Agreement with Yanzhou Coal Mining Company Limited ("Yanzhou Coal")

The Group and Yanzhou Coal renewed the Coal Purchase Framework Agreement on 10 September 2010, for another term of three years from 1 January 2011 to 31 December 2013. The proposed annual caps for the coal purchase would not exceed RMB8 billion, RMB8 billion and RMB8 billion respectively. Zouxian Company is held as to 69% by the Group, and thus is a non wholly-owned subsidiary of the Group. As Yanzhou Coal holds 30% equity interest in Zouxian Company, Yanzhou Coal is a connected person of the Company and the purchase of coal from Yanzhou Coal by the Company constitutes a continuing connected transaction of the Group, for the purpose of the Hong Kong Listing Rules.

For details, please refer to the announcement dated 10 September 2010 and the circular dated 8 October 2010 of the Company.

In 2012, the Group's actual amount of coal purchase from Yanzhou Coal was approximately RMB3,828 million.

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

The Group and Huainan Mining renewed the Coal Purchase Framework Agreement on 10 September 2010, for a term of three years from 1 January 2011 to 31 December 2013. The proposed annual caps for the coal purchase would not exceed RMB4 billion, RMB4 billion and RMB4 billion respectively. Wuhu Company is held as to 65% by the Group, and thus is a non wholly-owned subsidiary of the Group. As Huainan Mining holds 35% equity interest in Wuhu Company, Huainan Mining is a connected person of the Group and coal purchase from Huainan Mining by the Company constitutes a continuing connected transaction of the Group, for the purpose of the Hong Kong Listing Rules.

For details, please refer to the announcement dated 10 September 2010 and the circular dated 8 October 2010 of the Company.

In 2012, the Group's actual amount of coal purchase from Huainan Mining was approximately RMB53 million.

# Directors' Report (Continued)

## (6) Continued Implementation of the Continuing Loan Framework Agreement Entered into Respectively with China Huadian and Shandong International Trust

On 9 November 2011, the Group entered into the continuing loan framework agreement with China Huadian and Shandong International Trust respectively, for a term of three years from 1 January 2012 to 31 December 2014, pursuant to which, the annual average loan balance of the Group from China Huadian and Shandong International Trust shall not be more than RMB20 billion and RMB10 billion respectively, provided that (i) the loan rate shall not be higher than that available to the Group from commercial banks during the same period; and (ii) the Group shall not be required to provide any mortgages, pledges, third party guarantees or other forms of guarantee. China Huadian and Shandong International Trust respectively hold 44.19% and 10.86% equity interests of the Company. According to relevant requirements of the Listing Rules of the Shanghai Stock Exchange, the transaction constituted a connected transaction of the Group.

For details, please refer to the announcement dated 9 November 2011 and circular dated 12 December 2011 of the Company

As at 31 December 2012, the loan balances of the Group from China Huadian and Shandong International Trust amounted to RMB9,231 million and RMB1,172 million respectively, both falling within the maximum average annual balances approved by shareholders in general meeting.

The Company has engaged an external auditor to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing their conclusions in respect of the No. (1) to No. (5) continuing connected transactions set out above in accordance with Rule 14A.38 of the Hong Kong Listing Rules. A copy of the auditor's letter has been provided by the Company to the Hong Kong Stock Exchange.

The Company's independent non-executive Directors have reviewed the continuing connected transactions set out above and confirmed that:

- (1) these transactions were entered into in the ordinary and usual course of business of the Group;
- (2) the terms of the agreements governing these transactions are no less favorable than those generally available from the independent third party providers with similar procurement scale under similar services;
- (3) these transactions were conducted under normal commercial terms which are fair and reasonable and in the interests of the Group and its shareholders as a whole; and
- (4) the annual aggregate amounts of the No. (1) to No. (5) transactions has not exceeded their respective annual caps disclosed in the announcements of the Group or the daily average deposit balance has not exceeded the cap as disclosed in the announcements of the Group.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the financial year of 2012, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of its issued listed securities ("securities" having the meaning as ascribed thereto under paragraph 1 of Appendix 16 to the Hong Kong Listing Rules).

## FINANCIAL SUMMARIES

Summaries of the results and the assets and liabilities of the Group for each of the five financial years ended 31 December 2012 prepared in accordance with IFRSs are set out on page 97.

The Company is not aware of any matter taking place in the year ended 31 December 2012 that would be required to be disclosed under Rules 13.13 to 13.19 of the Hong Kong Listing Rules.

## MATERIAL LITIGATION

During the financial year of 2012, the Group was not involved in any material litigation or arbitration. Furthermore, so far as the management of the Group are aware, no material litigation or claims were pending or threatened or made against the Group. As at 31 December 2012, certain members of the Group were a party to certain litigations arising from the ordinary course of business or acquisition of assets. The likely outcome of these contingent liabilities, litigations or other legal proceedings cannot be ascertained at present, but the management of the Group believes that any possible legal liability which may be incurred from the aforesaid cases will not have material adverse effect on the financial position and operating results of the Group.

## DESIGNATED DEPOSITS AND OVERDUE TIME DEPOSITS

As at 31 December 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.

# Directors' Report (Continued)

## AUDIT COMMITTEE

The Company's Audit Committee has reviewed the annual results of the Group for 2012 and the financial statements prepared under IFRSs for the year ended 31 December 2012.

## AUDITORS

There was no change in the auditors of the Company in the past three years. KPMG Huazhen (Special General Partnership) and KPMG were appointed as the Company's domestic and international auditors for the financial year 2012, respectively. A resolution for the appointment of Deloitte Touche Tohmatsu Certified Public Accountants LLP (Special General Partnership) and Deloitte Touche Tohmatsu as the domestic and international auditors of the Company, respectively, for the financial year ending 31 December 2013 will be proposed at the forthcoming 2012 annual general meeting of the Company. KPMG has confirmed in writing that there are no matters in relation to their retirement which should be brought to the attention of the shareholders of the Company.

By Order of the Board  
**Yun Gongmin**  
*Chairman*

Beijing, the PRC  
27 March 2013

# Corporate Governance Report

The Company has always attached great importance to the corporate governance and continuously promoted 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 Hong Kong Listing Rules and relevant provisions promulgated by domestic and overseas securities regulatory institutions, the Company has improved its corporate governance structure, enhanced the level of its 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, the following documents:

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

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

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

- The Company has formulated the Code on Trading in Securities of Huadian Power International Corporation Limited\* by Directors (Supervisors) and the Code on Trading in Securities of Huadian Power International Corporation Limited\* by Employees, which are on terms no less exacting than those set out in the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code"), as set out in Appendix 10 to the Hong Kong Listing Rules.
- In addition to the Audit Committee, the Remuneration and Appraisal Committee and the Nomination Committee, the Company has established the Strategic Committee and stipulated the Working Procedures for the Strategic Committee.
- In the financial year of 2012, a total of 6 Board meetings were held by the Company.
- The Audit Committee comprises five members, including two non-executive directors and three independent non-executive directors.

# Corporate Governance Report (Continued)

## THE BOARD OF DIRECTORS

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

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

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

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

Note: Zhong Tonglin ceased to be an executive Director upon conclusion of the 2012 second extraordinary general meeting of the Company held on 28 December 2012; and Mr. Gou Wei was appointed as an executive Director at the 2012 second extraordinary general meeting of the Company held on 28 December 2012.

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

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

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

Directors are encouraged to enroll in comprehensive professional development courses and seminars relating to the listing rules, the Companies Ordinance/laws and corporate governance practices so that they can continuously update and further improve their relevant knowledge and skills. From time to time, the Directors are provided with written training materials to develop and refresh their professional skills.

The current Directors received the following trainings with an emphasis on the roles, functions and duties of a director of a listed company during the year ended 31 December 2012:

Directors	Trainings (Note)
Yun Gongmin	A
Chen Feihu	A, B
Chen Dianlu	A, B
Chen Jianhua	A
Wang Yingli	A, B
Chen Bin	A, B
Gou Wei	A
Chu Yu	A, B
Wang Yuesheng	A
Wang Jixin	A
Ning Jiming	A
Yang Jinguan	A

Note:

A: Read about the listing rules, the general business or responsibilities of the directors and other relevant training materials and updates  
B: Attend seminars and / or lectures



# Corporate Governance Report (Continued)

## CHAIRMAN AND GENERAL MANAGER

To improve independence, accountability and responsibility, the positions of Chairman and General Manager of the Company are assumed by different individuals. Mr. Yun Gongmin and Mr. Chen Jianhua are currently serving as Chairman and General Manager respectively. As the legal representative of the Company, the Chairman presides over the Board, aiming to ensure that the Board is acting in the best interest of the Company, operating effectively, duly performing its responsibilities and engaging in discussion of important and appropriate matters, and to ensure Directors' access to accurate, timely and clear information. In addition, the Chairman appoints the Secretary to the Board to arrange for agenda of every Board meeting and consider any matter proposed by other Directors to be included in the agenda, thus ensuring that all Directors are properly briefed regarding matters discussed at the Board meeting and their access to adequate and reliable information.

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

## THE MANAGEMENT

The duties and responsibilities of the Board and the management are separated in accordance with relevant requirements of the Companies Act, the Articles of Association and the Working Rules for General Manager of the Company. The duties and responsibilities of the management include, but are not limited to, the following matters:

- (1) to preside over the production, operation and management of the Company, and to implement resolutions of the Board;
- (2) to formulate development plans, annual production and operation plans, annual financial budget scheme and final account plan, profit (after tax) distribution plan and loss recovery plan of the Company;
- (3) to implement the Company's annual business plans and investment schemes;
- (4) to formulate the scheme of the Company's internal management structure;
- (5) to formulate the Company's basic management system;
- (6) to formulate the Company's basic regulations;
- (7) to determine remuneration, bonus and penalties of employees of the Company and to determine appointment or dismissal of them;
- (8) to handle significant business on behalf of the Company; and
- (9) to exercise other powers within the authorisation of Articles of Association and the Board.

## BOARD MEETINGS

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

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

- (1) when proposed by shareholders representing more than 10% voting right;
- (2) when deemed as necessary by the Chairman of the Board;
- (3) when proposed jointly by more than one-third of the Directors;
- (4) when proposed jointly by more than one-half of the independent Directors;
- (5) when proposed by the Supervisory Committee; or
- (6) when proposed by the General Manager.

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

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

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

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

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

# Corporate Governance Report (Continued)

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

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

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

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

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

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

- (1) to convene general meetings and report its work to the general meetings;
- (2) to implement the resolutions passed at general meetings;
- (3) to decide the Company's business plans and investment schemes;
- (4) to formulate the Company's annual budget scheme and final account plan;
- (5) to formulate the Company's profit distribution plan and loss recovery plan;
- (6) to formulate proposals for increasing or reducing the Company's registered capital and the issue of corporate debentures;
- (7) to draw up plans for repurchase of the Company's shares or proposal for merger, division or dissolution of the Company;
- (8) to determine external investment, acquisition and disposal of assets, pledge of assets, trusted finance, connected transactions within the authorisation of the general meeting and other guarantee matters not subject to approval of the general meeting as stipulated by law, administration regulations and the Article of Association;
- (9) to determine the establishment of the Company's internal management structure;
- (10) to appoint or dismiss the Company's General Manager and the Secretary to the Board, and pursuant to the General Manager's nominations, to appoint or dismiss senior management including the deputy general managers and financial officers of the Company and determine their remuneration, bonus and penalties;
- (11) to formulate the Company's basic management system;
- (12) to formulate proposed amendments to the Articles of Association;
- (13) to manage the information disclosure of the Company;
- (14) to propose at general meetings for the appointment or change of auditors providing audit services to the Company;
- (15) to hear the work report and inspect the work of the General Manager; and
- (16) to exercise any other powers specified in relevant laws and regulations or the Articles of Association and conferred by the shareholders at general meetings.

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

The Board mainly performed the following duties in respect of corporate governance in the Reporting Period:

- (1) to develop and review the Company's policies and practices on corporate governance;
- (2) to review and monitor the training and continuous professional development of directors and senior management of the Company;
- (3) to develop, review and monitor the code of conduct and compliance manual applicable to employees and directors of the Company;
- (4) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements; and
- (5) to review the Company's compliance with the code and disclosure in the Corporate Governance Report in the annual report.

# Corporate Governance Report (Continued)

Six Board meetings were held in the financial year from 1 January 2012 to 31 December 2012, the attendance of each Director at which is set out as follows:

Name	Position	Times of attendance (including by proxies)(Note 2)/ number of meetings held
Yun Gongmin	Chairman, Non-executive Director	6/6
Chen Feihu	Vice Chairman, Non-executive Director	6/6
Chen Dianlu	Vice Chairman, Non-executive Director	6/6
Chen Jianhua	Executive Director	6/6
Wang Yingli	Non-executive Director	6/6
Chen Bin	Non-executive Director	6/6
Zhong Tonglin (Note 1)	Executive Director	6/6
Gou Wei (Note 1)	Executive Director	0/6
Chu Yu	Non-executive Director	6/6
Wang Yuesheng	Independent Non-executive Director	6/6
Wang Jixin	Independent Non-executive Director	6/6
Ning Jiming	Independent Non-executive Director	6/6
Yang Jinguan	Independent Non-executive Director	6/6

Note 1: Mr. Zhong Tonglin ceased to be an executive Director upon conclusion of the 2012 second extraordinary general meeting of the Company held on 28 December 2012; and Mr. Gou Wei was appointed as an executive Director at the 2012 second extraordinary general meeting of the Company held on 28 December 2012.

Note 2: During the Reporting Period, the Company held six meetings (from the 8th meeting to the 13th meeting) of the sixth session of the Board, of which, Mr. Chen Bin appointed Mr. Chu Yu as proxy to attend the 8th meeting of the 6th Session of the Board; Mr. Chen Dianlu appointed Ms. Wang Yingli as proxy, Mr. Chu Yu appointed Mr. Chen Bin as proxy and Mr. Ning Jiming appointed Mr. Wang Yuesheng as proxy to attend the 10th meeting of the 6th Session of the Board, respectively.

One annual general meeting and two extraordinary general meetings were held in the financial year from 1 January 2012 to 31 December 2012, the attendance of each Director at which is set out as follows:

Name	Position	Times of attendance/ number of meetings held
Yun Gongmin (Note1)	Chairman, Non-executive Director	0/3 (Note1)
Chen Feihu	Vice Chairman, Non-executive Director	3/3
Chen Dianlu	Vice Chairman, Non-executive Director	1/3
Chen Jianhua	Executive Director	3/3
Wang Yingli	Non-executive Director	1/3
Chen Bin	Non-executive Director	1/3
Zhong Tonglin (Note2)	Executive Director	3/3 (Note2)
Gou Wei (Note2)	Executive Director	1/3 (Note2)
Chu Yu	Non-executive Director	1/3
Wang Yuesheng	Independent Non-executive Director	3/3
Wang Jixin	Independent Non-executive Director	2/3
Ning Jiming	Independent Non-executive Director	2/3
Yang Jinguan	Independent Non-executive Director	3/3

Note1: Mr. Yun Gongmin has participated in all three general meetings of the Company, including the annual general meeting, held in 2012 by way of electronic communication.

Note2: Mr. Zhong Tonglin ceased to be an executive Director upon conclusion of the 2012 second extraordinary general meeting of the Company held on 28 December 2012; and Mr. Gou Wei was appointed as an executive Director at the 2012 second extraordinary general meeting of the Company held on 28 December 2012.

## DIRECTORS' RESPONSIBILITIES IN RESPECT OF FINANCIAL STATEMENTS

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

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

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

## SECURITIES TRANSACTIONS BY DIRECTORS

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

After specific inquiries with all Directors and Supervisors, the Directors and Supervisors of the Company have complied with the relevant codes on securities transactions by directors and supervisors set out in the Model Code and the Code on Trading of the Company's Securities by Directors (Supervisors) of Huadian Power International Corporation Limited during the year ended 31 December 2012.

# Corporate Governance Report (Continued)

## AUDIT COMMITTEE

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

The primary terms of reference of the Audit Committee include:

- (1) to make recommendations to the Board on the appointment, reappointment or replacement of the external auditor;
- (2) to review and monitor the external auditor's independence and objectivity as well as the effectiveness of the audit process;
- (3) to formulate and implement policies on engaging an external auditor to supply non-audit services;
- (4) to act as the key representative body for the communication between the Company and the external auditor;
- (5) to examine, monitor and supervise integrity of the Company's financial statements, annual reports and interim reports, and to review the major opinions on financial reporting in such statements and reports.

The terms of reference of the Audit Committee are published on the website of the Company at <http://www.hdpi.com.cn/st/TZ/DSWYH/SHENGJI.HTM>.

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

The Audit Committee held three meetings on 26 March, 28 August and 30 October of 2012 respectively, the average attendance of which was 100%. The attendance of each Director is set out as follows (there was no attendance by proxy):

Director	Times of attendance / number of meetings held	Attendance Rate
Yang Jinguan	3/3	100%
Wang Yuesheng	3/3	100%
Ning Jiming	3/3	100%
Wang Yingli	3/3	100%
Chu Yu	3/3	100%

The Audit Committee reviewed the relevant information in the annual and interim financial reports of the Company, carefully reviewed the Directors' Report, the Auditors' Report and Internal Control Self-evaluation Report and considered and approved the List of Related Parties. In respect of corporate governance, the Audit Committee has developed and reviewed the Company's policies and practices on corporate governance and make recommendations to the Board; reviewed and monitored the Company's policies and practices on compliance with legal and regulatory requirements; developed, reviewed and monitored the code of conduct and compliance manual applicable to the Company's employees and Directors; and reviewed the Company's compliance with the Corporate Governance Code and disclosure in the Corporate Governance Report.

## INTERNAL CONTROL

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

Further system perfection and effectiveness evaluations were carried out in respect of internal control in 2012. In accordance with the Application Guidelines for Enterprise Internal Control issued by the five ministries and commissions of the PRC including the Ministry of Finance, the Company launched a further overhaul of its internal control system and that of its subsidiaries, and has put in place a relatively sound and well-functioning internal control system.

In 2012, the evaluation on the internal controls of the Company and its subsidiaries covered operation control, financial control, compliance control and risk management under the guidance of Basic Framework of Internal Control and Risk Management issued by the Hong Kong Institute of Certified Public Accountants and in compliance with the Basic Norms of Corporate Internal Control jointly issued by the five ministries and commissions of the PRC including the Ministry of Finance. Based on the results of evaluation, the Audit Committee of the Board prepared the draft of 2012 Internal Control Self-evaluation Report, the draft of which was considered and approved at the 15th meeting of the 6th session of the Board. The 2012 Internal Control Self-evaluation Report of the Board concluded that: without material internal control defects being discovered in the evaluation, it is convinced that: in 2012, the Company is in full compliance with the provisions relating to internal control as set out in the Corporate Governance Code, and the existing internal control mechanism of the Company is effective in preventing significant risks and management fraud and in controlling important workflow as required by relevant PRC regulations and securities regulatory authorities. The Board (including the Audit Committee) also considered that the Company has sufficient resources and staff members who are qualified and experienced in accounting and financial reporting. The relevant staff members have taken sufficient training courses and the Company has an adequate budget.

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

# Corporate Governance Report (Continued)

## REMUNERATION AND APPRAISAL COMMITTEE

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

The primary terms of reference of the Remuneration and Appraisal Committee include

- (1) to make recommendations to the Board on the Company's policy for remuneration of directors and senior management and on procedure for developing such remuneration policy;
- (2) to review and approve the management's remuneration proposals with reference to the corporate goals and objectives resolved by the Board;
- (3) to review and approve compensation payable to executive directors and senior management for any loss or termination of office or appointment;
- (4) to supervise the execution of the Company's remuneration system; and
- (5) to review duty performance by directors and senior management and carry out performance appraisal of them.

The terms of reference of the Remuneration and Appraisal Committee are published on the Company's website: <http://www.hdpi.com.cn/st/TZ/DSWYH/XINCHOU.HTM>.

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

The Remuneration and Appraisal Committee held a meeting on 26 March 2012. The agenda of the meeting included the plan for the annual salaries of the General Managers and other senior management members based on the appraised results, the 2012 annual salary scheme for the General Manager in 2012 and the 2011 work report of the Remuneration and Appraisal Committee, all of which were submitted to the Board for approval. The attendance of each member at the meeting is as follows (there was no attendance by proxy):

Director	Times of attendance / number of meetings held	Attendance Rate
Wang Yuesheng	1/1	100%
Ning Jiming	1/1	100%
Yang Jinguan	1/1	100%
Chen Feihu	1/1	100%
Wang Yingli	1/1	100%

The Remuneration and Appraisal Committee reviewed and monitored the training and continuous professional development of Directors and senior management of the Company in the reporting period. The remuneration of executive Directors, General Manager and other senior management members of the Company were determined based on their calibre, education level and commitment to work with reference to the Company's results and profit, industry comparables and market conditions.

## ANNUAL SALARY SCHEME FOR THE GENERAL MANAGER IN 2012

In order to provide the necessary safeguard for the accomplishment of the strategic targets for the year 2012 and to ensure completion of the annual missions of the Board, the Company linked the annual salary scheme for the General Manager with the annual operating performance of the Company with reference to the Company's actual circumstances.

Based on the Company's development strategies, external environmental changes, annual performance results, wage level of employees and other factors, and with reference to the salary level of the listed peers, the Remuneration and Appraisal Committee determined the annual basic salary plan for the General Manager in 2012 in line with such principles as integration of incentives and constraints, combination of short-term and long-term incentives, priority to efficiency while giving considerations to impartiality, and combination of material and ideological incentives, subject to the approval of the Board before implementation of such plan.

## MOTIVATION AND APPRAISAL METHODS FOR OTHER SENIOR MANAGEMENT IN 2012

In order to secure the accomplishment of the strategic targets for the year 2012 and to ensure completion of the annual missions of the Board, the Remuneration and Appraisal Committee formulated the motivation and assessment methods for other senior management members (including the Deputy General Managers, Chief Financial Officer, Chief Engineer and the Secretary to the Board) in 2012 with reference to the Company's actual circumstances, and the annual base salary plan for the General Manager, and in line with the performance-based and integration of incentives and constraints principles. The motivation and appraisal methods are carried out by the Remuneration and Appraisal Committee upon approval of the Board.

## EMPLOYEE REMUNERATION POLICY FOR THE GROUP

As at the date of this report, the total number of employees of the Group amounted to 23,878. The Group determines the salary of the employees at various levels based on its economic benefits, and sticks to the talents concept of "identify talents through performance, select talents through competition and award talents through remuneration", thus establishing the objective, impartial and effective talents fostering mechanism, performance appraisal mechanism and value distribution system.

## ALLOWANCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

In 2012, each of the independent non-executive Directors, namely, Wang Yuesheng, Wang Jixin, Ning Jiming and Yang Jinguan, was paid the independent directors' allowance of approximately RMB70,000 (before tax).

# Corporate Governance Report (Continued)

## REMUNERATION (ALLOWANCE) OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT IN 2012 (BEFORE INCOME TAX)

Name	Position	Remuneration (allowance) of Directors, Supervisors and Senior Management (RMB'000)
Yun Gongmin	Chairman, Non-executive Director	0
Chen Feihu	Vice Chairman, Non-executive Director	0
Chen Dianlu	Vice Chairman, Non-executive Director	0
Chen Jianhua	Executive Director, General Manager	83.90
Wang Yingli	Non-executive Director	0
Chen Bin	Non-executive Director	0
Zhong Tonglin	Executive Director, Deputy General Manager	62.91
Gou Wei	Executive Director, Deputy General Manager	40.19
Chu Yu	Non-executive Director	0
Wang Yuesheng	Independent Non-executive Director	7
Wang Jixin	Independent Non-executive Director	7
Ning Jiming	Independent Non-executive Director	7
Yang Jinguan	Independent Non-executive Director	7
Li Xiaopeng	Chairman of the Supervisory Committee	0
Peng Xingyu	Supervisor	0
Chen Bin	Supervisor	66.48
Zhou Lianqing	Secretary to the Board and Company Secretary	59.16
Wang Wenqi (Note)	Deputy General Manager	17.07
Luo Xiaoqian	Deputy General Manager	68.18
Wang Hui (Note)	Deputy General Manager	28.04
Peng Guoquan	Deputy General Manager	68.42
Xing Shibang	Deputy General Manager	68.13
Chen Cunlai	Chief Financial Officer	68.18
Wang Huiming	Deputy General Manager	67.19
Xie Yun (Note)	Deputy General Manager, Chief Engineer	68.09

Note: Mr. Wang Wenqi was no longer a deputy general manager of the Company since 28 March 2012; Mr. Wang Hui was no longer a deputy general manager of the Company since 8 June 2012; while Mr. Xie Yun began to serve as a deputy general manager of the Company from 8 June 2012.

## NOMINATION COMMITTEE

On 28 March 2012, the Company set up a Nomination Committee, which is a body specifically set up by the Board according to the resolution of the general meeting, and mainly responsible for making recommendations to the Board on the procedures, standards and qualifications of electing and appointing Directors and senior management of the Company. The standards relating to the selection and recommendation of director candidates include the director's appropriate professional knowledge and background, personal ethics, as well as their time commitment to the affairs of the Company.

If the term of office of the Board expires or the Board proposes to add new directors or to fill vacancies of the Board, the Nomination Committee shall recommend to the Board the candidates. Upon being considered and approved by the Board, relevant proposals will be submitted at the general meeting shareholder(s) for approval. Other director candidates other than the independent directors shall be nominated by the Board, the supervisory committee, shareholders individually or collectively holding over 5% of the total voting shares of the Company, and elected at the general meeting of the Company. The candidates for the independent directors of the Company shall be nominated by the Board, the supervisory committee, shareholders individually or collectively holding over 1% of the total voting shares of the Company, and elected at the general meeting of the Company.

The primary terms of reference of the Nomination Committee include:

- (1) to regularly review the structure, size and composition of the Board;
- (2) to study and make recommendations on the standards and procedures for selecting the Company's directors and senior management;
- (3) to verify the personal information of all the candidates for election or re-election of the Company's directors and senior management, and submit the verification result to the Board or the general meeting for reference;
- (4) in case of resignation or removal of a director, to present the Board the reasons for such resignation or removal and other matters that need to be specified to shareholders of the Company; in case of resignation or removal of a senior management member, to present the Board the reasons for such resignation or removal;
- (5) to formulate and review the standards for establishing the special committees under the Board and provide proposed amendments to the Board when appropriate.

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

# Corporate Governance Report (Continued)

The Nomination Committee held three meetings on 28 March, 7 June and 30 October of 2012 respectively. The attendance of each member is set out as follows (there was no attendance by proxy):

Director	Times of attendance / number of meetings held	Attendance Rate
Ning Jiming	3/3	100%
Chen Bin	3/3	100%
Wang Yingli	3/3	100%
Wang Jixin	3/3	100%
Wang Yuesheng	3/3	100%

During the Reporting Period, the Nomination Committee elected Mr. Ning Jiming as its chairman, approved the appointment of Mr. Gou Wei and Mr. Xie Yun as deputy general managers of the Company and the termination of Mr. Wang Hui's service as deputy general manager of the Company due to job relocation, and approved Mr. Gou Wei to be a Director candidate which was brought before the Board for consideration.

## AUDITORS

For the year ended 31 December 2012, the Company paid an aggregate of RMB12 million of audit service fees to its auditors KPMG and KPMG Huazhen (Special General Partnership), including the fee for audit of internal control provided by KPMG Huazhen (Special General Partnership) to the Company. There were no other fees paid for their services. The audit fees were considered by the Audit Committee and the Board and approved at the general meeting.

There was no change in the auditors of the Company in the past three years. KPMG Huazhen (Special General Partnership) and KPMG were appointed as the Company's domestic and international auditors for the financial year 2012, respectively. A resolution for the appointment of Deloitte Touche Tohmatsu Certified Public Accountants LLP (Special General Partnership) and Deloitte Touche Tohmatsu as the domestic and international auditors of the Company, respectively, for the financial year ending 31 December 2013 will be proposed at the forthcoming 2012 annual general meeting of the Company. KPMG has confirmed in writing that there are no matters in relation to their retirement which should be brought to the attention of the shareholders of the Company.

## Material Amendments to the Articles of Association

At the extraordinary general meeting of the Company held on 8 June 2012, the resolution regarding the exercise of general mandate by the Board to issue, allot and deal with additional shares of the Company was considered and approved, and the Board was authorized to make such appropriate and necessary amendments to the Articles of Association as they think fit to reflect such increases in the registered capital of the Company. On 3 July 2012, the Company completed the non-public issuance of 600,000,000 A shares with net proceeds amounting to RMB1,829,084,377, and relevant registration and deposit procedures were completed with the Shanghai Branch of China Securities Depository and Clearing Corporation Limited. The Board made corresponding amendments to the Articles of Association pursuant to the above resolution of the general meeting.

In order to comply with the "Notice Regarding Further Implementation of Cash Dividends Distribution of Listed Companies" issued by the CSRC in May 2012, the shareholders at the extraordinary general meeting of the Company held on 28 December 2012 considered and approved the amendments to Article 180 of the original Articles of Association to further specify the Company's cash dividends policy.

For details, please refer to the announcement of the Company dated 28 December 2012. The amended Articles of Association came into effect upon approval by the State-owned Assets Supervision and Administration Commission of the State Council on 30 January 2013.

## Shareholders' Rights

Shareholders individually or jointly holding 10% or more of the Company's shares may request the convening of an extraordinary general meeting by signing one or more counterpart requisition(s) stating the meeting agenda and requiring the Board to convene the meeting. The Board shall give a reply in writing, as to whether or not it agrees to convene the meeting within 10 days after receiving the aforementioned requisition.

Shareholders individually or jointly holding 3% or more of the Company's shares shall have the right to submit proposals at a general meeting of the Company. Shareholders individually or jointly holding 3% or more of the Company's shares may submit extra proposals to the convener of a general meeting in writing 10 days prior to the meeting. The convener shall issue a supplemental notice of the general meeting and announce the contents of such extra proposals within 2 days after receipt thereof.

## INVESTOR RELATIONS

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

The previous annual general meeting was held in Beijing on 8 June 2012, at which the Chairman, the chairman of the Audit Committee and the chairman of the Remuneration and Appraisal Committee answered questions. At the general meeting, each matter was put forward in form of a separate proposal and voted by way of poll.

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

For any enquiry addressed to the Board, investors can contact the Secretary to the Board through shareholder hotlines (8610-83567779, 83567900 or 83567905) or by email (hdpi@hdpi.com.cn) or by fax (8610-83567963), and shareholders may raise questions at annual or extraordinary general meetings.

By Order of the Board  
**Yun Gongmin**  
Chairman

Beijing, the PRC  
27 March 2013

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), Gou Wei (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).

# Corporate Information

## CORPORATE INFORMATION

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

## COMPANY PUBLICATIONS

The Company's 2012 annual report was published in April 2013. Copies of the annual report are available for inspection at:

<b>PRC</b>	Huadian Power International Corporation Limited No. 2 Xuanwumennei Street, Xicheng District, Beijing The People's Republic of China Tel: (86 10) 8356 7888 Fax: (86 10) 8356 7963
<b>Hong Kong</b>	Wonderful Sky Financial Group Limited 6/F, Nexus Building, 41 Connaught Road Central, Hong Kong Tel: (852) 2851-1038 Fax: (852) 2815-1352



# Report of the International Auditors

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

We have audited the consolidated financial statements of Huadian Power International Corporation Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 40 to 96, which comprise the consolidated and company balance sheets as at 31 December 2012, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

## **DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS**

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

## **AUDITOR'S RESPONSIBILITY**

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

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

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

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

## **OPINION**

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2012 and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

**KPMG**  
*Certified Public Accountants*

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

27 March 2013

# Consolidated statement of comprehensive income

For the year ended 31 December 2012  
(Prepared under International Financial Reporting Standards)  
(Expressed in Renminbi)

	Note	2012 RMB'000	2011 RMB'000
<b>Turnover</b>	4	<b>59,079,714</b>	54,178,060
<b>Operating expenses</b>			
Fuel costs		(37,095,143)	(38,871,497)
Cost of coal sold		(837,227)	(300,275)
Depreciation and amortisation		(6,282,604)	(5,573,665)
Major overhaul expenses		(952,026)	(618,850)
Repairs and maintenance		(1,010,112)	(705,211)
Personnel costs	5	(2,808,840)	(2,460,050)
Administration expenses		(1,829,609)	(1,303,725)
Sales related taxes	6	(249,916)	(198,330)
Other operating expenses		(1,030,822)	(991,141)
		<b>(52,096,299)</b>	(51,022,744)
<b>Operating profit</b>		<b>6,983,415</b>	3,155,316
Investment income	7	479,759	724,914
Other revenue and net income	8	751,120	653,150
Finance income		65,095	65,680
Finance costs	9	(6,287,799)	(4,990,939)
Share of profits less losses of associates		645,689	556,872
<b>Profit before taxation</b>	10	<b>2,637,279</b>	164,993
Income tax	13(a)	(689,531)	(29,919)
<b>Profit for the year</b>		<b>1,947,748</b>	135,074
<b>Other comprehensive income for the year (after tax and reclassification adjustments)</b>			
Available-for-sale securities: net movement in fair value reserve	15	8,932	(8,112)
<b>Total comprehensive income for the year</b>		<b>1,956,680</b>	126,962
<b>Profit attributable to:</b>			
Equity shareholders of the Company		1,446,792	73,814
Non-controlling interests		500,956	61,260
<b>Profit for the year</b>		<b>1,947,748</b>	135,074
<b>Total comprehensive income attributable to:</b>			
Equity shareholders of the Company		1,455,850	65,822
Non-controlling interests		500,830	61,140
<b>Total comprehensive income for the year</b>		<b>1,956,680</b>	126,962
<b>Basic and diluted earnings per share</b>	16	<b>RMB 0.205</b>	RMB 0.011

The notes on pages 45 to 96 form part of these financial statements.

# Consolidated balance sheet

As at 31 December 2012

(Prepared under International Financial Reporting Standards)

(Expressed in Renminbi)

	Note	2012	2011
		RMB'000	RMB'000
<b>Non-current assets</b>			
Property, plant and equipment	18(a)	113,940,376	96,349,034
Construction in progress	19	13,378,268	19,184,853
Lease prepayments	20	1,968,547	1,767,175
Intangible assets	21(a)	5,966,351	6,000,786
Interests in associates	23	10,000,726	10,445,042
Other investments	24	360,166	337,523
Other non-current assets	25	2,096,987	1,557,536
Deferred tax assets	36(b)	350,854	415,090
		<b>148,062,275</b>	<b>136,057,039</b>
<b>Current assets</b>			
Inventories	26	3,383,132	2,777,508
Trade debtors and bills receivable	27	7,248,126	5,241,261
Deposits, other receivables and prepayments	28	3,349,570	2,466,111
Tax recoverable		75,386	42,673
Restricted deposits	29	42,485	362,535
Cash and cash equivalents	30	3,060,074	2,111,725
		<b>17,158,773</b>	<b>13,001,813</b>
<b>Current liabilities</b>			
Bank loans	31(a)	25,177,419	28,895,130
Loans from shareholders	31(b)	564,071	969,390
State loans	31(c)	10,526	16,140
Other loans	31(d)	3,386,890	5,427,823
Short-term debentures payable	31(e)	11,664,380	3,551,384
Amounts due to the parent company		1,060	83,145
Obligations under finance lease	32	311,480	143,119
Trade creditors and bills payable	33	9,293,940	6,683,683
Other payables	34	5,771,736	8,107,792
Tax payable	36(a)	231,025	126,072
		<b>56,412,527</b>	<b>54,003,678</b>
<b>Net current liabilities</b>		<b>(39,253,754)</b>	<b>(41,001,865)</b>
<b>Total assets less current liabilities</b>		<b>108,808,521</b>	<b>95,055,174</b>
<b>Non-current liabilities</b>			
Bank loans	31(a)	54,258,788	50,705,010
Loans from shareholders	31(b)	2,455,952	2,271,006
State loans	31(c)	116,686	87,239
Other loans	31(d)	7,342,497	8,671,216
Long-term debentures payable	31(f)	10,352,593	3,863,579
Obligations under finance leases	32	644,785	487,178
Long-term payables	35	674,885	737,123
Deferred government grants		773,535	752,389
Deferred income	37	1,683,839	1,190,240
Deferred tax liabilities	36(b)	2,774,405	2,490,157
		<b>81,077,965</b>	<b>71,255,137</b>
<b>NET ASSETS</b>		<b>27,730,556</b>	<b>23,800,037</b>
<b>CAPITAL AND RESERVES</b>			
Share capital	38(c)	7,371,084	6,771,084
Reserves		12,073,294	9,513,989
<b>Total equity attributable to equity shareholders of the Company</b>		<b>19,444,378</b>	<b>16,285,073</b>
<b>Non-controlling interests</b>		<b>8,286,178</b>	<b>7,514,964</b>
<b>TOTAL EQUITY</b>		<b>27,730,556</b>	<b>23,800,037</b>

Approved and authorised for issue by the board of directors on 27 March 2013.

Chen Jianhua  
Director

Gou Wei  
Director

The notes on pages 45 to 96 form part of these financial statements.

# Balance sheet

As at 31 December 2012

(Prepared under International Financial Reporting Standards)

(Expressed in Renminbi)

	Note	2012	2011
		RMB'000	RMB'000
<b>Non-current assets</b>			
Property, plant and equipment	18(b)	8,065,683	8,016,827
Construction in progress	19	1,096,374	807,130
Lease prepayments	20	123,089	134,257
Intangible assets	21(b)	53,427	50,029
Investments in subsidiaries	22	29,601,602	25,214,553
Interests in associates	23	5,685,033	6,274,830
Other investments	24	127,109	166,309
Other non-current assets	25	800,121	965,271
		<b>45,552,438</b>	<b>41,629,206</b>
<b>Current assets</b>			
Inventories	26	295,418	434,782
Trade debtors and bills receivable	27	801,032	858,853
Amounts due from subsidiaries		6,493,984	3,052,011
Deposits, other receivables and prepayments		1,007,377	252,028
Tax recoverable	36(a)	23,903	23,903
Cash and cash equivalents	30	747,136	421,704
		<b>9,368,850</b>	<b>5,043,281</b>
<b>Current liabilities</b>			
Bank loans	31(a)	9,840,211	11,756,325
Loans from shareholders	31(b)	—	250,000
State loans	31(c)	1,018	6,809
Other loans	31(d)	298,000	3,152,977
Short-term debentures payables	31(e)	11,664,380	3,551,384
Amounts due to the parent company		1,060	82,945
Amounts due to subsidiaries		409,571	713,444
Trade creditors and bills payable	33	253,778	424,873
Other payables	34	951,697	3,344,721
		<b>23,419,715</b>	<b>23,283,478</b>
<b>Net current liabilities</b>		<b>(14,050,865)</b>	<b>(18,240,197)</b>
<b>Total assets less current liabilities</b>		<b>31,501,573</b>	<b>23,389,009</b>
<b>Non-current liabilities</b>			
Bank loans	31(a)	2,712,512	2,071,944
Loans from shareholders	31(b)	175,775	143,127
State loans	31(c)	7,127	8,145
Other loans	31(d)	1,834,000	2,692,000
Long-term debentures payable	31(f)	10,352,593	3,863,579
Deferred government grants		101,613	102,681
Deferred tax liabilities	36(b)	47,163	46,791
		<b>15,230,783</b>	<b>8,928,267</b>
<b>NET ASSETS</b>		<b>16,270,790</b>	<b>14,460,742</b>
<b>CAPITAL AND RESERVES</b>			
Share capital	38(a)	7,371,084	6,771,084
Reserves		8,899,706	7,689,658
<b>TOTAL EQUITY</b>		<b>16,270,790</b>	<b>14,460,742</b>

Approved and authorised for issue by the board of directors on 27 March 2013.

Chen Jianhua  
Director

Gou Wei  
Director

The notes on pages 45 to 96 form part of these financial statements.

# Consolidated statement of changes in equity

For the year ended 31 December 2012

(Prepared under International Financial Reporting Standards)

(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			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
	(note 38(c))	(note 38(d)(i))	(note 38(d)(ii))		(note 38(d)(iii))	(note 38(d)(iv))				
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
Profit for the year	—	—	—	—	—	—	1,446,792	1,446,792	500,956	1,947,748
Other comprehensive income (note 15)	—	—	—	—	—	9,058	—	9,058	(126)	8,932
Total comprehensive income for the year	—	—	—	—	—	9,058	1,446,792	1,455,850	500,830	1,956,680
Shares issued (note 38(c))	600,000	1,229,084	—	—	—	—	—	1,829,084	—	1,829,084
Capital injection from non-controlling equity holders of subsidiaries	—	—	—	—	—	—	—	—	386,638	386,638
Contribution from the parent company	—	35,181	—	—	—	—	—	35,181	5,438	40,619
Dividends approved for non-controlling equity holders of subsidiaries	—	—	—	—	—	—	—	—	(121,702)	(121,702)
Disposal of an associate	—	(171,319)	—	—	—	—	—	(171,319)	—	(171,319)
Appropriation of general reserve	—	—	6,603	—	—	—	(6,603)	—	—	—
Appropriation of specific reserve	—	—	70,418	—	—	—	(70,418)	—	—	—
Utilisation of specific reserve	—	—	(32,810)	—	—	—	32,810	—	—	—
Others	—	10,509	—	—	—	—	—	10,509	10	10,519
Balance at 31 December 2012	<u>7,371,084</u>	<u>5,961,329</u>	<u>1,526,900</u>	<u>68,089</u>	<u>44,726</u>	<u>6,425</u>	<u>4,465,825</u>	<u>19,444,378</u>	<u>8,286,178</u>	<u>27,730,556</u>
Balance at 1 January 2011	6,771,084	4,814,219	1,465,465	68,089	44,726	5,359	3,007,029	16,175,971	5,686,850	21,862,821
Profit for the year	—	—	—	—	—	—	73,814	73,814	61,260	135,074
Other comprehensive income (note 15)	—	—	—	—	—	(7,992)	—	(7,992)	(120)	(8,112)
Total comprehensive income for the year	—	—	—	—	—	(7,992)	73,814	65,822	61,140	126,962
Acquisition of subsidiaries	—	—	—	—	—	—	—	—	1,354,518	1,354,518
Acquisition of control over a jointly controlled entity	—	—	—	—	—	—	—	—	240,248	240,248
Acquisition of non-controlling interests	—	—	—	—	—	—	(375)	(375)	(44,027)	(44,402)
Capital injection from non-controlling equity holders of subsidiaries	—	—	—	—	—	—	—	—	308,014	308,014
Contribution from the parent company	—	39,833	—	—	—	—	—	39,833	9,537	49,370
Dividends approved for non-controlling equity holders of subsidiaries	—	—	—	—	—	—	—	—	(94,169)	(94,169)
Disposal of a subsidiary	—	—	—	—	—	—	—	—	(7,147)	(7,147)
Appropriation of general reserve	—	—	13,956	—	—	—	(13,956)	—	—	—
Appropriation of specific reserve	—	—	3,268	—	—	—	(3,268)	—	—	—
Others	—	3,822	—	—	—	—	—	3,822	—	3,822
Balance at 31 December 2011	<u>6,771,084</u>	<u>4,857,874</u>	<u>1,482,689</u>	<u>68,089</u>	<u>44,726</u>	<u>(2,633)</u>	<u>3,063,244</u>	<u>16,285,073</u>	<u>7,514,964</u>	<u>23,800,037</u>

The notes on pages 45 to 96 form part of these financial statements.

# Consolidated cash flow statement

For the year ended 31 December 2012  
(Prepared under International Financial Reporting Standards)  
(Expressed in Renminbi)

	Note	2012	2011
		RMB'000	RMB'000
<b>Operating activities</b>			
Cash received from customers and others		69,150,089	63,534,557
Cash paid to suppliers, employees and others		<b>(56,502,983)</b>	(56,688,039)
		<hr/>	<hr/>
Cash generated from operations		12,647,106	6,846,518
Interest paid		<b>(6,763,658)</b>	(5,670,106)
Enterprise income tax paid		<b>(364,501)</b>	(123,877)
Enterprise income tax refunded		—	10,001
		<hr/>	<hr/>
<b>Net cash generated from operating activities</b>		<b>5,518,947</b>	1,062,536
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
<b>Investing activities</b>			
Payment for the purchase of property, plant and equipment, construction in progress and intangible assets		<b>(16,176,889)</b>	(12,324,893)
Cash received for the upfront connection and installation fees for heating networks		564,848	679,522
Proceeds from sale of property, plant and equipment		270,100	10,631
Payment for the acquisition of subsidiaries, net of cash		<b>(310,829)</b>	(1,452,759)
Payment for the acquisition of subsidiaries in prior years		<b>(1,341,526)</b>	(100,997)
Payment for the acquisition of associates		—	(111,100)
Prepayment for the proposed investments		<b>(147,680)</b>	(333,443)
Capital injection in associates		<b>(152,635)</b>	(46,480)
Capital injection in other investments		—	(6,000)
Cash received from disposal of investments		612,912	105,656
Interest received		65,095	64,760
Collection of bank deposits with maturity over three months		65,000	—
Dividends received		129,861	283,624
Other net cash proceeds relating to investing activities		22,217	96,457
		<hr/>	<hr/>
<b>Net cash used in investing activities</b>		<b>(16,399,526)</b>	(13,135,022)
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
<b>Financing activities</b>			
Proceeds from shares issued		1,829,084	—
Proceeds from borrowings		72,136,500	62,017,376
Repayment of borrowings		<b>(62,764,532)</b>	(48,267,847)
Proceeds from government grants		142,281	140,354
Proceeds from bank acceptance bills receivable discounted		1,108,730	52,000
Repayment of bank acceptance bills payable		<b>(1,005,000)</b>	(644,000)
Payment for the acquisition of non-controlling interests		—	(39,995)
Payment for the disposal of non-controlling equity holders of a subsidiary		—	(7,147)
Capital injection from non-controlling equity holders of subsidiaries		386,638	218,699
Dividends paid to non-controlling equity holders of subsidiaries		<b>(119,127)</b>	(25,274)
Decreased/(increase) in restricted deposits other than bank deposits with maturity over three months		255,050	(262,857)
Other net cash outflow relating to financing activities		<b>(140,696)</b>	(232,856)
		<hr/>	<hr/>
<b>Net cash generated from financing activities</b>		<b>11,828,928</b>	12,948,453
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
<b>Net increase in cash and cash equivalents</b>		<b>948,349</b>	875,967
<b>Cash and cash equivalents at 1 January</b>		<b>2,111,725</b>	1,235,758
		<hr/>	<hr/>
<b>Cash and cash equivalents at 31 December</b>	30	<b>3,060,074</b>	2,111,725
		<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>

The notes on pages 45 to 96 form part of these financial statements.

# Notes to the financial statements

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

## 1 BACKGROUND OF THE COMPANY

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

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

## 2 SIGNIFICANT ACCOUNTING POLICIES

### (a) Statement of compliance

These financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs"), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations issued by the International Accounting Standards Board ("IASB") and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Group is set out below.

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

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

The consolidated financial statements for the year ended 31 December 2012 comprise the Group and its interest in associates.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the financial instruments classified as available-for-sale are stated at their fair value (see note 2(f)).

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

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

Judgement made by management in the application of IFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 45.

### (c) Subsidiaries and non-controlling interests

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

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

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

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

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

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

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

# Notes to the financial statements (Continued)

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

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (d) Associates

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

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

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

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 investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

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

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

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

### (e) Goodwill

Goodwill represents the excess of

- (i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over
- (ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

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

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

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

### (f) Other investments in equity securities

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

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

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

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



# Notes to the financial statements (Continued)

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

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (f) Other investments in equity securities (continued)

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

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

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

### (g) Property, plant and equipment

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

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

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

When proved and probable coal reserves have been determined, costs incurred to develop coal mines are capitalised as part of the cost of the mining structures. When stripping activities can be shown to give rise to future benefits from the mineral property, the Group will capitalise the related production stripping costs into property, plant and equipment as mining structure, including production stripping costs for surface mining activities.

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

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

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

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

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

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

### (h) Construction in progress

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

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

# Notes to the financial statements (Continued)

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

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (i) Intangible assets (other than goodwill)

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

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 2(l)). Expenditure on internally generated goodwill and brands is recognised as an expense in the period in which it is incurred.

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

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

Both the period and method of amortisation are reviewed annually.

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

### (j) Leased assets

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

#### (i) Classification of assets leased to the Group

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

#### (ii) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments of such assets are included in fixed assets and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost or valuation of the assets over the term of the relevant lease or, where it is likely the Group will obtain ownership of the asset, the life of the asset, as set out in note 2(g). Impairment losses are accounted for in accordance with the accounting policy as set out in note 2(l). Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

#### (iii) Sales and leaseback arrangement resulting in finance lease

A sales and leaseback arrangement which results in a finance lease is a means whereby the lessor provides finance to the lessee with the asset as security. To reflect the substance of the transaction, any excess of sales proceeds over the carrying amount of the asset, or any deficit of sales proceeds lower than the carrying amount of the asset, is deferred and amortised as an adjustment to the depreciation of the asset.

#### (iv) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

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

# Notes to the financial statements (Continued)

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

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (k) Lease prepayments

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

### (l) Impairment of assets

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

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

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have adverse effect on the debtor; and
- a significant or prolonged decline in the fair value of an investment in an equity investment below its cost.

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

- For investments in subsidiaries and associates, the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note 2(l)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 2(l)(ii).
  - For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities carried at cost are not reversed.
  - For trade and other current receivables and other financial assets carried at cost or amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.
- If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.
- For available-for-sale securities, the cumulative loss that has been recognised in the fair value reserve is reclassified to profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

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

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

# Notes to the financial statements (Continued)

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

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (l) Impairment of assets (continued)

#### (ii) Impairment of other assets

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

- property, plant and equipment;
- construction in progress;
- lease prepayments;
- intangible assets;
- other non-current assets (other than financial assets); and
- goodwill.

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

- Calculation of recoverable amount

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

- Recognition of impairment losses

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

- Reversals of impairment losses

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

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

#### (iii) Interim financial reporting and impairment

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

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

### (m) Inventories

Inventories, comprising coal, stalk, fuel oil, gas, materials, components and spare parts for consumption are carried at the lower of cost and net realisable values.

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

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

# Notes to the financial statements (Continued)

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

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (m) Inventories (continued)

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

### (n) Trade and other receivables

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

### (o) Interest-bearing borrowings

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

### (p) Trade and other payables

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

### (q) Cash and cash equivalents

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

### (r) Financial guarantees issued, provisions and contingent liabilities

#### (i) Financial guarantees issued

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

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

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

#### (ii) Provisions and contingent liabilities

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

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

# Notes to the financial statements (Continued)

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

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (s) Revenue recognition

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

#### (i) Electricity income

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

#### (ii) Heat income

Heat income is recognised when heat is supplied to customers.

#### (iii) Sale of coal

Income from the sale of coal is recognised when the risks and rewards to the ownership of the goods have been passed to the customer.

#### (iv) Service concession construction revenue

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

#### (v) Dividend income

- Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.
- Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

#### (vi) Interest income

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

#### (vii) Government grants

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

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

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

- the counterparties have committed to purchase the CERs;
- the sales prices have been agreed; and
- relevant electricity has been generated.

#### (ix) Upfront connection and installation fees

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

### (t) Major overhauls, repairs and maintenance

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

### (u) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

# Notes to the financial statements (Continued)

(Prepared under International Financial Reporting Standards)

(Expressed in Renminbi unless otherwise indicated)

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (u) Translation of foreign currencies (continued)

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

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

### (v) Income tax

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

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

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

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

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

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

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

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

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

### (w) Borrowing costs

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

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

# Notes to the financial statements (Continued)

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

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (x) Employee benefits

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

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

#### (ii) Termination benefits

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

### (y) Research and development costs

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

### (z) Related parties

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

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or the Group's parent.

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

- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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

### (aa) Segment reporting

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

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

### (bb) Dividends

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



# Notes to the financial statements (Continued)

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

## 3 CHANGES IN ACCOUNTING POLICIES

The IASB has issued several amendments to IFRSs that are first effective for the current accounting period of the Group and the Company. Of these, the following development is relevant to the Group's financial statements:

- Amendments to IFRSs 7, *Financial instruments: Disclosures - Transfer of financial assets*

The amendments to IFRS 7 require certain disclosures to be included in the financial statements in respect of all transferred financial assets that are not derecognised in their entirety and for any continuing involvement in transferred financial assets that are derecognised in their entirety, irrespective of when the related transfer transaction occurred. However, an entity need not provide the disclosures for the comparative period in the first year of adoption. As a result of these amendments, the relevant information is disclosed in these financial statements.

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

## 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:

	2012	2011
	RMB'000	RMB'000
Sale of electricity	55,346,729	51,125,461
Sale of heat	2,806,786	2,697,878
Sale of coal	926,199	354,721
	<b>59,079,714</b>	<b>54,178,060</b>

The Group's customers are mainly local power grid companies. There is only one customer sales with whom have exceeded 10% of the Group's revenue. In 2012, revenue from sale of electricity to this customer, including sales to entities which are known to the Group to be under common control with this customer, amounted to approximately RMB 27,025,876,000 (2011: RMB 24,818,648,000). Details of concentration of credit risk arising from this customer are set out in note 44(b).

## 5 PERSONNEL COSTS

	2012	2011
	RMB'000	RMB'000
Wages, welfare and other benefits	1,840,793	1,623,198
Retirement costs (note 40)	427,643	364,094
Other staff costs	540,404	472,758
	<b>2,808,840</b>	<b>2,460,050</b>

## 6 SALES RELATED TAXES

Sales related taxes represent city maintenance and construction tax and education surcharge, which are calculated at 1-7% and 3-5% (2011: 1-7% and 3-5%), respectively, of net VAT payable.

## 7 INVESTMENT INCOME

	2012	2011
	RMB'000	RMB'000
Gain on disposal of associates (note)	467,096	102,400
Gain on disposal of an other investment	118	—
Gain on dilution of associates	—	568,870
Gain on step acquisition	—	13,011
Available-for-sale equity securities:		
reclassified from equity on disposal (note 15)	6,227	—
Dividend income from listed securities	789	143
Dividend income from other investments	5,529	40,490
	<b>479,759</b>	<b>724,914</b>

Note:

Gain on disposal of associates mainly represents gain on disposal of the Company's interests in Ningxia Power Company (Group) Limited ("Ningxia Power Company"), an associate of the Company, of RMB 464,786,000.

# Notes to the financial statements (Continued)

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

## 8 OTHER REVENUE AND NET INCOME

	2012	2011
	RMB'000	RMB'000
<b>Other revenue</b>		
Government grants	560,547	340,758
Revenue from upfront connection and installation fees for heating networks (note 37)	71,118	50,169
Others	110,040	37,002
	<b>741,705</b>	<b>427,929</b>
<b>Other net income</b>		
Net CERs income	1,290	103,867
Net gain/(loss) on disposal of property, plant and equipment	24,769	(393)
Net income from sale of materials	131,898	92,800
Electricity price regulation fund (note)	(186,372)	—
Others	37,830	28,947
	<b>9,415</b>	<b>225,221</b>

Note:

Electricity price regulation fund represented the expenses levied on electricity supplied by subsidiaries located in Ningxia Hui Nationality Autonomous Region to other provinces in the PRC. Collection of such fund is based on regulations issued by Ningxia local authorities and is expected to be non-recurring.

## 9 FINANCE COSTS

	2012	2011
	RMB'000	RMB'000
Interest on loans and other financial liabilities wholly repayable within five years	4,459,346	3,886,532
Interest on loans and other financial liabilities repayable after five years	2,780,095	2,089,771
Less: interest expenses capitalised	(979,936)	(878,022)
	<b>6,259,505</b>	<b>5,098,281</b>
Net foreign exchange loss/(gain)	9,424	(120,095)
Other finance costs	18,870	12,753
	<b>6,287,799</b>	<b>4,990,939</b>

The interest expenses have been capitalised at an average rate of 6.50% per annum (2011: 5.93%) for construction in progress.

## 10 PROFIT BEFORE TAXATION

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

	2012	2011
	RMB'000	RMB'000
Amortisation		
— lease prepayments	58,716	58,795
— intangible assets and other assets	146,824	144,354
Auditors' remuneration	12,000	12,000
Cost of inventories	39,122,880	40,279,765
Depreciation	6,077,064	5,370,516
Impairment losses		
— trade and other receivables	155,560	(12,792)
— inventories	42	(233)
— construction in progress	52,486	—
— property, plant and equipment	10,564	—
— goodwill	6,155	—
Operating lease charges in respect of land and buildings	99,688	95,396
Research and development costs	26,209	12,505

# Notes to the financial statements (Continued)

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

## 11 DIRECTORS' AND SUPERVISORS' EMOLUMENTS

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

	Directors' and supervisors' fees	Salaries, allowances and benefits in kind	Retirement benefits	Bonuses	2012 Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Directors</b>					
Yun Gongmin	—	—	—	—	—
Chen Feihu	—	—	—	—	—
Chen Dianlu	—	—	—	—	—
Chen Jianhua	—	383	48	408	839
Wang Yingli	—	—	—	—	—
Chen Bin	—	—	—	—	—
Zhong Tonglin	—	287	36	306	629
Chu Yu	—	—	—	—	—
Gou Wei	—	182	18	202	402
<b>Independent non-executive directors</b>					
Wang Yuesheng	—	70	—	—	70
Ning Jiming	—	70	—	—	70
Yang Jinguan	—	70	—	—	70
Wang Jixin	—	70	—	—	70
<b>Supervisors</b>					
Peng Xingyu	—	—	—	—	—
Li Xiaopeng	—	—	—	—	—
Chen Bin	—	309	29	327	665
	—	1,441	131	1,243	2,815

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

# Notes to the financial statements (Continued)

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

## 12 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, one (2011: two) is director whose emoluments is disclosed in note 11. The aggregate of the emoluments of the remaining four highest paid individuals (2011: three) are as follows:

	2012	2011
	RMB'000	RMB'000
Salaries and other emoluments	1,242	925
Retirement benefits	138	91
Bonuses	1,349	866
Deferred compensation plan	—	217
	<b>2,729</b>	<b>2,099</b>

The emoluments of the four (2011: three) individuals with the highest emoluments are within the following bands:

	2012	2011
	Number of individuals	Number of individuals
HK\$ Nil - 1,000,000	<b>4</b>	<b>3</b>

## 13 INCOME TAX IN THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

	2012	2011
	RMB'000	RMB'000
<b>Current tax</b>		
Charge for PRC enterprise income tax for the year	438,721	166,406
Over-provision in respect of prior years	(3,827)	(457)
	<b>434,894</b>	<b>165,949</b>
<b>Deferred tax (note 36(b))</b>		
Origination and reversal of temporary differences	254,637	(136,030)
	<b>689,531</b>	<b>29,919</b>

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

	2012	2011
	RMB'000	RMB'000
Profit before taxation	<b>2,637,279</b>	<b>164,993</b>
Notional PRC enterprise income tax expense at a statutory tax rate of 25% (2011: 25%)	659,320	41,248
Tax effect of non-deductible expenses	31,419	19,641
Tax effect of non-taxable income	(207,057)	(341,520)
Preferential tax rate on subsidiaries' profit or loss (note)	(77,111)	(89,033)
Tax effect of unused losses not recognised	286,787	400,040
Over-provision in respect of prior years	(3,827)	(457)
	<b>689,531</b>	<b>29,919</b>

Note:

The charge for PRC enterprise income tax is calculated at the statutory rate of 25% (2011: 25%) on the estimated assessable profit or loss of the year determined in accordance with relevant enterprise income tax rules and regulations, except for certain subsidiaries of the Company, which are tax exempted or taxed at preferential rates of 7.5%, 12.5% or 15% (2011: 12.5%).

# Notes to the financial statements (Continued)

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

## 14 LOSS ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated loss attributable to ordinary equity shareholders of the Company includes a loss of RMB 701,140,000 (2011: RMB 1,181,312,000) which has been dealt with in the financial statements of the Company.

Reconciliation of the above amount to the Company's loss for the year:

	2012	2011
	RMB'000	RMB'000
Amount of consolidated loss attributable to shareholders dealt with in the Company's financial statements	<b>(701,140)</b>	(1,181,312)
Final dividends from subsidiaries and associates attributable to the profits of the previous financial year, approved and paid during the year	<b>417,279</b>	479,531
Gain on disposal of associates attributable to gains of the previous years	<b>255,798</b>	—
The Company's loss for the year	<b>(28,063)</b>	(701,781)

## 15 OTHER COMPREHENSIVE INCOME

	2012	2011
	RMB'000	RMB'000
Available-for-sale securities:		
Changes in fair value recognised for the year	<b>15,162</b>	(8,962)
Reclassification adjustments for amounts transferred to profit or loss:		
— gain on disposal (note 7)	<b>(6,227)</b>	—
Net deferred tax (charged)/credited to other comprehensive income (note 36(b))	<b>(3)</b>	850
Net movement in the fair value reserve recognised for the year in other comprehensive income	<b>8,932</b>	(8,112)

## 16 EARNINGS PER SHARE

### (a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company for the year ended 31 December 2012 of RMB 1,446,792,000 (2011: RMB 73,814,000) and the weighted average of 7,070,262,282 (2011: 6,771,084,200) ordinary shares in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2012	2011
	RMB'000	RMB'000
Issued ordinary shares at 1 January	<b>6,771,084</b>	6,771,084
Effect of shares issued (note 38(c))	<b>299,178</b>	—
Weighted average number of ordinary shares at 31 December	<b>7,070,262</b>	6,771,084

### (b) Diluted earnings per share

There were no dilutive potential ordinary shares in existence during the years ended 31 December 2012 and 2011.

## 17 SEGMENT REPORTING

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

# Notes to the financial statements (Continued)

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

## 18 PROPERTY, PLANT AND EQUIPMENT

### (a) The Group

	Buildings	Generators, machinery and equipment	Mining structures and mining rights	Motor vehicles, furniture, fixtures, equipment and others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Cost:</b>					
At 1 January 2011	26,035,427	71,183,849	5,025,617	1,599,593	103,844,486
Additions	—	7,341	—	51,301	58,642
Through acquisition of subsidiaries and control over a jointly controlled entity	588,853	1,107,315	2,283,042	21,828	4,001,038
Transferred from construction in progress (note 19)	7,595,107	10,439,708	179,481	79,601	18,293,897
Net decrease arising from sales and leaseback transaction	—	(17,802)	—	—	(17,802)
Disposals	(31,283)	(134,912)	—	(11,175)	(177,370)
At 31 December 2011 and at 1 January 2012	34,188,104	82,585,499	7,488,140	1,741,148	126,002,891
Additions	—	18,282	87,172	63,294	168,748
Through acquisition of subsidiaries	144,420	444,301	—	2,447	591,168
Transferred from construction in progress (note 19)	7,222,386	15,401,713	426,117	584,879	23,635,095
Net decrease arising from sales and leaseback transaction	—	(792,642)	—	—	(792,642)
Disposals	(3,321)	(336,583)	—	(26,636)	(366,540)
At 31 December 2012	41,551,589	97,320,570	8,001,429	2,365,132	149,238,720
<b>Accumulated depreciation:</b>					
At 1 January 2011	4,850,740	18,830,804	—	761,798	24,443,342
Charge for the year	1,060,907	4,175,729	5,849	163,398	5,405,883
Written back on sales and leaseback transaction	—	(24,301)	—	—	(24,301)
Written back on disposals	(28,541)	(131,762)	—	(10,764)	(171,067)
At 31 December 2011 and at 1 January 2012	5,883,106	22,850,470	5,849	914,432	29,653,857
Charge for the year	1,328,747	4,544,146	39,695	175,062	6,087,650
Written back on sales and leaseback transaction	—	(331,942)	—	—	(331,942)
Written back on disposals	(2,313)	(95,177)	—	(24,295)	(121,785)
Impairment loss (note (iii))	—	10,564	—	—	10,564
At 31 December 2012	7,209,540	26,978,061	45,544	1,065,199	35,298,344
<b>Net book value:</b>					
At 31 December 2012	34,342,049	70,342,509	7,955,885	1,299,933	113,940,376
At 31 December 2011	28,304,998	59,735,029	7,482,291	826,716	96,349,034

Notes:

- (i) Pursuant to the State policy of energy saving and pollutant reduction, the Group carried out a review of the estimated useful lives of certain generators. As a result, the estimated useful lives of these generators have been decreased.

The effect due to the above change in accounting estimates on depreciation in cost of sales, in current and future periods is as follows:

	2012	2013	2014	Subsequent years
	RMB'000	RMB'000	RMB'000	RMB'000
Increase/(decrease) in depreciation	135,240	99,503	(10,246)	(224,497)

- (ii) Impairment loss

Pursuant to the State policy of energy saving and pollutant reduction, the Group stopped operation of a generator in 2012. The Group assessed the recoverable amounts of cash-generating units ("CGU") related to this generator, and as a result the carrying amount of property, plant and equipments and goodwill of this generator was written down by RMB 10,564,000 and RMB 6,155,000, respectively. The estimates of recoverable amount were calculated based on its estimated future cash flows which are discounted to their present value.

- (iii) Certain of the Group's interest-bearing bank borrowings were secured by certain of the Group's property, plant and equipment, which had an aggregate net book value of RMB 701,526,000 as at 31 December 2012 (2011: RMB 104,422,000).

# Notes to the financial statements (Continued)

(Prepared under International Financial Reporting Standards)  
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## 18 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

### (b) The Company

	Buildings	Generators, machinery and equipment	Motor vehicles, furniture, fixtures, equipment and others	Total
	RMB'000	RMB'000	RMB'000	RMB'000
<b>Cost:</b>				
At 1 January 2011	5,370,687	14,328,474	537,408	20,236,569
Additions	—	539	9,811	10,350
Transferred from construction in progress (note 19)	66,748	279,065	8,831	354,644
Transferred to subsidiaries	—	—	(487)	(487)
Disposals	—	—	(465)	(465)
At 31 December 2011 and at 1 January 2012	5,437,435	14,608,078	555,098	20,600,611
Additions	—	3,718	12,135	15,853
Transferred from construction in progress (note 19)	147,009	750,307	5,746	903,062
Disposals	(1,496)	(24,004)	(7,494)	(32,994)
At 31 December 2012	5,582,948	15,338,099	565,485	21,486,532
<b>Accumulated depreciation:</b>				
At 1 January 2011	2,473,610	8,923,998	325,450	11,723,058
Charge for the year	194,103	646,110	21,043	861,256
Transferred to subsidiaries	—	—	(79)	(79)
Written back on disposals	—	—	(451)	(451)
At 31 December 2011 and at 1 January 2012	2,667,713	9,570,108	345,963	12,583,784
Charge for the year	193,863	650,569	21,858	866,290
Written back on disposals	(488)	(21,472)	(7,265)	(29,225)
At 31 December 2012	2,861,088	10,199,205	360,556	13,420,849
<b>Net book value:</b>				
At 31 December 2012	2,721,860	5,138,894	204,929	8,065,683
At 31 December 2011	2,769,722	5,037,970	209,135	8,016,827

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

## 19 CONSTRUCTION IN PROGRESS

	The Group		The Company	
	2012	2011	2012	2011
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January	19,184,853	23,146,683	807,130	662,231
Through acquisition of subsidiaries	176,318	2,376,260	—	—
Additions	17,704,678	11,970,161	1,202,933	592,040
Transferred to property, plant and equipment (note 18)	(23,635,095)	(18,293,897)	(903,062)	(354,644)
Transferred to lease prepayments	—	(10,854)	—	—
Transferred to intangible assets	—	(3,500)	—	(180)
Impairment loss (note (i))	(52,486)	—	—	—
Transferred to subsidiaries	—	—	(10,627)	(92,317)
At 31 December	13,378,268	19,184,853	1,096,374	807,130

Note:

- (i) In 2012, certain projects of the Group were identified that the likelihood to obtain preliminary approval by the National Development and Reform Commission or its local counterparties is remote. As a result, the carrying amount of the four preliminary projects of RMB 52,486,000 was fully written down as at 31 December 2012.
- (ii) Certain of the Group's interest-bearing bank borrowings were secured by certain of the Group's construction in progress, which had an aggregate net book value of RMB 1,849,005,000 as at 31 December 2012 (2011: 1,669,841,000).

# Notes to the financial statements (Continued)

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## 20 LEASE PREPAYMENTS

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

Certain of the Group's interest-bearing bank borrowings were secured by certain of the Group's lease prepayment, which had an aggregate net book value of RMB 157,600,000 as at 31 December 2012 (2011: RMB 157,683,000).

## 21 INTANGIBLE ASSETS

### (a) The Group

	Goodwill	Land use rights	Concession assets	Development right of hydropower	Others	Total
	RMB'000	RMB'000	RMB'000 (Note 46)	RMB'000	RMB'000	RMB'000
<b>Cost:</b>						
At 1 January 2011	963,097	834,839	3,037,739	—	22,277	4,857,952
Through acquisition of subsidiaries and control over a jointly controlled entity	—	58,610	—	1,382,954	13	1,441,577
Transferred from construction in progress (note 19)	—	—	—	—	3,500	3,500
Additions	—	—	(78,446)	—	7,785	(70,661)
Disposal of subsidiaries	(395)	—	—	—	—	(395)
Net decrease arising from sales and leaseback transaction	—	—	(12,407)	—	—	(12,407)
At 31 December 2011 and at 1 January 2012	962,702	893,449	2,946,886	1,382,954	33,575	6,219,566
Through acquisition of subsidiaries	90,251	—	—	—	—	90,251
Additions	—	—	—	—	6,195	6,195
At 31 December 2012	1,052,953	893,449	2,946,886	1,382,954	39,770	6,316,012
<b>Accumulated amortisation:</b>						
At 1 January 2011	—	—	86,118	—	7,702	93,820
Charge for the year	—	—	142,274	—	4,093	146,367
Written back on sales and leaseback transaction	—	—	(21,407)	—	—	(21,407)
At 31 December 2011 and at 1 January 2012	—	—	206,985	—	11,795	218,780
Charge for the year	—	—	119,846	—	4,880	124,726
Impairment loss (note 18a(ii))	6,155	—	—	—	—	6,155
At 31 December 2012	6,155	—	326,831	—	16,675	349,661
<b>Net book value:</b>						
At 31 December 2012	1,046,798	893,449	2,620,055	1,382,954	23,095	5,966,351
At 31 December 2011	962,702	893,449	2,739,901	1,382,954	21,780	6,000,786

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



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## 21 INTANGIBLE ASSETS (CONTINUED)

### (a) The Group (continued)

Development right of hydropower was obtained through acquisition of Sichuan Liangshan Shuiluohe Hydropower Development Company Limited ("Shuiluohe Company") in 2011. As at the acquisition date, all preliminary hydropower projects of Shuiluohe Company had obtained approval for basin development and preliminary work from the Development and Reform Commission of Sichuan Province. 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.

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

### (b) The Company

	Goodwill	Others	Total
	RMB'000	RMB'000	RMB'000
<b>Cost:</b>			
At 1 January 2011	45,457	9,790	55,247
Transferred from construction in progress (note 19)	—	180	180
At 31 December 2011 and at 1 January 2012	45,457	9,970	55,427
Additions	—	4,375	4,375
Through acquisition of a subsidiary	1,067	—	1,067
At 31 December 2012	46,524	14,345	60,869
<b>Accumulated amortisation:</b>			
At 1 January 2011	—	3,429	3,429
Charge for the year	—	1,969	1,969
At 31 December 2011 and at 1 January 2012	—	5,398	5,398
Charge for the year	—	2,044	2,044
At 31 December 2012	—	7,442	7,442
<b>Net book value:</b>			
At 31 December 2012	46,524	6,903	53,427
At 31 December 2011	45,457	4,572	50,029

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

### (c) Impairment tests for cash generating units containing goodwill

Goodwill is allocated to the Group's CGU identified according to operating segment.

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

The impairment on goodwill of RMB 6,155,000 was provided in 2012 as disclosed in note 18(a)(ii).

## 22 INVESTMENTS IN SUBSIDIARIES

	The Company	
	2012	2011
	RMB'000	RMB'000
Unlisted investments, at cost	29,601,602	25,214,553

# Notes to the financial statements (Continued)

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## 22 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

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

Name of company	Paid up capital RMB'000	Proportion of ownership interest			Principal activities
		Group's effective interest %	Held by the Company %	Held by a subsidiary %	
Sichuan Guang'an Power Generation Company Limited 四川廣安發電有限責任公司 ("Guang'an Company")	1,785,860	80	80	—	Generation and sale of electricity
Huadian Qingdao Power Generation Company Limited 華電青島發電有限公司	700,000	55	55	—	Generation and sale of electricity and heat
Huadian Weifang Power Generation Company Limited 華電濰坊發電有限公司 ("Weifang Company") (note (i))	1,250,000	45	45	—	Generation and sale of electricity and heat
Weifang Taihe Heat Company Limited 濰坊泰和熱力有限公司 (note (i))	50,000	36	—	80	Sale of heat
Huadian Zibo Thermal Power Company Limited 華電淄博熱電有限公司	574,800	100	100	—	Generation and sale of electricity and heat
Huadian Zhangqiu Power Generation Company Limited 華電章丘發電有限公司	750,000	87.5	87.5	—	Generation and sale of electricity and heat
Huadian Tengzhou Xinyuan Thermal Power Company Limited 華電滕州新源熱電有限公司	474,172	93.26	93.26	—	Generation and sale of electricity and heat
Huadian Xinxiang Power Generation Company Limited 華電新鄉發電有限公司	848,686	90	90	—	Generation and sale of electricity
Anhui Huadian Suzhou Power Generation Company Limited 安徽華電宿州發電有限公司	854,914	97	97	—	Generation and sale of electricity
Huadian Ningxia Lingwu Power Generation Company Limited 華電寧夏靈武發電有限公司	1,738,131	65	65	—	Generation and sale of electricity
Sichuan Huadian Luding Hydropower Company Limited 四川華電瀘定水電有限公司	1,366,090	100	100	—	Generation and sale of electricity
Huadian Qingdao Heat Company Limited 華電青島熱力有限公司 ("Qingdao Heat Company")	30,000	55	55	—	Sale of heat
Huadian Zouxian Power Generation Company Limited 華電鄒縣發電有限公司	3,000,000	69	69	—	Generation and sale of electricity
Huadian International Ningxia New Energy Power Company Limited 華電國際寧夏新能源發電有限公司 (note (ii))	330,000	100	100	—	Generation and sale of electricity
Anhui Huadian Wuhu Power Generation Company Limited 安徽華電蕪湖發電有限公司	1,000,000	65	65	—	Generation and sale of electricity
Huadian Suzhou Biomass Energy Power Company Limited 華電宿州生物質能發電有限公司	52,480	78	78	—	Generation and sale of electricity
Huadian Inner Mongolia Kailu Wind Power Company Limited 華電內蒙古開魯風電有限公司	797,128	100	100	—	Generation and sale of electricity
Huadian Luohe Power Generation Company Limited 華電漯河發電有限公司	525,500	75	75	—	Generation and sale of electricity and heat
Hangzhou Huadian Banshan Power Generation Company Limited 杭州華電半山發電有限公司	880,762	64	64	—	Generation and sale of electricity and heat
Hebei Huadian Shijiazhuang Thermal Power Company Limited 河北華電石家莊熱電有限公司	789,740	82	82	—	Generation and sale of electricity and heat
Hebei Huadian Shijiazhuang Yuhua Thermal Power Company Limited 河北華電石家莊裕華熱電有限公司	500,000	89.2	—	100	Generation and sale of electricity and heat

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## 22 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

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

Name of company	Paid up capital RMB'000	Proportion of ownership interest			Principal activities
		Group's effective interest %	Held by the Company %	Held by a subsidiary %	
Hebei Huadian Shijiazhuang Luhua Thermal Power Company Limited 河北華電石家莊鹿華熱電有限公司	440,000	90	90	—	Generation and sale of electricity and heat
Hebei Huadian Complex Pumping-storage Power Company Limited 河北華電混合蓄能水電有限公司	10,000	100	100	—	Generation and sale of electricity
Huadian International Project Company Limited 華電國際項目管理有限公司	50,000	100	100	—	Management of construction project
Huadian International Shandong Information Company Limited 華電國際山東信息管理有限公司	3,000	100	100	—	Development and maintenance of information system to the Group
Huadian International Materials Company Limited 華電國際物資有限公司	50,000	100	100	—	Procurement of materials
Xinxiang Huadian Heat Company Limited 新鄉華電熱力有限公司	24,570	90	—	100	Sale of heat
Tengzhou Xinyuan Heat Company Limited 滕州新源熱力有限公司	30,000	65.28	—	70	Sale of heat
Sichuan Huadian Zagunao Hydroelectric Development Company Limited 四川華電雜谷腦水電開發有限責任公司	970,563	64	64	—	Generation and sale of electricity
Huadian Laizhou Wind Power Generation Company Limited 華電萊州風電有限公司	146,060	55	55	—	Generation and sale of electricity
Hebei Huarui Energy Group Corporation Limited 河北華瑞能源集團有限公司	938,000	100	100	—	Generation and sale of electricity and heat
Hebei Huafeng Investment Company Limited 河北華峰投資有限公司	977,300	100	—	100	Energy projects investment
Hebei Fengyuan Industrial Company Limited 河北峰源實業有限公司	502,000	100	—	100	Sale of coal and chemical products
Shanxi Maohua Energy Investment Company Limited 山西茂華能源投資有限公司	1,547,000	100	100	—	Sale of coal and investment in coal, electricity and heat industry
Shanxi Shuozhou Pinglu Maohua Dongyi Coal Company Limited 山西朔州平魯區茂華東易煤業有限公司	12,180	70	—	70	Resources consolidation, improvement and expansion services
Shanxi Shuozhou Pinglu Maohua Wantongyuan Coal Company Limited 山西朔州平魯區茂華萬通源煤業有限公司	10,000	70	—	70	Resources consolidation, improvement and expansion services
Shanxi Shuozhou Pinglu Maohua Bailu Coal Company Limited 山西朔州平魯區茂華白蘆煤業有限公司 (note (ii))	20,000	100	—	100	Resources consolidation, improvement and expansion service
Hebei Huadian Guyuan Wind Power Company Limited 河北華電沽源風電有限公司	386,100	100	100	—	Generation and sale of electricity
Huadian Ningxia Ningdong Shangde Solar Energy Company Limited 華電寧夏寧東尚德太陽能發電有限公司	38,000	60	60	—	Generation and sale of electricity
Huadian Kezuozhongqi Wind Power Company Limited 華電科左中旗風電有限公司	80,000	100	100	—	Generation and sale of electricity
Shandong Century Electric Power Development Corporation Limited 山東百年電力發展股份有限公司	488,000	84.31	84.31	—	Generation and sale of electricity and heat
Shaoguan Pingshi Power Plant Company Limited (Plant B) 韶關市坪石發電廠有限公司 (B廠)	989,000	100	100	—	Generation and sale of electricity

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## 22 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

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

Name of company	Paid up capital RMB'000	Proportion of ownership interest			Principal activities
		Group's effective interest %	Held by the Company %	Held by a subsidiary %	
Huadian Laizhou Power Generation Company Limited 華電萊州發電有限公司	1,246,670	86.63	86.63	—	Generation and sale of electricity
Hebei Huadian Kangbao Wind Power Company Limited 河北華電康保風電有限公司	80,000	100	100	—	Generation and sale of electricity
Anhui Huadian Lu'an Power Plant Company Limited 安徽華電六安電廠有限公司	164,930	95	95	—	Development of coal-fired power plant
Huadian Qudong Power Generation Company Limited 華電渠東發電有限公司	427,940	90	90	—	Generation and sale of electricity and heat
Huadian Zoucheng Heat Company Limited 華電鄒城熱力有限公司	80,000	70	70	—	Sale of heat
Shantou Huadian Power Generation Company Limited 汕頭華電發電有限公司	30,000	51	51	—	Development of coal-fired power plant
Guangdong Huadian Shaoguan Thermal Power Company Limited 廣東華電韶關熱電有限公司	30,000	100	100	—	Development of coal-fired power plant
Shijiazhuang Huadian Heat Corporation Limited 石家莊華電供熱集團有限公司	332,370	100	100	—	Sale of heat
Hebei Huadian Yuzhou Wind Company Limited 河北華電蔚州風電有限公司	120,000	100	—	100	Generation and sale of electricity
Ningxia Zhongning Power Generation Company Limited 寧夏中寧發電有限責任公司 ("Zhongning Power") (note (i))	285,600	50	50	—	Generation and sale of electricity
Huadian Laizhou Port Company Limited 華電萊州港務有限公司	215,130	65	65	—	Port construction and operation (under construction)
Huadian Laizhou Wind Power Company Limited 華電萊州風力發電有限公司	91,914	100	100	—	Generation and sale of electricity
Anhui Wenhui New Products Promotion Company Limited 安徽文匯新產品推廣有限公司	50,000	51	51	—	Research, development, promotion and sales of new product (under construction)
Anhui Hualin International Energy Company Limited 安徽華麟國際能源有限公司					Investment on mine resources (under construction)
Inner Mongolia Haoyuan Coal Company Limited 內蒙古浩源煤炭有限公司 ("Haoyuan Company")	3,000	85	85	—	Sales of mining equipment and components
Inner Mongolia Alax League Shunge Mining Industry Corporation Company Limited 內蒙古阿拉善盟順興礦業集團順興礦業有限責任公司	30,000	100	100	—	Coal mine improvement and sales of mining equipment (under construction)
Sichuan Huoxing Investment Company Limited 四川活興投資有限責任公司	332,925	100	100	—	Investment on hydropower resources
Sichuan Xiexing Investment Company Limited 四川協興投資有限公司	369,175	100	100	—	Investment on hydropower resources
Shuiluohe Company 四川涼山水洛河電力開發有限公司	450,355	57	—	57	Generation and sale of electricity
Chongqing Mingyang Coal Sale Company Limited 重慶明陽煤炭銷售有限公司 (note (ii))	10,000	70	70	—	Sale of coal and chemical products
Tianjin Huadian Fuyuan Thermal Power Company Limited 天津華電福源熱電有限公司 (note (iii))	60,000	98	98	—	Generation and sale of electricity and heat

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## 22 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

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

Name of company	Paid up capital <i>RMB'000</i>	Proportion of ownership interest			Principal activities
		Group's effective interest %	Held by the Company %	Held by a subsidiary %	
Ningxia Yinling Coal Transportation And Sales Company Limited 寧夏銀靈煤炭運銷有限公司 (note (iii))	10,000	100	100	—	Sale of coal
Hangzhou Huadian Xiasha Thermal Power Company Limited 杭州華電下沙熱電有限公司 (note (iii))	160,000	56	56	—	Generation and sale of electricity and heat
Huadian Zhejiang Longyou Thermal Power Company Limited 華電浙江龍遊熱電有限公司 (note (iii))	50,000	100	100	—	Development of gas-fired power plant
Hangzhou Huadian Jiangdong Thermal Power Company Limited 杭州華電江東熱電有限公司 (note (iii))	120,000	70	70	—	Development of gas-fired power plant
Huadian Shuozhou Thermal Company Limited 華電朔州熱電有限公司 ("Shuozhou Thermal Company") (note 41(a))	40,000	100	100	—	Development of coal-fired power plant
Shenzhen Huanyu Star River Investment Company Limited 深圳市環宇星河投資有限責任公司 ("Huanyu Company") (note 41(b))	20,000	100	100	—	Investment on hydropower resources
Lixian Star River Hydropower Company Limited 理縣星河電力有限責任公司 ("Star River Hydropower Company") (note 41(b))	50,000	100	—	100	Generation and sale of electricity
Lixian Star River Ganbao Hydropower Company Limited 理縣星河甘堡電力有限責任公司 ("Ganbao Hydropower Company") (note 41(b))	50,000	100	—	100	Generation and sale of electricity

Notes:

- (i) According to the articles of association of these companies, the Company holds majority of members in the board of directors of these companies and therefore has the power to govern the financial and operating policies of these companies as to obtain benefits from their activities.
- (ii) These companies were newly set up in 2012.
- (iii) The English translation of the names is for identification only. The official names of these entities are in Chinese.

## 23 INTERESTS IN ASSOCIATES

	The Group		The Company	
	2012 <i>RMB'000</i>	2011 <i>RMB'000</i>	2012 <i>RMB'000</i>	2011 <i>RMB'000</i>
Unlisted investments, at cost	—	—	<b>6,029,033</b>	6,554,766
Share of net assets	<b>10,000,726</b>	10,445,042	—	—
	<b>10,000,726</b>	10,445,042	<b>6,029,033</b>	6,554,766
Less: impairment loss	—	—	<b>(344,000)</b>	(279,936)
	<b>10,000,726</b>	10,445,042	<b>5,685,033</b>	6,274,830

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## 23 INTERESTS IN ASSOCIATES (CONTINUED)

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

Name of company	Paid up capital	Proportion of ownership interest			Principal activities
		Group's effective interest	Held by the Company	Held by subsidiaries	
		RMB'000	%	%	
Huadian Property Company Limited 華電置業有限公司 (note (i))	1,747,500	16.57	16.57	—	Property development
Sichuan Luzhou Chuannan Power Generation Company Limited 四川瀘州川南發電有限責任公司	915,000	40	40	—	Generation and sale of electricity
Huadian Coal Industry Group Company Limited 華電煤業集團有限公司 ("Huadian Coal") (note (i))	3,657,143	12.56	11.82	0.90	Provision of coal procurement service
China Huadian Finance Corporation Limited 中國華電集團財務有限公司 ("China Huadian Finance") (note (i))	5,000,000	15.91	14.93	1.53	Provision of corporate financial service to its group Companies
Hengshui Hengxing Power Generation Company Limited 衡水恆興發電有限責任公司	475,000	30	—	30	Generation and sale of electricity and heat
Hebei Jiantou Yuzhou Wind Power Company Limited 河北建投蔚州風能有限公司	364,000	44.08	—	44.08	Generation and sale of electricity
Hebei Xibaipo Second Power Generation Company Limited 河北西柏坡第二發電有限責任公司 ("Xibaipo Company")	880,000	35	—	35	Generation and sale of electricity and heat
Guodian Inner Mongolia Dongsheng Thermal Power Company Limited 國電內蒙古東勝熱電有限公司	500,000	20	—	20	Generation and sale of electricity and heat
Xingtai Guotai Power Generation Company Limited 邢臺國泰發電有限責任公司	400,000	35	—	35	Generation and sale of electricity and heat
Guodian Huai'an Thermal Power Company Limited 國電懷安熱電有限公司	514,800	35	—	35	Generation and sale of electricity and heat
Otog Front Banner Changcheng Mine Company Limited 鄂托克前旗長城煤礦有限責任公司 ("Changcheng Mine Company")	23,077	35	35	—	Sale of mines machinery and accessory
Inner Mongolia Fucheng Mining Company Limited 內蒙古福城礦業有限公司 ("Fucheng Mining Company")	150,000	35	35	—	Sale of ores steels products
Otog Front Banner Quanhui Trading Company Limited 鄂托克前旗權輝商貿有限公司	5,000	35	35	—	Production and sale of coal (under construction)
Otog Front Banner Baihui Trading Company Limited 鄂托克前旗百匯商貿有限公司	5,000	35	35	—	Production and sale of coal (under construction)
Otog Front Banner Zhengtai Trading Company Limited 鄂托克前旗正泰商貿有限公司	6,770	35	35	—	Production and sale of coal (under construction)
Ningxia Ningdong Railway Corporation Limited 寧夏寧東鐵路股份有限公司 ("Ningdong Railway Company") (note (i))	3,533,368	8.49	8.49	—	Railway development and management
Ningxia Yinxing Coal Company Limited 寧夏銀星煤業有限公司 ("Yinxing Coal") (note (ii))	611,000	50	50	—	Development of coal mines
Huadian Jinshajiang Upstream Hydropower Development Co., Ltd. 華電金沙匯上游水電開發有限公司 ("Jinshajiang Hydropower Company")	374,952	20	20	—	Development of hydropower plant
Sichuan Huayingshan Longtan Coal Company Limited 四川華鎔山龍灘煤電有限責任公司 ("Longtan Coal Company")	133,250	36	—	45	Development of coal mines and sale of coal
Sichuan balanghe Hydropower Development Company Limited 四川巴郎河水電開發有限責任公司	120,000	20	—	20	Generation and sale of electricity

# Notes to the financial statements (Continued)

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## 23 INTERESTS IN ASSOCIATES (CONTINUED)

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

Name of company	Paid up capital	Proportion of ownership interest			Principal activities
		Group's effective interest	Held by the Company	Held by subsidiaries	
	RMB'000	%	%	%	
Datang Xiangcheng Tangdian Hydropower Development Company Limited 大唐鄉城唐電水電開發有限公司 ("Xiangcheng Hydropower Company")	584,608	49	—	49	Development of hydropower plant
Datang Derong Tangdian Hydropower Development Company Limited 大唐得榮唐電水電開發有限公司 ("Derong Hydropower Company")	100,000	49	—	49	Development of hydropower plant
Shuozhou Tong-coal Wantongyuan Erpu Coal Transportation and Sales Company Limited 朔州同煤萬通源二鋪煤炭運銷有限公司 ("Erpu Coal Transportation and Sales Company")	20,000	49	—	49	Development of coal mine

Notes:

- (i) According to the articles of association of these companies, the Company has representations in the board of directors and therefore can participate in the financial and operating policy of these companies so as to have significant influence in their activities.
- (ii) On 29 November 2012, the Company acquired 5% of the equity interest in Yinxing Coal from Ningxia Power Company at a consideration of RMB 78,000,000. Upon the effective date of the transaction, the Company's interests in Yinxing Coal increased from 45% to 50%. Pursuant to the article of association of Yinxing Coal, the financial and operating policies of Yinxing Coal are governed by Ningxia Power Company during its entire operating period. Thus Yinxing Coal is continuously accounted for as an associate of the Company.
- (iii) The English translation of the names is for identification only. The official names of these entities are in Chinese.

### Summary financial information on associates:

	Assets	Liabilities	Equity	Revenues	Profit
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>2012</b>					
100 percent	<b>122,978,973</b>	<b>(77,974,587)</b>	<b>45,004,386</b>	<b>32,397,922</b>	<b>3,295,391</b>
Group's effective interest	<b>27,327,982</b>	<b>(17,327,256)</b>	<b>10,000,726</b>	<b>6,160,991</b>	<b>645,689</b>
<b>2011</b>					
100 percent	113,129,059	(78,639,130)	34,489,929	30,413,247	2,713,606
Group's effective interest	34,222,360	(23,777,318)	10,445,042	6,241,247	556,872

## 24 OTHER INVESTMENTS

	The Group		The Company	
	2012	2011	2012	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Unlisted equity securities, at cost	<b>321,208</b>	298,017	<b>127,109</b>	166,309
Listed available-for-sale equity securities in PRC	<b>38,958</b>	39,506	—	—
	<b>360,166</b>	337,523	<b>127,109</b>	166,309

# Notes to the financial statements (Continued)

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## 25 OTHER NON-CURRENT ASSETS

	The Group		The Company	
	2012	2011	2012	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets				
— Long-term receivables from subsidiaries	—	—	<b>314,536</b>	361,018
— Other long-term receivables (note(ii))	<b>32,174</b>	86,365	—	—
Prepayment for the proposed investments	<b>436,854</b>	604,253	<b>385,174</b>	604,253
Deductible VAT and other tax	<b>865,054</b>	776,918	<b>411</b>	—
Deposits for sales and leaseback transactions	<b>112,706</b>	90,000	—	—
Deposits for purchase of mining rights	<b>196,000</b>	—	<b>100,000</b>	—
Deferred difference arising from a sales and leaseback transaction (note(ii))	<b>454,199</b>	—	—	—
	<b>2,096,987</b>	1,557,536	<b>800,121</b>	965,271

Notes:

- (i) All other long-term receivables of the Group were neither past due nor impaired, and bear floating interest rate of 6.35% per annum (2011: from 4.00% to 6.65% per annum).
- (ii) 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.

## 26 INVENTORIES

	The Group		The Company	
	2012	2011	2012	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Coal, gas and stalk	<b>2,575,194</b>	2,012,683	<b>128,160</b>	258,735
Fuel oil	<b>119,833</b>	129,696	<b>21,686</b>	25,977
Materials, components and spare parts	<b>688,105</b>	635,129	<b>145,572</b>	150,070
	<b>3,383,132</b>	2,777,508	<b>295,418</b>	434,782

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

## 27 TRADE DEBTORS AND BILLS RECEIVABLE

	The Group		The Company	
	2012	2011	2012	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Trade debtors and bills receivable for the sale of electricity	<b>6,625,167</b>	4,931,608	<b>768,061</b>	841,545
Trade debtors and bills receivable for the sale of heat	<b>373,699</b>	248,075	<b>32,971</b>	17,208
Trade debtors and bills receivable for other operations	<b>272,489</b>	68,328	—	100
	<b>7,271,355</b>	5,248,011	<b>801,032</b>	858,853
Less: allowance for doubtful debts (note 27(b))	<b>(23,229)</b>	(6,750)	—	—
	<b>7,248,126</b>	5,241,261	<b>801,032</b>	858,853

Notes:

- (i) As at 31 December 2012, trade and bills receivables of the Group include factored trade receivables with recourse totalling RMB 882,977,000. These receivables were not derecognised as the Group remains exposed to the credit risk of these receivables. The carrying amount of the associated bank loans amounted to RMB 675,642,000.
- (ii) As at 31 December 2012, trade and bills receivables derecognised by the Group amounted to RMB 2,197,824,000, including bank acceptance bills discounted or endorsed to banks and suppliers of RMB 1,206,877,000 and factored trade receivables with non-recourse of RMB 990,947,000. The Group has transferred substantially all the risks and rewards of ownership of the above trade and bills receivables to transferees. For factored trade receivables with non-recourse, the Group would help to collect the factored amount, however, the Group did not expose to any credit risk of these receivables according to the agreements. Losses related to derecognition of the above trade receivables was RMB 4,404,000 in total.



# Notes to the financial statements (Continued)

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## 27 TRADE DEBTORS AND BILLS RECEIVABLE (CONTINUED)

### (a) Ageing analysis

As at 31 December 2012, the ageing analysis of trade debtors and bills receivable, based on the invoice date and net of allowance for doubtful debts, is as follows:

	The Group		The Company	
	2012	2011	2012	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year	7,084,415	5,136,790	801,032	858,853
Between 1 to 2 years	150,063	100,119	—	—
Between 2 to 3 years	13,648	—	—	—
Over 3 years	—	4,352	—	—
	<b>7,248,126</b>	<b>5,241,261</b>	<b>801,032</b>	<b>858,853</b>

Receivables from sale of electricity and heat are due within 30 days and 90 days from the date of billing, respectively. Receivables from sale of coal are due with 60 days from the date of billing.

### (b) Impairment of trade debtors and bills receivable

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

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

	The Group		The Company	
	2012	2011	2012	2011
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January	6,750	19,910	—	—
Impairment loss recognised	23,129	100	—	—
Reversal of impairment loss	(6,650)	(13,260)	—	—
At 31 December	<b>23,229</b>	<b>6,750</b>	<b>—</b>	<b>—</b>

At 31 December 2012, the Group's trade debtors and bills receivable totalling of RMB 23,229,000 (2011: RMB 13,895,000) were individually determined to be impaired. Management assessed that the receivables is not expected to be recovered. Consequently, specific allowance for doubtful debts of RMB 23,229,000 (2011: RMB 6,750,000) was recognised. The Group does not hold any collateral over these balances. None of the Company's trade debtors and bills receivable were individually determined to be impaired.

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

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

	The Group		The Company	
	2012	2011	2012	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Neither past due nor impaired	6,607,795	4,929,209	801,032	858,767
Less than 1 year past due	480,201	207,581	—	86
1 to 2 years past due	153,468	97,326	—	—
2 to 3 years past due	6,662	—	—	—
	<b>7,248,126</b>	<b>5,234,116</b>	<b>801,032</b>	<b>858,853</b>

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

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

# Notes to the financial statements (Continued)

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## 28 DEPOSITS, OTHER RECEIVABLES AND PREPAYMENTS

As at 31 December 2012, gross amount of deposits, other receivables and prepayments of the Group amounted to RMB 3,491,877,000 (2011: RMB 2,469,337,000) mainly represent prepayment for purchasing inventories and materials, receivables on CERs, deductible VAT recoverable, dividends receivable and other receivables.

As at 31 December 2012, specific allowance for doubtful debts of the Group amounted to RMB 142,307,000 (2011: RMB 3,226,000), including bad debt allowance on receivables on CERs of RMB 84,614,000 (2011: RMB Nil) (see note 8(i)), and other receivables of a subsidiary of RMB 53,654,000 (2011: RMB Nil).

## 29 RESTRICTED DEPOSITS

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

## 30 CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2012	2011	2012	2011
	RMB '000	RMB '000	RMB '000	RMB '000
Cash at bank and in hand	<b>1,031,799</b>	1,028,743	<b>699,442</b>	373,655
Cash at other financial institutions	<b>2,028,275</b>	1,077,982	<b>47,694</b>	48,049
Deposits with banks and other financial institutions	—	5,000	—	—
	<b>3,060,074</b>	2,111,725	<b>747,136</b>	421,704

## 31 BORROWINGS

### (a) Bank loans

	The Group		The Company	
	2012	2011	2012	2011
	RMB '000	RMB '000	RMB '000	RMB '000
Due:				
Within 1 year				
— short term bank loans	<b>17,750,232</b>	20,898,886	<b>8,895,790</b>	10,356,325
— current portion of long term bank loans	<b>7,427,187</b>	7,996,244	<b>944,421</b>	1,400,000
	<b>25,177,419</b>	28,895,130	<b>9,840,211</b>	11,756,325
After 1 year but within 2 years	<b>8,445,407</b>	7,135,207	<b>1,774,512</b>	910,494
After 2 years but within 5 years	<b>16,876,081</b>	16,480,920	<b>938,000</b>	1,161,450
After 5 years	<b>28,937,300</b>	27,088,883	—	—
	<b>54,258,788</b>	50,705,010	<b>2,712,512</b>	2,071,944
	<b>79,436,207</b>	79,600,140	<b>12,552,723</b>	13,828,269

All of the bank loans are unsecured, except for amounts totalling of RMB 13,901,805,000 (2011: RMB 11,848,413,000) which are secured by the income stream in respect of the sale of electricity and trade debtors for the sale of electricity of certain subsidiaries, and amounts totalling of RMB 3,577,350,000 (2011: RMB 3,350,216,000) which are secured by lease prepayments, construction in progress and property plant and equipment with an aggregate carrying value of RMB 2,708,131,000 (2011: RMB 1,931,946,000) of certain subsidiaries. None of the bank loans contain financial covenants.



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## 31 BORROWINGS (CONTINUED)

### (b) Loans from shareholders

	The Group		The Company	
	2012	2011	2012	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Due:				
Within 1 year				
— short term shareholders loans	—	967,390	—	250,000
— current portion of long term shareholders loans	<b>564,071</b>	2,000	—	—
	<b>564,071</b>	969,390	—	250,000
After 1 year but within 2 years	<b>1,457,388</b>	563,827	<b>45,152</b>	—
After 2 years but within 5 years	<b>898,564</b>	1,605,339	<b>130,623</b>	143,127
After 5 years	<b>100,000</b>	101,840	—	—
	<b>2,455,952</b>	2,271,006	<b>175,775</b>	143,127
	<b>3,020,023</b>	3,240,396	<b>175,775</b>	393,127

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

	The Group	
	2012	2011
	RMB'000	RMB'000
<b>Loans from Shandong International Trust Corporation ("SITC")</b>		
Floating interest rates is 6.70% per annum as at 31 December 2012 (2011: 6.89% to 9.18%), with maturities up to 2013	<b>198,000</b>	450,000
Fixed interest rate ranging from 7.30% to 7.70% per annum as at 31 December 2012 (2011: 6.3% to 7.70%), with maturity up to 2014	<b>974,268</b>	1,078,507
<b>Loans from China Huadian</b>		
Fixed interest rates ranging from 4.15% to 6.90% per annum as at 31 December 2012 (2011: 4.15% to 6.90%), with maturities up to 2021	<b>1,847,755</b>	1,711,889
	<b>3,020,023</b>	3,240,396

	The Company	
	2012	2011
	RMB'000	RMB'000
<b>Loans from SITC</b>		
Floating interest rates is 6.89% per annum as at 31 December 2011, with maturities up to 2012	—	250,000
<b>Loans from China Huadian</b>		
Fixed interest rates ranging from 5.18% to 6.90% per annum as at 31 December 2012 (2011: 5.18% to 6.90%), with maturities up to 2017	<b>175,775</b>	143,127
	<b>175,775</b>	393,127

At 31 December 2012, except for certain loans from China Huadian of the Group and the Company with a total nominal outstanding balance of RMB 661,650,000 (2011: RMB 509,340,000) and RMB 203,560,000 (2011: RMB 169,710,000) respectively, which are non-interest bearing, all loans from SITC and China Huadian of the Group and the Company are unsecured, interest bearing based on their respective costs of funds and with repayment terms disclosed above.

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## 31 BORROWINGS (CONTINUED)

### (c) State loans

	The Group		The Company	
	2012	2011	2012	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Due:				
Within 1 year				
— current portion of long term state loans	10,526	16,140	1,018	6,809
After 1 year but within 2 years	10,526	10,365	1,018	1,018
After 2 years but within 5 years	31,578	29,035	3,054	3,054
After 5 years	74,582	47,839	3,055	4,073
	116,686	87,239	7,127	8,145
	127,212	103,379	8,145	14,954

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

	The Group	
	2012	2011
	RMB'000	RMB'000
<b>Renminbi loans</b>		
Fixed interest rates mainly ranging from 2.55% to 2.82% per annum as at 31 December 2012 (2011: 2.55% to 2.82%), with maturities up to 2020	9,818	11,046
Floating interest rate of 3.30% per annum as at 31 December 2012 (2011: 3.80%) with maturity up to 2020	5,454	6,136
<b>US dollar loan</b>		
Floating interest rate of 0.66% per annum as at 31 December 2011 with maturity up to 2012	—	5,791
<b>EUR loan</b>		
Fixed interest rate is 3.09% per annum as at 31 December 2012 (2011: 3.09%), with maturity up to 2048	111,940	80,406
	127,212	103,379

	The Company	
	2012	2011
	RMB'000	RMB'000
<b>Renminbi loans</b>		
Fixed interest is 2.55% per annum as at 31 December 2012 (2011: 2.55%), with maturities up to 2020	8,145	9,163
<b>US dollar loan</b>		
Floating interest rate of 0.66% per annum as at 31 December 2011, with maturity up to 2012	—	5,791
	8,145	14,954

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## 31 BORROWINGS (CONTINUED)

### (c) State loans (continued)

The RMB state loans represent loans of RMB 9,818,000 obtained from Ministry of Finance of the PRC in 2006 and a loan of RMB 5,454,000 obtained from Ministry of Finance of Weifang Municipal Government in 2005. All RMB state loans are unsecured.

The Euro state loan represents a loan facility maximum of Euro 14.5 million granted by the KfW Bankengruppe of Germany to the PRC State Government pursuant to a loan agreement entered into in December 2008 base on a series of bilateral financial cooperation agreements between The Federal Republic of Germany and the PRC State Government. The loan is to finance the Qingdao central heating system under the Energy Efficiency programme. The PRC State Government on-lent the loan facility to Qingdao Heat Company through China Agricultural Bank and is guaranteed by Qingdao Finance Bureau. As at 31 December 2012, the total amount of the above state loan is Euro 13.49 million (2011: Euro 9.85 million).

### (d) Other loans

	The Group		The Company	
	2012	2011	2012	2011
	RMB '000	RMB '000	RMB '000	RMB '000
Due:				
Within 1 year				
— short term other loans	1,741,600	4,852,863	295,000	3,149,977
— current portion of long term other loans	1,645,290	574,960	3,000	3,000
	<u>3,386,890</u>	<u>5,427,823</u>	<u>298,000</u>	<u>3,152,977</u>
After 1 year but within 2 years	1,321,370	3,780,890	43,000	2,003,000
After 2 years but within 5 years	2,783,230	3,031,680	1,091,000	304,000
After 5 years	3,237,897	1,858,646	700,000	385,000
	<u>7,342,497</u>	<u>8,671,216</u>	<u>1,834,000</u>	<u>2,692,000</u>
	<u>10,729,387</u>	<u>14,099,039</u>	<u>2,132,000</u>	<u>5,844,977</u>

All of the other loans are unsecured except for amounts totalling RMB 430,140,000 (2011: RMB 2,508,450,000) in respect of certain subsidiaries, which are secured by the income stream in respect of the sale of electricity of these subsidiaries. All of the other loans are denominated in RMB. Details of the interest rates and maturity dates of other loans are as follows:

	The Group	
	2012	2011
	RMB '000	RMB '000
<b>Loans from China Huadian Finance</b>		
Floating interest rates ranging from 5.54% to 6.80% per annum as at 31 December 2012 (2011: 5.35% to 7.05%), with maturities up to 2025	6,108,505	5,926,085
Fixed interest rates ranging from 5.60% to 6.56% per annum as at 31 December 2012 (2011: 6.06% to 6.65%), with maturities up to 2013	550,000	560,000
<b>Others</b>		
Floating interest rates ranging from 5.54% to 7.21% per annum as at 31 December 2012 (2011: 5.64% to 8.53%), with maturities up to 2021	3,749,782	5,098,391
Fixed interest rates ranging from 5.90% to 7.76% per annum as at 31 December 2012 (2011: 5.90% to 7.22%), with maturities up to 2013	321,100	2,514,563
	<u>10,729,387</u>	<u>14,099,039</u>

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## 31 BORROWINGS (CONTINUED)

### (d) Other loans (continued)

	The Company	
	2012	2011
	RMB'000	RMB'000
<b>Loans from China Huadian Finance</b>		
Floating interest rates ranging from 6.15% to 6.56% per annum as at 31 December 2012 (2011: 6.65%), with maturities up to 2014	240,000	295,000
<b>Others</b>		
Floating interest rates ranging from 5.54% to 7.21% per annum as at 31 December 2012 (2011: 5.60% to 7.76%), with maturities up to 2019	1,797,000	3,394,700
Fixed interest rates is ranging from 5.40% to 5.68% per annum as at 31 December 2012 (2011: 5.90% to 6.56%), with maturities up to 2013	95,000	2,155,277
	<b>2,132,000</b>	<b>5,844,977</b>

### (e) Short-term debentures payable

	The Group and the Company	
	2012	2011
	RMB'000	RMB'000
First tranche of short-term debentures for the year of 2011	—	2,038,557
Second tranche of short-term debentures for the year of 2011	—	1,512,827
First tranche of short-term debentures for the year of 2012	1,561,247	—
Second tranche of short-term debentures for the year of 2012	2,019,847	—
Third tranche of short-term debentures for the year of 2012	1,497,736	—
First tranche of super short-term debentures for the year of 2012	3,555,984	—
Second tranche of super short-term debentures for the year of 2012	3,029,566	—
	<b>11,664,380</b>	<b>3,551,384</b>

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 RMB 1,500,000,000 with a maturity period of 366 days and bears interest at 4.68% per annum and is unsecured.

On 12 September 2012, the Company issued the second 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 RMB 2,000,000,000 with a maturity period of 366 days and bears interest at 4.22% per annum and is unsecured.

On 13 December 2012, the Company issued the third 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 RMB 1,500,000,000 with a maturity period of 366 days and bears interest at 4.65% per annum and is unsecured.

On 19 June 2012, the Company issued the first tranche of super-short-term debentures for the year of 2012 in the PRC interbank debenture market. The super-short-term debenture was issued at a total par value of RMB 3,500,000,000 with a maturity period of 270 days and bears interest at 3.15% per annum and is unsecured.

On 19 September 2012, the Company issued the second tranche of super-short-term debentures for the year of 2012 in the PRC interbank debenture market. The super-short-term debenture was issued at a total par value of RMB 3,000,000,000 with a maturity period of 270 days and bears interest at 4.15% per annum and is unsecured.

### (f) Long-term debentures payable

	The Group and the Company	
	2012	2011
	RMB'000	RMB'000
First tranche of medium-term notes for the year of 2009	—	1,499,052
Second tranche of medium-term notes for the year of 2009	1,494,467	1,489,957
First tranche of medium-term notes for the year of 2010	2,380,837	2,373,622
First tranche of medium-term notes for the year of 2012	1,480,248	—
First tranche of non-public private placement bonds for the year of 2012	4,997,041	—
	<b>10,352,593</b>	<b>5,362,631</b>
Less: Medium-term notes due within one year	—	(1,499,052)
	<b>10,352,593</b>	<b>3,863,579</b>

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 RMB 1,500,000,000 issued at par value of RMB 100 each and bears interest at 4.72% per annum.

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 RMB 5,000,000,000 issued at par value of RMB 100 each and bears interest at 5.02% per annum.

# Notes to the financial statements (Continued)

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## 32 OBLIGATIONS UNDER FINANCE LEASES

The Group had obligations under finance leases repayable as follows:

	At 31 December 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	311,480	323,419	143,119	149,306
After 1 year but within 2 years	287,047	316,230	146,174	162,360
After 2 years but within 5 years	357,738	429,582	341,004	429,388
	644,785	745,812	487,178	591,748
	956,265	1,069,231	630,297	741,054
Less: total future interest expenses		(112,966)		(110,757)
Present value of finance lease obligations		956,265		630,297

In 2012, the Group newly entered into three agreements with different leasing companies to sell certain of the Group's facilities to these leasing companies and leaseback the facilities for a 3 year to 5 year period. The Group has the option to purchase the facilities at a nominal price of RMB 1 at the end of the lease period. As at 31 December 2012, the net book value of the facilities held under finance lease included in property, plant and equipment and intangible assets amounted to RMB 1,003,795,000 and RMB 299,002,000 (2011: RMB 399,184,000 and RMB 315,927,000), respectively.

## 33 TRADE CREDITORS AND BILLS PAYABLE

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

## 34 OTHER PAYABLES

	The Group		The Company	
	2012	2011	2012	2011
	RMB '000	RMB '000	RMB '000	RMB '000
Financial liabilities				
— Quality guarantee deposits	1,243,762	1,314,977	64,381	51,047
— Consideration payables on acquisitions	391,857	1,564,316	308,533	1,470,144
— Payables on mining rights	—	1,017,335	—	—
— Interest payables	602,853	421,332	350,931	173,984
— Wages payable	109,538	110,055	23,340	19,898
— Payables for installed capacity quota	277,686	99,500	—	—
— Payables for sewage charges	88,986	72,742	32,037	22,813
— Dividend payables to non-controlling equity owners of subsidiaries	14,319	11,744	—	—
— Current portion of long-term payables (note (i))	808,233	131,462	—	—
— Current portion of medium-term notes	—	1,499,052	—	1,499,052
— Others (note (ii))	850,151	753,747	82,568	42,760
Sub-total	4,387,385	6,996,262	861,790	3,279,698
Other tax payables	458,444	320,395	87,325	63,479
Receipts in advance	925,907	791,135	2,582	1,544
	5,771,736	8,107,792	951,697	3,344,721

Notes:

- (i) Current portion of long-term payables mainly represents the current portion of payables to local governments for mining rights, the current portion of the default bank loans undertaken by a subsidiary under guarantee agreements and liability transfer agreements entered into between the bank, 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 and the Company are expected to be settled or recognised as income within one year or are repayable on demand.



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## 35 LONG-TERM PAYABLES

Long-term payables mainly represent the non-current payables to local governments on mining rights.

## 36 INCOME TAX IN THE BALANCE SHEET

### (a) Taxation in the balance sheet represents:

	The Group		The Company	
	2012	2011	2012	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Net tax payable/(recoverable) at 1 January	67,260	(2,286)	(23,903)	(23,907)
Additions through acquisition of subsidiaries	331	17,473	—	—
Provision for the year (note 13(a))	438,721	166,406	—	—
Over provision in respect of prior years (note 13(a))	(3,827)	(457)	—	4
Income tax paid	(364,501)	(113,876)	—	—
Net tax payable at 31 December	<b>137,984</b>	67,260	<b>(23,903)</b>	(23,903)
Representing:				
Tax payable	231,025	126,072	—	—
Tax recoverable	(93,041)	(58,812)	(23,903)	(23,903)
	<b>137,984</b>	67,260	<b>(23,903)</b>	(23,903)

### (b) Deferred tax assets and liabilities recognised

#### (i) The Group

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

	At 1 January 2011	Through acquisition of subsidiaries and control over a jointly controlled entity	(Charged)/ credited to profit or loss	Credited to fair value reserve	At 31 December 2011	Through acquisition of subsidiaries	(Charged)/ credited to profit or loss	Charged to fair value reserve	At 31 December 2012
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Provision for inventories and receivables	29,269	822	(3,334)	—	26,757	—	22,991	—	49,748
Depreciation of property, plant and equipment	(880,638)	(63,521)	(83,401)	—	(1,027,560)	—	(126,390)	—	(1,153,950)
Fair value adjustments on property, plant and equipment, construction in progress, intangible assets and equity investment	(1,244,060)	(380,753)	37,254	850	(1,586,709)	(93,844)	50,897	(3)	(1,629,659)
Long-term payables discounting	(172,163)	—	11,953	—	(160,210)	—	11,208	—	(149,002)
Expenses to be claimed on paid basis	9,505	—	(1,666)	—	7,839	—	267	—	8,106
Tax losses	441,227	14,745	206,071	—	662,043	—	(226,771)	—	435,272
Others	33,620	—	(30,847)	—	2,773	—	13,161	—	15,934
	<b>(1,783,240)</b>	<b>(428,707)</b>	<b>136,030</b>	<b>850</b>	<b>(2,075,067)</b>	<b>(93,844)</b>	<b>(254,637)</b>	<b>(3)</b>	<b>(2,423,551)</b>
			(note 13(a))	(note 15)		(note 41)	(note 13(a))	(note 15)	

# Notes to the financial statements (Continued)

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

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

#### (ii) The Company

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

	At 1 January 2011	(Charged)/ credit to profit or loss	At 31 December 2011	(Charged)/ credit to profit or loss	At 31 December 2012
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Provision for inventories and receivables	14,139	(93)	14,046	37	14,083
Through acquisition of a subsidiary	—	—	—	(1,067)	(1,067)
Fair value adjustment on equity investment	(62,280)	—	(62,280)	—	(62,280)
Expenses to be claimed on paid basis	891	552	1,443	658	2,101
	<u>(47,250)</u>	<u>459</u>	<u>(46,791)</u>	<u>(372)</u>	<u>(47,163)</u>

#### (iii) Reconciliation to the balance sheet

	The Group		The Company	
	2012	2011	2012	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Net deferred tax assets recognised in the balance sheet	<b>350,854</b>	415,090	—	—
Net deferred tax liabilities recognised in the balance sheet	<b>(2,774,405)</b>	(2,490,157)	<b>(47,163)</b>	(46,791)
	<u><b>(2,423,551)</b></u>	<u>(2,075,067)</u>	<u><b>(47,163)</b></u>	<u>(46,791)</u>

### (c) Deferred tax assets not recognised

In accordance with the accounting policy set out in note 2(v), the Group and the Company have not recognised deferred tax assets in respect of cumulative tax losses of RMB 5,542,876,000 (2011: RMB 4,640,006,000) and RMB 2,143,288,000 (2011: RMB 1,766,102,000) respectively. The expiration of tax losses under current tax legislation is as follows:

	The Group		The Company	
	2012	2011	2012	2011
	RMB'000	RMB'000	RMB'000	RMB'000
2012	—	20,391	—	—
2013	1,753,986	1,426,541	516,658	520,119
2014	61,344	23,923	—	—
2015	760,705	1,153,805	—	—
2016	2,073,814	2,015,346	1,248,374	1,245,983
2017	893,027	—	378,256	—
	<u>5,542,876</u>	<u>4,640,006</u>	<u>2,143,288</u>	<u>1,766,102</u>

### (d) Deferred tax liability not recognised

At 31 December 2012, taxable temporary differences relating to undistributed profits and PRC statutory reserves of subsidiaries and associates amounted to RMB 3,965,112,000 (2011: RMB 2,598,200,000). No deferred tax liability was recognised in respect of these taxable temporary differences as dividends from subsidiaries and associates are not subject to PRC income tax and the Group controls the dividend policy of these subsidiaries and has no plan to dispose of these subsidiaries and associates in the foreseeable future.

# Notes to the financial statements (Continued)

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## 37 DEFERRED INCOME

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

The upfront connection and installation fee recognised for the year amounting to RMB 71,118,000 (2011: RMB 50,169,000) is included in "Other revenue and net income" in the consolidated statement of comprehensive income (note 8).

## 38 SHARE CAPITAL, RESERVES AND DIVIDENDS

### (a) Movements in components of equity

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

	Share capital	Capital reserve	Statutory surplus reserve	Discretionary surplus reserve	Retained profits	Total equity
	RMB'000 (note38(c))	RMB'000 (note38(d)(i))	RMB'000 (note38(d)(ii))	RMB'000	RMB'000	RMB'000
Balance at 1 January 2011	6,771,084	4,632,906	1,465,465	68,089	2,216,580	15,154,124
Appropriation of general reserve	—	—	13,956	—	(13,956)	—
Contribution from the parent company	—	8,399	—	—	—	8,399
Total comprehensive income for the year	—	—	—	—	(701,781)	(701,781)
Balance at 31 December 2011 and 1 January 2012	6,771,084	4,641,305	1,479,421	68,089	1,500,843	14,460,742
Shares issued (note38(c))	600,000	1,229,084	—	—	—	1,829,084
Appropriation of general reserve	—	—	6,603	—	(6,603)	—
Contribution from the parent company	—	9,027	—	—	—	9,027
Total comprehensive income for the year	—	—	—	—	(28,063)	(28,063)
Balance at 31 December 2012	<u>7,371,084</u>	<u>5,879,416</u>	<u>1,486,024</u>	<u>68,089</u>	<u>1,466,177</u>	<u>16,270,790</u>

### (b) Dividends

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

	2012	2011
	RMB'000	RMB'000
Final dividend proposed after balance sheet date of RMB 0.065 per share (2011: RMB Nil per share)	<u>479,120</u>	<u>—</u>

Pursuant to a resolution passed at the Directors' meeting held on 27 March 2013, final dividend of RMB 0.065 per share will be payable to shareholders for 2012, subject to the approval of the shareholders at the coming Annual General Meeting.

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

	2012	2011
	RMB'000	RMB'000
Final dividend in respect of the previous financial year approved and paid during the year, of RMB Nil per share (2011: RMB Nil per share)	<u>—</u>	<u>—</u>

# Notes to the financial statements (Continued)

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

### (c) Share capital

	2012		2011	
	No. of shares		No. of shares	
	'000	RMB '000	'000	RMB '000
<b>Ordinary shares, registered issued and fully paid:</b>				
<b>A shares of RMB 1 each</b>				
At 1 January	5,340,056	5,340,056	5,340,056	5,340,056
Shares issued	600,000	600,000	—	—
At 31 December	5,940,056	5,940,056	5,340,056	5,340,056
<b>H shares of RMB 1 each</b>				
At 1 January and 31 December	1,431,028	1,431,028	1,431,028	1,431,028
<b>Total</b>				
At 31 December	7,371,084	7,371,084	6,771,084	6,771,084
At 1 January	6,771,084	6,771,084	6,771,084	6,771,084

All shares rank pari passu in all material respects.

On 4 July 2012, the Company completed a non-public offering to target subscribers to issue 600,000,000 A shares with a nominal value of RMB 1 each at an issue price of RMB 3.12 each. The 600,000,000 shares are listed on the Shanghai Stock Exchange but are subject to a period of restriction for disposal imposed ranging from 1 to 3 years from the date of completion of the issue. As at 31 December 2012, all of the 600,000,000 shares issued to target subscribers were still subject to restriction of disposal. Total net proceeds of the shares issued was RMB 1,829,084,377, of which RMB 600,000,000 was credited to share capital and the balance of RMB 1,229,084,377 was credited to the capital reserve account.

Up to the approval date of these financial statements, the business licence of the Company is yet to be renewed for the change in registered capital.

### (d) Nature and purposes of reserves

#### (i) Capital reserve

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

#### (ii) Statutory surplus reserves

##### General reserve

According to the Company's Articles of Association, the Company is required to transfer at least 10% (at the discretion of the board of directors) of its profit after taxation, as determined under PRC accounting rules and regulations, to a statutory general surplus reserve until the reserve balance reaches 50% of the registered capital. The transfer to this reserve must be made before distribution of a dividend to shareholders.

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

##### Specific reserve

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

#### (iii) Revaluation reserve

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

#### (iv) Fair value reserve

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

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

### (e) Distributability of reserves

According to the Company's Articles of Association, the retained profits available for distribution are the lower of the amount as determined under PRC accounting rules and regulations and the amount determined under IFRSs. As of 31 December 2012, the retained profits available for distribution were RMB 1,466,177,000 (2011: RMB 1,500,843,000).

### (f) Capital management

The Group's capital management objectives are:

- to ensure the Group's ability to continue as a going concern;
- to provide an adequate return to shareholders; and
- to maintain an optimal capital structure to reduce cost of capital.

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

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

The liabilities to assets ratio as at 31 December 2012 and 2011 were as follows:

	The Group		The Company	
	2012	2011	2012	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Total liabilities	<b>137,490,492</b>	125,258,815	<b>38,650,498</b>	32,211,745
Total assets	<b>165,221,048</b>	149,058,852	<b>54,921,288</b>	46,672,487
Liabilities to assets ratio	<b>83%</b>	84%	<b>70%</b>	69%

## 39 MATERIAL RELATED PARTY TRANSACTIONS

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

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

Name of related parties	Nature of relationship
China Huadian	A shareholder of the Company
SITC	A shareholder of the Company
China Huadian Engineering (Group) Corporation and its subsidiaries	Fellow subsidiaries of the Company
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
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
Huadian Hubei Power Generation Company Limited	A fellow subsidiary of the Company
Huadian Sichuan Power Company Limited	A fellow subsidiary of the Company
Longtan Coal Company	An associate of the Group
Ningxia Power Company (note (iv))	An associate of the Group
Huadian Coal	An associate of the Group
Beijing Anfu Real Estate Development Co., Ltd.	An associate of the Group
Huadian Technology & Trade Co., Ltd.	An associate of the Group
Yinxing Coal	An associate of the Group
Derong Hydropower Company	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 Company Limited	An associate of the Group
Shanxi Huasheng Tongpei Coal Sales Company Limited	An associate of the Group
Xibaipo Company	An associate of the Group
Linfen City Changfa Coal Coke Company Limited	An associate of the Group
Ningdong Railway Company	An associate of the Group
Changcheng Mine Company	An associate of the Group
Fucheng Mining Company	An associate of the Group
Sichuan Zhongxing Electric Power Development Company Limited ("Zhongxing Company") (note (iv))	An associate of the Group
Erpu Coal Transportation and Sales Company	An associate of the Group
Xiangcheng Hydropower Company	An associate of the Group
Jinshajiang Hydropower Company	An associate of the Group

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## 39 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

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

The Group had the following material transactions with shareholders, fellow subsidiaries and associates during the years ended 31 December 2012 and 2011, which were carried out in the ordinary course of business:

	2012	2011
	RMB'000	RMB'000
<u>Sale of electricity rights to</u>		
An associate	—	125,267
A fellow subsidiary	40,929	—
<u>Purchase of electricity from</u>		
An associate	—	150,651
<u>Purchase of coal from</u>		
China Huadian Associates	—	21,584
Fellow subsidiaries	2,574,356	1,549,100
	113,176	—
<u>Purchase of quota service from</u>		
A fellow subsidiary	174,030	100,000
<u>Sale of installed capacity quota to</u>		
A fellow subsidiary	50,000	—
<u>Purchase of construction service and equipment from</u>		
Fellow subsidiaries	433,070	427,378
<u>Loans obtained from</u>		
China Huadian and SITC	757,706	1,919,021
An associate	5,025,000	5,690,000
Fellow subsidiaries	100,000	650,000
<u>Loans repaid to</u>		
China Huadian and SITC	978,079	2,050,000
An associate	4,852,580	7,322,132
Fellow subsidiaries	103,000	230,000
<u>Working capital repaid to</u>		
A fellow subsidiary	105,061	—
<u>Proceeds obtained under sale and leaseback transaction from</u>		
An associate	250,000	—
<u>Lease payment under sale and leaseback transaction to</u>		
An associate	30,173	—
<u>Interest expenses</u>		
China Huadian and SITC	171,848	167,035
An associate	414,241	519,391
Fellow subsidiaries	38,575	35,320
<u>Interest income</u>		
Associates	37,134	34,311
<u>Repair and maintenance service provided to</u>		
Fellow subsidiaries	5,964	4,673
<u>Rental and management fee provided from</u>		
Associates	57,011	56,061
A fellow subsidiary	1,224	216
<u>Guarantee service provided from</u>		
China Huadian	6,100	—
An associate	1,500	—
<u>Other service provided from</u>		
Associates	175,862	86,958
Fellow subsidiaries	102,100	31,299
<u>Capital investment in</u>		
Associates	152,635	46,601

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## 39 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

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

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

	2012	2011
	RMB'000	RMB'000
<u>Construction and construction material prepayments</u>		
Fellow subsidiaries	252,866	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	464,400	241,895
Fellow subsidiaries	11,894	44,268
<u>Cash and cash equivalents</u>		
Deposits with an associate	2,028,275	1,077,982
<u>Other loans</u>		
An associate	(6,658,505)	(6,486,085)
Fellow subsidiaries	(497,000)	(500,000)
<u>Trade creditors and bills payable</u>		
Fellow subsidiaries	(373,190)	(268,597)
Associates	(69,394)	(5,997)
<u>Other payables to</u>		
An associate	(10,045)	(10,000)
Fellow subsidiaries	(302,833)	(99,500)
<u>Long-term payables under sale and leaseback transaction</u>		
An associate	(227,500)	—

Notes:

- (i) At 31 December 2012, Guang'an Company, a subsidiary of the Group, provided guarantees to banks for loans granted to Longtan Coal Company amounting to RMB 163,577,000 (2011: RMB 163,757,000).
- (ii) At 31 December 2012, China Huadian and China Huadian Finance provided guarantee to banks for loans granted to the Group amounting to RMB 3,202,648,000 (2011: RMB 3,711,804,000).
- (iii) In 2012, the Company acquired 100% of the equity and voting interests in Shuozhou Thermal Company from Huadian Shanxi Energy, details of acquisition are set out in note 41(a).
- (iv) In 2012, the Group disposed all its interests in Ningxia Power Company and Zhongxing Company. Before the disposal, the Group received interests income from Ningxia Power Company and Zhongxing Company with carrying amount of RMB 1,329,000 and RMB 1,760,000, respectively, and provided guarantees to banks for loans granted to Ningxia Power Company amounting to RMB25,110,000 (2011: RMB26,800,000). In addition, the Group acquired 5% of the equity interest in Yinxing Coal from Ningxia Power Company at a consideration of RMB 78,000,000 before the disposal.

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## 39 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

### (b) Transactions with key management personnel

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

	2012	2011
	RMB'000	RMB'000
Salaries and other emoluments	3,783	3,782
Retirement benefits	391	332
Bonuses	3,765	3,208
Deferred Compensation Plan	—	802
	<b>7,939</b>	<b>8,124</b>

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

### (c) Contributions to defined contribution retirement plans

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

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

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

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

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

— sale of electricity to the grid

The Group sells substantially all its electricity to local government-related power grid companies, and the tariff of electricity is regulated by relevant government. For the year ended 31 December 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 31 December 2012, management estimates that the ending balance of deposits in and the loans payables to other government-related entities are at least 50% and 70%, respectively, of its total deposits and loans.

— other transactions

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

### (e) Commitment with related parties

	2012	2011
	RMB'000	RMB'000
Capital commitment	225,789	368,215
Commitment on properties rental and management fees	115,376	156,076



# Notes to the financial statements (Continued)

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## 40 RETIREMENT PLANS

The Group is required to make contributions to retirement plans operated by the State at range from 18% to 20% (2011: 18% to 20%) of the total staff salaries. A member of the plan is entitled to receive from the State a pension equal to a fixed proportion of his or her salary prevailing at the retirement date. In addition, the Group and its staff participate in a retirement plan managed by China Huadian to supplement the above-mentioned plan. The Group has no other material obligation to make payments in respect of pension benefits associated with these plans other than the annual contributions described above.

The Group's contribution to these plans amounted to RMB 427,643,000 during the year (2011: RMB 364,094,000) which was charged to the consolidated statement of comprehensive income.

## 41 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 RMB 14,268,000, which was fully paid in cash by the Group.

#### 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	<u>13,201</u>

#### 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	<u>(13,201)</u>
Goodwill	<u>1,067</u>

### (b) Acquisition of 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 Star River Hydropower Company and 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 31 December 2012, Huanyu Company, Star River Hydropower Company and Ganbao Hydropower Company contributed turnover of RMB 56,941,000 and profit of RMB 25,928,000 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 RMB 59,105,311,000 and consolidated profit for the period of the Group would have been RMB 1,951,513,000. 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.

# Notes to the financial statements (Continued)

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

## 41 ACQUISITION OF SUBSIDIARIES (CONTINUED)

### (b) Acquisition of Huanyu Company (continued)

#### Consideration transferred

The fair value of the total consideration transferred on acquisition-date was RMB 483,164,000, which was fully paid in cash by the Group.

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
	<hr/> <hr/>

#### Goodwill

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

	RMB'000
Total consideration transferred	483,164
Fair value of identifiable net assets	(393,980)
	<hr/>
Goodwill	89,184
	<hr/> <hr/>

#### Acquisition-related costs

The Group incurred acquisition-related costs of RMB 1,250,000 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.

## 42 COMMITMENTS

### (a) Capital commitments

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

	The Group		The Company	
	2012	2011	2012	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Contracted for				
— Development of power plants	12,129,457	14,999,574	563,702	76,879
— Investments	1,156,696	1,487,686	1,156,696	1,487,686
— Improvement projects and others	205,017	262,221	46,482	78,065
	<hr/>	<hr/>	<hr/>	<hr/>
	13,491,170	16,749,481	1,766,880	1,642,630
	<hr/>	<hr/>	<hr/>	<hr/>
Authorised but not contracted for				
— Development of power plants	28,649,812	22,461,161	9,055,514	5,839,139
— Improvement projects and others	574,866	1,201,128	67,512	471,360
	<hr/>	<hr/>	<hr/>	<hr/>
	29,224,678	23,662,289	9,123,026	6,310,499
	<hr/>	<hr/>	<hr/>	<hr/>
	42,715,848	40,411,770	10,889,906	7,953,129
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

# Notes to the financial statements (Continued)

(Prepared under International Financial Reporting Standards)  
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## 42 COMMITMENTS (CONTINUED)

### (b) Operating lease commitments

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

	The Group and the Company	
	2012	2011
	RMB '000	RMB '000
Within 1 year	90,503	88,023
After 1 year but within 5 years	172,043	214,013
After 5 years	276,829	304,854
	<b>539,375</b>	<b>606,890</b>

## 43 CONTINGENT LIABILITIES

Haoyuan Company is a subsidiary acquired by the Group on 30 September 2011. As at 31 December 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 approval date of these financial statement 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.

At 31 December 2012, except for guarantees provided by the Group as disclosed in note 39(a), the Company provided guarantees to banks for loans granted to certain subsidiaries amounting to RMB 2,879,558,000 (2011:RMB 2,183,238,000).

Apart from the above litigations and guarantees, the Group has no other material contingent liabilities as at 31 December 2012.

## 44 FINANCIAL RISK MANAGEMENT AND FAIR VALUES

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

### (a) Interest rate risk

The interest rates and terms of repayment of the outstanding interest-bearing liabilities of the Group and the Company are disclosed in note 31. At 31 December 2012, fixed rate borrowings comprise 31% and 67% of total borrowings of the Group and the Company respectively (2011: 21% and 45%).

#### Sensitivity analysis

At 31 December 2012, it is estimated that a general increase of 100 basis points in interest rates, with all other variables held constant, would have decreased the Group's profit after tax and total equity by approximately RMB 614,971,000 (2011: RMB 655,494,000).

The sensitivity analysis above indicates the Group's exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the balance sheet date. The impact on the Group's profit after tax (and retained profits) and consolidated equity is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis is performed on the same basis for 2011.

### (b) Credit risk

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

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

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the balance sheet date, 35% and 74% (2011: 39% and 76%) of the total trade debtors and bills receivable were due from the Group's largest customer and the five largest customers respectively.

Except for the financial guarantees given by the Group as set out in note 39(a), the Group does not provide any other guarantees which would expose the Group or the Company to credit risk. The maximum exposure to credit risk in respect of these financial guarantees at the balance sheet date is disclosed in note 39(a).

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade debtors and bills receivable are set out in note 27.

# Notes to the financial statements (Continued)

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

## 44 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

### (c) Liquidity risk

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

At the balance sheet date, the Group had net current liabilities of RMB 39,253,754,000 (2011: RMB 41,001,865,000). With regards to its future capital commitments and other financing requirements, the Group has unutilised banking facilities and debt financing instruments of RMB 80.8 billion as at 31 December 2012.

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

#### The Group

	2012						2011					
	Contractual undiscounted cash outflow					Balance sheet carrying amount	Contractual undiscounted cash outflow					Balance sheet carrying amount
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total		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	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Short-term debentures	11,898,001	—	—	—	11,898,001	11,664,380	3,701,700	—	—	—	3,701,700	3,551,384
Bank loans	29,264,682	11,572,232	23,908,860	41,356,732	106,102,506	79,436,207	32,918,829	10,051,750	22,992,971	38,013,470	103,977,020	79,600,140
Loans from shareholders	723,621	1,561,981	1,043,034	114,224	3,442,860	3,020,023	1,129,125	672,652	1,798,574	120,944	3,721,295	3,240,396
State loans	13,906	13,391	37,080	89,444	153,821	127,212	18,899	12,590	32,669	49,273	113,431	103,379
Other loans	4,075,771	1,750,281	3,711,180	3,709,503	13,246,735	10,729,387	6,114,899	4,236,852	3,605,214	2,052,197	16,009,162	14,099,039
Trade creditors and bills payable	9,293,940	—	—	—	9,293,940	9,293,940	6,683,683	—	—	—	6,683,683	6,683,683
Amount due to the parent company	1,060	—	—	—	1,060	1,060	85,170	—	—	—	85,170	83,145
Obligations under finance lease	323,419	316,230	429,582	—	1,069,231	956,265	149,306	162,360	429,388	—	741,054	630,297
Other payables	4,387,385	—	—	—	4,387,385	4,387,385	5,498,672	—	—	—	5,498,672	5,497,210
Long-term debentures payable	471,920	1,926,190	9,179,193	—	11,577,303	10,352,593	1,660,955	150,120	4,095,273	—	5,906,348	5,362,631
Long-term payables	—	189,161	163,950	1,644,908	1,998,019	674,885	—	737,123	—	—	737,123	737,123
	<b>60,453,705</b>	<b>17,329,466</b>	<b>38,472,879</b>	<b>46,914,811</b>	<b>163,170,861</b>	<b>130,643,337</b>	<b>57,961,238</b>	<b>16,023,447</b>	<b>32,954,089</b>	<b>40,235,884</b>	<b>147,174,658</b>	<b>119,588,427</b>

# Notes to the financial statements (Continued)

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

## 44 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

### (c) Liquidity risk (continued)

#### The Company

	2012					Balance sheet carrying amount	2011					Balance sheet carrying amount
	Contractual undiscounted cash outflow						Contractual undiscounted cash outflow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total		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	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Short-term debentures	11,898,001	—	—	—	11,898,001	11,664,380	3,701,700	—	—	—	3,701,700	3,551,384
Bank loans	10,231,955	1,883,856	1,038,168	—	13,153,979	12,552,723	12,234,217	1,002,780	1,195,215	—	14,432,212	13,828,269
Loans from shareholders	9,803	56,103	164,523	—	230,429	175,775	274,527	7,778	182,808	—	465,113	393,127
State loans	1,213	1,187	3,405	3,288	9,093	8,145	7,048	1,213	3,483	4,488	16,232	14,954
Other loans	415,455	152,264	1,302,938	769,004	2,639,661	2,132,000	3,342,415	2,125,836	404,342	387,127	6,259,720	5,844,977
Trade creditors and bills payable	253,778	—	—	—	253,778	253,778	424,873	—	—	—	424,873	424,873
Amount due to the parent company	1,060	—	—	—	1,060	1,060	84,970	—	—	—	84,970	82,945
Amount due to subsidiaries	409,571	—	—	—	409,571	409,571	713,444	—	—	—	713,444	713,444
Other payables	861,790	—	—	—	861,790	861,790	1,780,646	—	—	—	1,780,646	1,780,646
Long-term debentures payable	471,920	1,926,190	9,179,193	—	11,577,303	10,352,593	1,660,955	150,120	4,095,273	—	5,906,348	5,362,631
	<u>24,554,546</u>	<u>4,019,600</u>	<u>11,688,227</u>	<u>772,292</u>	<u>41,034,665</u>	<u>38,411,815</u>	<u>24,224,795</u>	<u>3,287,727</u>	<u>5,881,121</u>	<u>391,615</u>	<u>33,785,258</u>	<u>31,997,250</u>

### (d) Currency risk

#### (i) Recognised assets and liabilities

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

#### (ii) Exposure to currency risk

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

#### The Group

	2012		2011	
	United States Dollars RMB'000	Euro RMB'000	United States Dollars RMB'000	Euro RMB'000
Cash and cash equivalents	13,076	—	4,710	—
Bank loans	(1,249,989)	(102,648)	(1,380,584)	(111,804)
State loans	—	(111,940)	(5,791)	(80,406)
Long-term payables	(732,803)	—	(784,673)	—
Net exposure arising from recognised liabilities	<u>(1,969,716)</u>	<u>(214,588)</u>	<u>(2,166,338)</u>	<u>(192,210)</u>

#### The Company

	2012		2011	
	United States Dollars RMB'000	Euro RMB'000	United States Dollars RMB'000	Euro RMB'000
Cash and cash equivalents	4,321	—	4,710	—
Bank loans	(965,663)	—	(1,349,837)	—
State loans	—	—	(5,791)	—
Net exposure arising from recognised liabilities	<u>(961,342)</u>	<u>—</u>	<u>(1,350,918)</u>	<u>—</u>

# Notes to the financial statements (Continued)

(Prepared under International Financial Reporting Standards)  
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## 44 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

### (d) Currency risk (continued)

#### (iii) Sensitivity analysis

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

#### The Group

	2012			2011		
	Decrease in foreign exchange rates	Effect on profit after tax and retained profits	Effect on consolidated equity	Decrease in foreign exchange rates	Effect on profit after tax and retained profits	Effect on consolidated equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
United States Dollars	(10%)	153,952	153,952	(10%)	162,475	162,475
Euro	(10%)	16,094	16,094	(10%)	14,416	14,416

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

A 10% weakening of RMB against the above currencies would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the balance sheet date. The analysis is performed on the same basis for 2011.

### (e) Fair values

#### (i) Financial instruments carried at fair value

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

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

# Notes to the financial statements (Continued)

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## 44 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

### (e) Fair values (continued)

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

2012	The Group				The Company			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Assets</b>								
Available-for-sale equity securities:								
— Listed	38,958	—	—	38,958	—	—	—	—

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

During the years ended 31 December 2012 and 2011, there were no significant transfers between instruments in Level 1 and Level 2.

#### (ii) Financial instruments carried at other than fair value

The carrying amounts of the Group's and the Company's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2012 and 2011 except as follows:

	2012		2011	
	Carrying amount RMB'000	Fair value RMB'000	Carrying amount RMB'000	Fair value RMB'000
<b>The Group:</b>				
Bank loans	1,079,760	1,083,012	1,031,828	1,037,208
Loans from shareholders	2,822,023	2,849,842	2,073,006	2,046,973
State loans	121,758	98,073	91,451	85,217
Other loans	69,500	75,503	—	—
Long-term debentures payable	10,673,307	10,653,996	5,479,076	5,497,190
<b>The Company:</b>				
Bank loans	337,112	336,046	170,124	164,375
Loans from shareholders	175,775	172,208	143,127	137,849
State loans	8,145	7,205	9,164	7,970
Long-term debentures payable	10,673,307	10,653,996	5,479,076	5,497,190

# Notes to the financial statements (Continued)

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

## 44 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

### (f) Estimation of fair values

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

#### (i) Securities

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

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

#### (ii) Long-term loans and borrowings

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

#### (iii) Financial guarantees

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

#### (iv) Other financial instruments

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

## 45 ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

### (a) Impairment for non-current assets

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

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

### (b) Depreciation

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets, after taking into account the estimated residual value. The Group reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation expense to be recorded during any reporting period. The useful lives are based on the Group's historical experience with similar assets and taking into account upgrading and improvement work performed, and anticipated technological changes. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

### (c) Impairment for bad and doubtful debts

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



# Notes to the financial statements (Continued)

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

## 45 ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

### (d) Deferred tax assets

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

### (e) Useful life of land use rights

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

## 46 SERVICE CONCESSION ARRANGEMENT

The Group entered into two service concession agreements with local governments (the "Grantors") to construct and operate wind power plants during the concession period, which is normally for 25 years of operation. The Group is responsible for construction and maintenance of the wind power plants during the concession period. At the end of the concession period, the Group needs to dispose of the wind power plants at nil consideration. Service concession construction revenue represents the revenue recognised during the construction stage of the service concession period. The same amount of cost is recorded since substantially all construction activities are sub-contracted. In 2012, there is no additional construction work incurred for service concession arrangement, and correspondingly no revenue and cost on service concession has been recognised in profit or loss.

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

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

## 47 PARENT AND ULTIMATE HOLDING COMPANY

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

## 48 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2012

Up to the date of issue of these financial statements, the IASB has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2012 and which have not been adopted in these financial statements.

	Effective for accounting periods beginning on or after
Amendments to IAS 1, <i>Presentation of financial statements</i>	
— <i>Presentation of items of other comprehensive income</i>	1 July 2012
IFRS 10, <i>Consolidated financial statements</i>	1 January 2013
IFRS 11, <i>Joint arrangements</i>	1 January 2013
IFRS 12, <i>Disclosure of interests in other entities</i>	1 January 2013
IFRS 13, <i>Fair value measurement</i>	1 January 2013
IAS 27, <i>Separate financial statements (2011)</i>	1 January 2013
IAS 28, <i>Investments in associates and joint ventures (2011)</i>	1 January 2013
Revised IAS 19, <i>Employee benefits</i>	1 January 2013
IFRIC 20, <i>Stripping costs in the production phase of a surface mine</i>	1 January 2013
Amendments to IFRS 7, <i>Financial instruments: Disclosures</i>	
— <i>Offsetting financial assets and financial liabilities</i>	1 January 2013
Annual Improvements to IFRSs - 2009-2011 Cycle	1 January 2013
Amendments to IFRS 10, <i>Consolidated financial statements</i> , IFRS 11 <i>Joint arrangements</i> and IFRS 12 <i>Disclosure of interests in other entities</i> - <i>Transition guidance</i>	1 January 2013
Amendments to IAS 32, <i>Financial instruments: Presentation</i>	
— <i>Offsetting financial assets and financial liabilities</i>	1 January 2014
Amendments to IFRS 10, IFRS 12 and IAS 27, <i>Investment entities</i>	1 January 2014
IFRS 9, <i>Financial instruments</i>	1 January 2015
Amendments to IFRS 9, <i>Financial instruments</i> , and IFRS 7, <i>Financial instruments: Disclosure - Mandatory effective data and transition disclosures</i>	1 January 2015

# Notes to the financial statements (Continued)

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

## 48 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

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

### **IFRS 10, Consolidated financial statements**

IFRS 10 replaces the requirements in IAS 27, *Consolidated and separate financial statements* relating to the preparation of consolidated financial statements and SIC 12 *Consolidation - Special purpose entities*. It introduces a single control model to determine whether an investee should be consolidated, by focusing on whether the entity has power over the investee, exposure to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns.

The application of IFRS 10 is not expected to have significant change on any of the control conclusions reached by the group in respect of its involvement with other entities as at 1 January 2013. However, it may in the future result in investees being consolidated which would not have been consolidated under the group's existing policies or vice versa.

### **IFRS 12, Disclosure of interests in other entities**

IFRS 12 brings together into a single standard all the disclosure requirements relevant to an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The disclosures required in IFRS 12 are generally more extensive than those required in the current standards. The group may have to make additional disclosures about its interests in other entities when the standard is adopted for the first time in 2013.

### **IFRS 13, Fair value measurement**

IFRS 13 replaces existing guidance in individual IFRSs with a single source of fair value measurement guidance. IFRS 13 also contains extensive disclosure requirements about fair value measurements for both financial instruments and non-financial instruments. IFRS 13 is effective as from 1 January 2013, but retrospective adoption is not required. The group estimates that the adoption of IFRS 13 will not have any significant impact on the fair value measurements of its assets and liabilities, but additional disclosures may need to be made in the 2013 financial statements.

# Five years financial summary

(Expressed in Renminbi)

	2008	2009	2010	2011	2012
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Turnover	29,997,264	36,449,643	45,197,500	54,178,060	<b>59,079,714</b>
(Loss)/profit before taxation	(3,189,801)	1,683,272	202,421	164,993	<b>2,637,279</b>
Income tax credit /(expense)	130,679	(101,273)	(116,536)	(29,919)	<b>(689,531)</b>
(Loss)/profit for the year	(3,059,122)	1,581,999	85,885	135,074	<b>1,947,748</b>
Attributable to:					
Equity shareholders of the Company	(2,560,103)	1,157,173	169,897	73,814	<b>1,446,792</b>
Non-controlling interests	(499,019)	424,826	(84,012)	61,260	<b>500,956</b>
(Loss)/profit for the year	(3,059,122)	1,581,999	85,885	135,074	<b>1,947,748</b>
Total non-current assets	78,861,310	93,681,806	118,956,666	136,057,039	<b>148,062,275</b>
Total current assets	6,556,117	7,558,092	9,604,733	13,001,813	<b>17,158,773</b>
Total assets	85,417,427	101,239,898	128,561,399	149,058,852	<b>165,221,048</b>
Total current liabilities	(27,751,825)	(32,215,639)	(46,660,227)	(54,003,678)	<b>(56,412,527)</b>
Total non-current liabilities	(41,728,822)	(47,719,101)	(60,038,351)	(71,255,137)	<b>(81,077,965)</b>
Net assets	15,936,780	21,305,158	21,862,821	23,800,037	<b>27,730,556</b>
Total equity attributable to equity shareholders of the Company	11,426,315	16,086,182	16,175,971	16,285,073	<b>19,444,378</b>
Non-controlling interests	4,510,465	5,218,976	5,686,850	7,514,964	<b>8,286,178</b>
Total equity	15,936,780	21,305,158	21,862,821	23,800,037	<b>27,730,556</b>

# Report of The PRC Auditors

## All Shareholders of Huadian Power International Corporation Limited:

We have audited the accompanying financial statements of Huadian Power International Corporation Limited ("the Company"), which comprise the consolidated balance sheet and balance sheet as at 31 December 2012, the consolidated income statement and income statement, the consolidated cash flow statement and cash flow statement, the consolidated statement of changes in shareholders' equity and statement of changes in shareholders' equity for the year then ended, and notes to the financial statements.

### 1. MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

### 2. AUDITORS' RESPONSIBILITY

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

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

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

### 3. OPINION

In our opinion, the financial statements present fairly, in all material respects, the consolidated financial position and financial position of the Company as at 31 December 2012, and the consolidated financial performance and financial performance and the consolidated cash flows and cash flows of the Company for the year then ended in accordance with the requirements of Accounting Standards for Business Enterprises issued by the Ministry of Finance of the People's Republic of China.

KPMG Huazhen  
(Special General Partnership)

China Beijing

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

Zou Jun

Zhang Nan

27 March 2013

# Consolidated balance sheet and balance sheet

As at 31 December 2012

(Prepared under China Accounting Standards for Business Enterprises)

(Expressed in Renminbi'000)

Item	Note	The Group		The Company	
		2012	2011	2012	2011
			(restated)		
<b>Current assets:</b>					
Cash at bank and on hand	V. 1	<b>3,102,559</b>	2,482,816	<b>747,136</b>	421,704
Bills receivable	V. 2	<b>634,417</b>	315,651	—	100
Trade receivables	V. 3; X. 1	<b>6,613,709</b>	4,925,610	<b>801,032</b>	858,753
Prepayments	V. 5	<b>928,111</b>	965,444	<b>148,651</b>	167,407
Other receivables	V. 4; X. 2	<b>1,401,057</b>	777,665	<b>7,162,580</b>	3,009,424
Inventories	V. 6	<b>3,383,132</b>	2,777,508	<b>295,418</b>	434,782
Dividends receivable		<b>66,940</b>	—	<b>78,431</b>	15,108
Non-current assets due within one year	V. 9	<b>42,094</b>	—	—	—
Other current assets	V. 7	<b>986,754</b>	765,862	<b>139,304</b>	139,705
<b>Total current assets</b>		<b>17,158,773</b>	13,010,556	<b>9,372,552</b>	5,046,983
<b>Non-current assets:</b>					
Available-for-sale financial assets	V. 8	<b>38,958</b>	39,506	—	—
Long-term receivables	V. 9; X. 3	<b>144,880</b>	176,365	<b>414,947</b>	361,018
Long-term equity investments	V. 10; X. 4	<b>10,304,950</b>	10,726,075	<b>36,501,622</b>	32,796,233
Fixed assets	V. 11	<b>106,881,257</b>	89,252,428	<b>8,070,992</b>	8,022,590
Construction in progress	V. 12	<b>11,670,930</b>	14,164,759	<b>800,635</b>	684,102
Construction materials	V. 13	<b>13,631</b>	160,856	—	—
Construction and construction material prepayments		<b>1,741,454</b>	5,126,817	<b>291,570</b>	123,028
Intangible assets	V. 14	<b>13,427,253</b>	13,287,396	<b>123,309</b>	131,512
Goodwill	V. 15	<b>873,186</b>	790,157	<b>12,111</b>	12,111
Deferred tax assets	V. 16	<b>363,770</b>	444,484	—	—
Other non-current assets	V. 17	<b>1,952,107</b>	1,366,952	<b>385,174</b>	604,253
<b>Total non-current assets</b>		<b>147,412,376</b>	135,535,795	<b>46,600,360</b>	42,734,847
<b>Total assets</b>		<b>164,571,149</b>	148,546,351	<b>55,972,912</b>	47,781,830

The notes on page 107 to 182 form part of these financial statements.

# Consolidated balance sheet and balance sheet (Continued)

As at 31 December 2012

(Prepared under China Accounting Standards for Business Enterprises)

(Expressed in Renminbi'000)

Item	Note	The Group		The Company	
		2012	2011 (restated)	2012	2011
<b>Current liabilities:</b>					
Short-term loans	V. 20	19,491,832	26,719,139	9,190,790	13,756,302
Bills payable	V. 21	449,120	1,265,832	—	320,000
Trade payables	V. 22	8,844,820	5,418,714	253,778	104,873
Receipts in advance	V. 23	925,907	791,135	20,888	6,956
Wages payable	V. 24	109,538	116,262	23,340	19,898
Taxes payable	V. 25	689,469	446,633	87,325	63,478
Interests payable	V. 26	602,853	421,332	350,931	173,984
Dividends payable		14,319	11,744	—	—
Other payables	V. 27	2,853,502	5,069,988	879,844	2,377,742
Short-term debentures payable	V. 28	11,664,380	3,551,384	11,664,380	3,551,384
Non-current liabilities due within one year	V. 29	10,766,787	10,362,977	948,439	2,908,861
<b>Total current liabilities</b>		<b>56,412,527</b>	54,175,140	<b>23,419,715</b>	23,283,478
<b>Non-current liabilities:</b>					
Long-term loans	V. 30	64,173,923	61,734,471	4,729,414	4,915,216
Debentures payable	V. 31	10,352,593	3,863,579	10,352,593	3,863,579
Long-term payables	V. 32	1,319,670	1,224,301	—	—
Special payables		12,223	6,500	5,656	6,500
Deferred tax liabilities	V. 16	2,652,423	2,376,916	46,121	46,791
Other non-current liabilities	V. 33	2,002,894	1,523,562	21,314	22,187
<b>Total non-current liabilities</b>		<b>80,513,726</b>	70,729,329	<b>15,155,098</b>	8,854,273
<b>Total liabilities</b>		<b>136,926,253</b>	124,904,469	<b>38,574,813</b>	32,137,751
<b>Shareholders' equity:</b>					
Share capital	V. 34	7,371,084	6,771,084	7,371,084	6,771,084
Capital reserve	V. 35	5,749,735	4,603,133	5,488,119	4,400,536
Specific reserve	V. 36	40,876	3,268	408	—
Surplus reserve	V. 37	1,554,113	1,547,510	1,554,113	1,547,510
Retained earnings	V. 38	4,586,124	3,175,032	2,984,375	2,924,949
Total equity attributable to equity shareholders of the Company		19,301,932	16,100,027	17,398,099	15,644,079
Minority interests		8,342,964	7,541,855	—	—
<b>Total shareholders' equity</b>		<b>27,644,896</b>	23,641,882	<b>17,398,099</b>	15,644,079
<b>Total liabilities and shareholders' equity</b>		<b>164,571,149</b>	148,546,351	<b>55,972,912</b>	47,781,830

These financial statements were approved by the Board of Directors on 27 March 2013.

**Yun Gongmin**  
Legal representative

**Chen Cunlai**  
The person in charge  
of accounting affairs

**Wang Huiping**  
The head of the  
accounting department

The notes on page 107 to 182 form part of these financial statements.

# Consolidated income statement and income statement

For the year ended 31 December 2012

(Prepared under China Accounting Standards for Business Enterprises)

(Expressed in Renminbi'000)

Item	Note	The Group		The Company	
		2012	2011	2012	2011
<b>Operating income</b>	V. 39; X. 5	<b>59,489,973</b>	54,490,807	<b>9,091,605</b>	8,899,020
Less: Operating costs	V. 39; X. 5	<b>49,968,358</b>	49,464,893	<b>7,920,299</b>	8,375,163
Sales taxes and surcharges	V. 40	<b>268,459</b>	209,380	<b>61,299</b>	45,309
Administrative expenses	V. 41	<b>1,843,128</b>	1,519,748	<b>451,457</b>	405,386
Finance expenses	V. 42	<b>6,222,704</b>	4,925,259	<b>1,756,714</b>	1,342,264
Impairment loss/(reversal)	V. 44	<b>224,807</b>	(13,025)	<b>35,083</b>	(378)
Add: Investment income	V. 43; X. 6	<b>1,104,134</b>	1,281,786	<b>1,184,831</b>	1,398,841
Including: income from investment in associates		<b>613,037</b>	556,872	<b>384,735</b>	443,763
<b>Operating profit / (loss)</b>		<b>2,066,651</b>	(333,662)	<b>51,584</b>	130,117
Add: Non-operating income	V. 45	<b>756,519</b>	531,000	<b>15,405</b>	10,295
Less: Non-operating expenses	V. 46	<b>207,863</b>	20,550	<b>1,630</b>	1,304
Including: losses on disposal of non-current assets		<b>8,543</b>	3,137	<b>599</b>	—
<b>Total profit</b>		<b>2,615,307</b>	176,788	<b>65,359</b>	139,108
Less: Income tax expenses	V. 47	<b>698,335</b>	32,065	<b>(670)</b>	(455)
<b>Net profit</b>		<b>1,916,972</b>	144,723	<b>66,029</b>	139,563
Attributable to:					
Equity shareholders of the Company		<b>1,417,695</b>	79,193	<b>66,029</b>	139,563
Minority interests		<b>499,277</b>	65,530	—	—
<b>Earnings per share (RMB):</b>					
Basic earnings per share	V. 48	<b>0.201</b>	0.012	<b>N/A</b>	N/A
Diluted earnings per share	V. 48	<b>0.201</b>	0.012	<b>N/A</b>	N/A
<b>Add: Other comprehensive income</b>	V. 49	<b>8,932</b>	(8,112)	<b>8,093</b>	(5,045)
<b>Total comprehensive income</b>		<b>1,925,904</b>	136,611	<b>74,122</b>	134,518
Attributable to:					
Equity shareholders of the Company		<b>1,426,753</b>	71,201	<b>74,122</b>	134,518
Minority interests		<b>499,151</b>	65,410	—	—

These financial statements were approved by the Board of Directors on 27 March 2013.

**Yun Gongmin**  
Legal representative

**Chen Cunlai**  
The person in charge  
of accounting affairs

**Wang Huiping**  
The head of the  
accounting department

The notes on page 107 to 182 form part of these financial statements.

# Consolidated cash flow statement and cash flow statement

For the year ended 31 December 2012

(Prepared under China Accounting Standards for Business Enterprises)

(Expressed in Renminbi'000)

Item	Note	The Group		The Company	
		2012	2011 (restated)	2012	2011
<b>I. Cash flow from operating activities:</b>					
Cash received from sale of goods and rendering of services		<b>68,117,499</b>	62,747,252	<b>10,588,185</b>	10,109,635
Refund of taxes		<b>11,356</b>	15,022	<b>53</b>	—
Cash received relating to other operating activities	V. 50(1)	<b>1,021,234</b>	772,283	<b>321,166</b>	496,983
Sub-total of cash inflow from operating activities		<b>69,150,089</b>	63,534,557	<b>10,909,404</b>	10,606,618
Cash paid for goods and services		<b>(48,665,045)</b>	(50,336,509)	<b>(7,493,539)</b>	(8,422,806)
Cash paid to and for employees		<b>(2,902,545)</b>	(2,535,822)	<b>(713,194)</b>	(627,970)
Cash paid for all types of taxes		<b>(3,120,899)</b>	(2,242,952)	<b>(549,958)</b>	(399,956)
Cash paid relating to other operating activities	V. 50(2)	<b>(2,178,995)</b>	(1,686,632)	<b>(870,192)</b>	(389,731)
Sub-total of cash outflow from operating activities		<b>(56,867,484)</b>	(56,801,915)	<b>(9,626,883)</b>	(9,840,463)
<b>Net cash inflow from operating activities</b>	V. 51(1); X. 7	<b>12,282,605</b>	6,732,642	<b>1,282,521</b>	766,155
<b>II. Cash flow from investing activities:</b>					
Cash received from disposal of investments		<b>612,912</b>	105,656	<b>917,945</b>	102,400
Cash received for the upfront connection and installation fees for heating networks		<b>564,848</b>	679,522	—	—
Cash received from return on investments		<b>129,861</b>	283,624	<b>353,957</b>	464,423
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		<b>270,100</b>	10,631	<b>5,454</b>	328
Cash received relating to other investing activities	V. 50(3)	<b>202,142</b>	166,218	<b>66,180</b>	73,136
Sub-total of cash inflow from investing activities		<b>1,779,863</b>	1,245,651	<b>1,343,536</b>	640,287
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		<b>(16,176,889)</b>	(12,410,920)	<b>(894,545)</b>	(602,108)
Cash paid for acquisition of investments		<b>(300,315)</b>	(497,023)	<b>(7,511,887)</b>	(1,653,399)
Cash paid for acquisition of subsidiaries	V. 51(2)	<b>(1,660,911)</b>	(1,553,756)	<b>(1,719,165)</b>	(2,186,654)
Cash paid relating to other investing activities	V. 50(4)	<b>(49,830)</b>	(52,142)	<b>(15)</b>	(22,566)
Sub-total of cash outflow from investing activities		<b>(18,187,945)</b>	(14,513,841)	<b>(10,125,612)</b>	(4,464,727)
<b>Net cash outflow from investing activities</b>		<b>(16,408,082)</b>	(13,268,190)	<b>(8,782,076)</b>	(3,824,440)

The notes on page 107 to 182 form part of these financial statements.



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

For the year ended 31 December 2012

(Prepared under China Accounting Standards for Business Enterprises)

(Expressed in Renminbi'000)

Item	Note	The Group		The Company	
		2012	2011	2012	2011
			(restated)		
<b>III. Cash flow from financing activities:</b>					
Cash received from investors		<b>2,215,722</b>	218,699	<b>1,829,084</b>	—
Including: cash received from minority shareholders of subsidiaries		<b>386,638</b>	218,699	—	—
Cash received from borrowings		<b>72,136,500</b>	62,107,628	<b>39,049,905</b>	27,276,007
Decrease in guarantee deposits of bank acceptance bills		<b>502,938</b>	120,844	—	—
Cash received relating to other financing activities	V. 50(5)	<b>1,251,011</b>	192,354	<b>6,156</b>	4,000
Sub-total of cash inflow from financing activities		<b>76,106,171</b>	62,639,525	<b>40,885,145</b>	27,280,007
Cash repayments of borrowings		<b>(62,764,532)</b>	(48,267,847)	<b>(31,467,399)</b>	(22,580,069)
Cash paid for dividends, profits distribution or interest		<b>(6,882,785)</b>	(5,695,380)	<b>(1,571,604)</b>	(1,347,522)
Including: dividends and profits paid to minority shareholders of subsidiaries		<b>(119,127)</b>	(25,274)	—	—
Increase in guarantee deposits of bank acceptance bills and restricted deposit		<b>(247,888)</b>	(383,701)	—	—
Cash paid relating to other financing activities	V. 50(6)	<b>(1,145,696)</b>	(876,857)	<b>(21,155)</b>	(29,246)
Sub-total of cash outflow from financing activities		<b>(71,040,901)</b>	(55,223,785)	<b>(33,060,158)</b>	(23,956,837)
<b>Net cash inflow from financing activities</b>		<b>5,065,270</b>	7,415,740	<b>7,824,987</b>	3,323,170
<b>IV. Net increase in cash and cash equivalents</b>	V. 51(1); X. 7	<b>939,793</b>	880,192	<b>325,432</b>	264,885
Add: Cash and cash equivalents at the beginning of the year		<b>2,120,281</b>	1,240,089	<b>421,704</b>	156,819
<b>V. Cash and cash equivalents at the end of the year</b>		<b>3,060,074</b>	2,120,281	<b>747,136</b>	421,704

These financial statements were approved by the Board of Directors on 27 March 2013.

**Yun Gongmin**  
Legal representative

**Chen Cunlai**  
The person in charge  
of accounting affairs

**Wang Huiping**  
The head of the  
accounting department

The notes on page 107 to 182 form part of these financial statements.

# Consolidated statement of changes in equity

For the year ended 31 December 2012

(Prepared under China Accounting Standards for Business Enterprises)

(Expressed in Renminbi'000)

Item	Note	2012						
		Attributable to shareholders' equity of the Company						Total equity
		Share capital	Capital reserve	Specific reserve	Surplus reserve	Retained profits	Minority interests	
<b>I. Balance at the end of previous year</b>		<b>6,771,084</b>	<b>4,607,401</b>	<b>3,268</b>	<b>1,547,510</b>	<b>3,175,032</b>	<b>7,541,855</b>	<b>23,646,150</b>
Add: Adjustment of business combination involving an entity under common control		—	(4,268)	—	—	—	—	(4,268)
<b>II. Balance at the beginning of the year (restated)</b>		<b>6,771,084</b>	<b>4,603,133</b>	<b>3,268</b>	<b>1,547,510</b>	<b>3,175,032</b>	<b>7,541,855</b>	<b>23,641,882</b>
<b>III. Changes in equity for the year</b>								
1. Net profit		—	—	—	—	1,417,695	499,277	1,916,972
2. Other comprehensive income		—	9,058	—	—	—	(126)	8,932
Sub-total	V. 35	—	9,058	—	—	1,417,695	499,151	1,925,904
3. Shares issued		600,000	1,229,084	—	—	—	—	1,829,084
4. Capital contribution by the state	V. 35	—	34,089	—	—	—	20,848	54,937
5. Disposal of an associate		—	(171,319)	(11,338)	—	—	—	(182,657)
6. Capital injection from minority shareholders to subsidiaries		—	—	—	—	—	386,638	386,638
7. Distribution to minority shareholders of subsidiaries		—	—	—	—	—	(121,702)	(121,702)
8. Fair value adjustment of interest free loans granted by China Huadian Corporation	V. 35	—	35,181	—	—	—	5,438	40,619
9. Appropriation for general reserve	V. 37	—	—	—	6,603	(6,603)	—	—
10. Appropriation for specific reserve	V. 36	—	—	81,756	—	—	15,749	97,505
11. Utilisation for specific reserve		—	—	(32,810)	—	—	(5,023)	(37,833)
12. Other	V. 35	—	10,509	—	—	—	10	10,519
<b>IV. Balance at the end of the year</b>		<b>7,371,084</b>	<b>5,749,735</b>	<b>40,876</b>	<b>1,554,113</b>	<b>4,586,124</b>	<b>8,342,964</b>	<b>27,644,896</b>

The notes on page 107 to 182 form part of these financial statements.

# Consolidated statement of changes in equity (Continued)

For the year ended 31 December 2012

(Prepared under China Accounting Standards for Business Enterprises)

(Expressed in Renminbi'000)

Item	2011						Total equity
	Attributable to shareholders' equity of the Company					Minority interests	
	Share capital	Capital reserve	Specific reserve	Surplus reserve	Retained profits		
<b>I. Balance at the end of previous year</b>	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
<b>II. Balance at the beginning of the year (restated)</b>	6,771,084	4,522,428	—	1,533,554	3,109,795	5,660,337	21,597,198
<b>III. Changes in equity for the year</b>							
1. Net profit	—	—	—	—	79,193	65,530	144,723
2. Other comprehensive income	—	(7,992)	—	—	—	(120)	(8,112)
Sub-total	—	(7,992)	—	—	79,193	65,410	136,611
3. Acquisition of subsidiaries	—	—	—	—	—	1,354,518	1,354,518
4. Acquisition of control over a jointly controlled entity	—	—	—	—	—	240,248	240,248
5. Disposal of subsidiaries	—	—	—	—	—	(7,147)	(7,147)
6. Acquisition of minority interests	—	(375)	—	—	—	(44,027)	(44,402)
7. Capital injection from minority shareholders to subsidiaries	—	—	—	—	—	308,014	308,014
8. Adjustment of business combination involving an entity under common control	—	(14,268)	—	—	—	—	(14,268)
9. Appropriation for specific reserve	—	—	3,268	—	—	577	3,845
10. Appropriation for surplus reserve	—	—	—	13,956	(13,956)	—	—
11. Distribution to minority shareholders of subsidiaries	—	—	—	—	—	(94,169)	(94,169)
12. Fair value adjustment of interest free loans granted by China Huadian Corporation	—	39,833	—	—	—	9,537	49,370
13. Capital contribution by the state	—	59,685	—	—	—	48,557	108,242
14. Other	—	3,822	—	—	—	—	3,822
<b>IV. Balance at the end of the year (restated)</b>	6,771,084	4,603,133	3,268	1,547,510	3,175,032	7,541,855	23,641,882

These financial statements were approved by the Board of Directors on 27 March 2013.

**Yun Gongmin**  
Legal representative

**Chen Cunlai**  
The person in charge  
of accounting affairs

**Wang Huiping**  
The head of the  
accounting department

The notes on page 107 to 182 form part of these financial statements.

# Statement of changes in equity

For the year ended 31 December 2012

(Prepared under China Accounting Standards for Business Enterprises)

(Expressed in Renminbi'000)

Item	2012					Total equity
	Share capital	Capital reserve	Specific reserve	Surplus reserve	Retained profits	
<b>I. Balance at the end of previous year and the beginning of the year</b>	<b>6,771,084</b>	<b>4,400,536</b>	<b>—</b>	<b>1,547,510</b>	<b>2,924,949</b>	<b>15,644,079</b>
<b>II. Changes in equity for the year</b>						
1. Net profit	—	—	—	—	66,029	66,029
2. Other comprehensive income	—	8,093	—	—	—	8,093
Sub-total	—	8,093	—	—	66,029	74,122
3. Shares issued	600,000	1,229,084	—	—	—	1,829,084
4. Business combination involving an entity under common control	—	(4,268)	—	—	—	(4,268)
5. Disposal of an associate	—	(171,319)	(11,338)	—	—	(182,657)
6. Appropriation for surplus reserve	—	—	—	6,603	(6,603)	—
7. Appropriation for specific reserve	—	—	11,746	—	—	11,746
8. Capital contribution by the state	—	6,500	—	—	—	6,500
9. Fair value adjustment of interest free loans granted by China Huadian Corporation	—	9,027	—	—	—	9,027
10. Other	—	10,466	—	—	—	10,466
<b>III. Balance at the end of the year</b>	<b>7,371,084</b>	<b>5,488,119</b>	<b>408</b>	<b>1,554,113</b>	<b>2,984,375</b>	<b>17,398,099</b>

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

These financial statements were approved by the Board of Directors on 27 March 2013.

**Yun Gongmin**  
Legal representative

**Chen Cunlai**  
The person in charge  
of accounting affairs

**Wang Huiping**  
The head of the  
accounting department

The notes on page 107 to 182 form part of these financial statements.

# Notes to the financial statements

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

## I. COMPANY STATUS

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

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

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

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

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

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

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

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

In June 2012, the Company was approved by China Securities Regulatory Commission, with Zheng Jian Xu Ke [2012] No. 263, to issue 600,000,000 RMB ordinary shares with par value of RMB 1 each to target subscribers. The Company completed the non-public issue on 4 July 2012. 60,000,000 shares of total shares issued shall not be transferred within 12 months from the date of completion of the non-public issue, while the rest 540,000,000 shares shall not be transferred within 36 months from the date of completion. The Company proposed a change in register capital to RMB 7,371,084,200, however, up to the approval date of these financial statements, the business licence of the Company is yet to be renewed for the change.

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 31 December 2012, and the consolidated financial performance and financial performance and the consolidated cash flows and cash flows of the Company for the year then ended.

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

# Notes to the financial statements (Continued)

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

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

### 3 Accounting period

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

### 4 Functional currency

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

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

#### (1) Business combinations involving enterprises under common control

A business combination involving enterprises under common control is a business combination in which all of the combining enterprises are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. The assets and liabilities obtained are measured at the carrying amounts as recorded by the enterprise being combined at the combination date. The difference between the carrying amount of the net assets obtained and the carrying amount of consideration paid for the combination (or the total face value of shares issued) is adjusted to share premium in the capital reserve. If the balance of share premium is insufficient, any excess is adjusted to retained profits. Any costs directly attributable to the combination are recognised in profit or loss for the current year 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 year. Other acquisition-related costs arising from the business combination are recognised as expenses in the year in which the costs are incurred. The difference between the fair value and the carrying amount of the assets transferred is recognised in profit or loss. The acquiree's identifiable assets, liabilities and contingent liabilities, if satisfying the recognition criteria, are recognised by the Group at their fair value at the acquisition date. The acquisition date is the date on which the acquirer effectively obtains control of the acquiree.

### 6 Preparation of consolidated financial statements

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

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

Where a subsidiary was acquired during the reporting period, through a business combination involving enterprises not under common control, the identifiable assets and liabilities of the acquired subsidiaries are included in the scope of consolidation from the date that control commences, 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 year; 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 year.

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 year 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 (Continued)

(Prepared under China Accounting Standards for Business Enterprises)  
(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 year 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.

### 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 (Continued)

(Prepared under China Accounting Standards for Business Enterprises)  
(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.

#### (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 (Continued)

(Prepared under China Accounting Standards for Business Enterprises)  
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## 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.

#### — 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 (Continued)

(Prepared under China Accounting Standards for Business Enterprises)  
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## 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.

### 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 other than through a business combination

— A long-term equity investment acquired other 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 (Continued)

(Prepared under China Accounting Standards for Business Enterprises)  
(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.

- 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 (Continued)

(Prepared under China Accounting Standards for Business Enterprises)  
(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.

#### (5) Disposal of long-term equity investment

On disposal of a long-term equity investment, the Group recognise the difference between the proceeds actually received and the carryin amount in profit or loss. For Long-term equity investments accounted for using the equity method, any change in the owners' equity of the investee included in the owner's equity of the investing enterprise, is transferred to profit or loss according to the proportion disposed of.

### 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.

When proved and probable coal reserves have been determined, costs incurred to develop coal mines are capitalised as part of the cost of the mining structures. When stripping activities can be shown to give rise to future benefits from the mineral property, the Group will capitalise the related production stripping costs into mining structure, including production stripping costs for surface mining activities.

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.

# Notes to the financial statements (Continued)

(Prepared under China Accounting Standards for Business Enterprises)  
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## II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 13 Fixed assets (continued)

#### (2) Depreciation

Other than mining structures which are depreciated on a units-of-production method, fixed assets are depreciated using the straight-line method over their estimated useful lives 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.

#### (3) For the method of impairment testing and measuring, refer to Note II. 18.

#### (4) Recognition and measurement of fixed assets acquired under finance leases

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

#### (5) Disposal

The carrying amount of a fixed asset shall be derecognised:

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

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

### 14 Construction in progress

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

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

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

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

### 15 Borrowing costs

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

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

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

- Where funds are borrowed specifically for the acquisition, construction of a qualifying asset, the amount of interest to be capitalised is the interest expense calculated using effective interest rates during the year 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.

# Notes to the financial statements (Continued)

(Prepared under China Accounting Standards for Business Enterprises)  
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## II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 15 Borrowing costs (continued)

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

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

### 16 Intangible assets

Intangible assets are stated in the balance sheet at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see Note II. 18). For an intangible asset with finite useful life, its cost less 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 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.

### 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

# Notes to the financial statements (Continued)

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

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

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

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

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

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

If the result of the recoverable amount calculation indicates the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is recognised as an impairment loss and charged to profit or loss for the current year. 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 year.

### 19 Provisions

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

### 20 Revenue recognition

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

#### (1) Sale of electricity

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

#### (2) Sale of heat

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

#### (3) Sale of coal

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

#### (4) Interest income

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

#### (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.

# Notes to the financial statements (Continued)

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

### 20 Revenue recognition (continued)

#### (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 year.

#### (1) Social insurance, 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.

#### (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, production safety and other similar funds

Pursuant to the relevant regulations of the related government authorities in the PRC, provision for production maintenance, production safety and other similar fund is accrued by the Group based on coal production volume for mining production maintenance, equipment improvement expenditure, coal production, safety expenditure of mining structure and environmental protection. Provision for maintenance and production funds is recognised 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 (Continued)

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## 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.

### 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 (Continued)

(Prepared under China Accounting Standards for Business Enterprises)  
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## 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.

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.

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.

# Notes to the financial statements (Continued)

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

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

### 29 Significant accounting estimates and judgments

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

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

#### (1) Impairment of receivables

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

#### (2) Impairment of other assets 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 (Continued)

(Prepared under China Accounting Standards for Business Enterprises)  
(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 year, is VAT payable.	17%
— Sales of electricity and coal		13%
— Sales of heat		1-7%
City maintenance and construction tax	Based on VAT payable	3-5%
Education surcharge	Based on VAT payable	0-25%
Enterprise income tax ("EIT") (Note)	Based on taxable profits	

Note:

Except for 15 subsidiaries of the Group which are entitled to preferential tax treatments listed below, The Company and its other subsidiaries' income tax is calculated at the statutory rate of 25% (2011: 25%).

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
Huadian Ningxia Lingwu Power Generation Company Limited ("Lingwu Company")	15%	Enterprise income tax preferential policies on the development of the Western Region (Note (1))
Sichuan Huadian Zagunao Hydroelectric Development Company Limited ("Zagunao Hydroelectric Company")	15%	Enterprise income tax preferential policies on the development of the Western Region (Note (1))
Lixian Star River Hydropower Company Limited ("Star River Hydropower Company")	15%	Enterprise income tax preferential policies on the development of the Western Region (Note (1))
Lixian Star River Ganbao Hydropower Company Limited ("Ganbao Hydropower Company")	15%	Enterprise income tax preferential policies on the development of the Western Region (Note (1))
Huadian Laizhou Wind Power Generation Company Limited ("Laizhou Wind Power Company")	12.5%	Major public infrastructure project supported by the State (Note (2))
Huadian International Ningxia New Energy Power Company Limited, Ningdong Branch("Ningdong Branch") Phase I	7.5%	Enterprise income tax preferential policies on the development of the Western Region (Note (1))
Ningdong Branch Phase II	—	Major public infrastructure project supported by the State (Note (2))
Ningdong Branch Phase III and IV	—	Enterprise income tax preferential policies on the development of the Western Region (Note (1))
Huadian International Ningxia New Energy Power Company Limited, Yueliangshan Branch ("Yueliangshan Branch") Phase I and II	—	Major public infrastructure project supported by the State (Note (2))
Sichuan Liangshan Shuiluohe Hydropower Development Company Limited ("Shuiluohe Company")	—	Enterprise income tax preferential policies on the development of the Western Region (Note (1))
Huadian Inner Mongolia Kailu Wind Power Company Limited ("Kailu Company")	—	Major public infrastructure project supported by the State (Note (2))
Hebei Huadian Guyuan Wind Power Company Limited ("Guyuan Company")	—	Major public infrastructure project supported by the State (Note (2))
Huadian Ningxia Ningdong Shangde Solar Energy Company Limited ("Ningdong Shangde Company")	—	Major public infrastructure project supported by the State (Note (2))
Huadian Kezuo Zhongqi Wind Power Company Limited ("Kezuo Zhongqi Wind Power Company")	—	Major public infrastructure project supported by the State (Note (2))
Sichuan Huadian Luding Hydropower Company Limited ("Luding Hydropower Company")	—	Enterprise income tax preferential policies on the development of the Western Region (Note (1))
Huadian Laizhou Wind Power Company Limited ("Laizhou Wind Company")	—	Major public infrastructure project supported by the State (Note (2))
Hebei Huadian Kangbao Wind Power Company Limited ("Kangbao Wind Company")	—	Major public infrastructure project supported by the State (Note (2))
Hebei Huadian Yuzhou Wind Power Company Limited ("Yuzhou Wind Company")	—	Major public infrastructure project supported by the State (Note (2))

(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) issued in April 2012, 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 addition, power generation companies located in Western region is continuously entitled with the preferential tax treatments before its expiry date which allow them to be exempted from EIT for the first two years as of the tax year when the first revenue arising from production or operation is attributable to, and shall be taxed at half rate for the third to the fifth years. In accordance with the approval document issued by Local Administration of Taxation, Lingwu Company, Zagunao Hydroelectric Company's, Star River Hydropower Company's and Ganbao Hydropower Company, Ningdong Branch, Shuiluohe Company and Luding Hydropower Company's EIT rate for the year ended 31 December 2012 had been reduced to 15%, of which, Shuiluohe Company continuously entitled with the tax exemption policy of Western region mentioned above in 2012, while Ningdong Branch and Luding Hydropower Company are entitled with preferential tax rate granted for major public infrastructure project supported by the State (see note (2)).

# Notes to the financial statements (Continued)

(Prepared under China Accounting Standards for Business Enterprises)  
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## III. TAXATION (CONTINUED)

### 1 Main types of taxes and corresponding rates (continued)

Note: (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
Yuzhou Company	2012-2014	2015-2017	Hebei Yuxian Administration of Taxation
Ningdong Branch Phase III and IV	2012-2014	2015-2017	Yinchuan State Administration of Taxation of Ningxia Hui Nationality Autonomous Region
Yueliangshan Branch Phase III and IV	2012-2014	2015-2017	Yinchuan State Administration of Taxation of Ningxia Hui Nationality Autonomous Region

## IV. BUSINESS COMBINATIONS AND THE CONSOLIDATED FINANCIAL STATEMENTS

### 1 Background of major subsidiaries

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

Name of subsidiary	Type	Registration place	Legal representative	Organisation code	Business Nature and operation scope	Registered capital	Closing amount of investment	Percentage of equity interest held by the Company	Percentage of voting rights held by the Company	Included in consolidated financial statements (Y/N)	Amount in Current year's minority interests used to offset the profit/(loss) attributable to minority shareholders	
											RMB'000	RMB'000
Lingwu Company	Limited company	Lingwu	Wang Wenqi	77492869-7	Generation and sale of electricity	1,300,000	1,332,655	65	65	Y	546,245	—
Luding Hydropower Company	Limited company	Luding	Luo Xiaozhan	78911707-X	Generation and sale of electricity	1,366,090	1,366,090	100	100	Y	—	—
Huadian Suzhou Biomass Energy Power Company Limited ("Suzhou Biomass Energy Company")	Limited company	Suzhou	Zhang Daijin	66293432-0	Generation and sale of electricity	52,480	43,680	78	78	Y	(6,293)	9,549
Huadian International Materials Company Limited ("Materials Company")	Limited company	Jinan	Xing Shibang	75919979-9	Procurement of materials	50,000	38,648	100	100	Y	—	—
Huadian Qingdao Heat Company Limited	Limited company	Qingdao	Liu Kejun	77025937-7	Sale of heat	30,000	16,500	55	55	Y	123,422	5,837
Huadian International Project Company Limited ("Project Company")	Limited company	Jinan	Xieyun	7600563-X	Management of construction project	50,000	50,336	100	100	Y	—	—
Huadian International Shandong Information Company Limited	Limited company	Jinan	Gou Wei	78849619-4	Development and maintenance of information system	3,000	3,000	100	100	Y	—	—
Huadian International Ningxia New Energy Power Company Limited ("New Energy Company")	Limited company	Yinchuan	Ji Jun	05460010-8	Generation and sale of electricity	330,000	330,000	100	100	Y	—	—
Huadian Zoukuan Power Generation Company Limited ("Zoukuan Company")	Limited company	Zoucheng	Bai Hua	66930776-8	Generation and sale of electricity	3,000,000	2,070,000	69	69	Y	1,118,269	—
Laizhou Wind Power Company	Limited company	Laizhou	Dong Fengliang	67452399-1	Generation and sale of electricity	146,060	80,333	55	55	Y	75,280	—
Kailu Wind Power Company	Limited company	Tongliao	Xie Wei	67438152-4	Generation and sale of electricity	797,128	797,128	100	100	Y	—	—
Huadian Luohu Power Generation Company Limited ("Luohu Company")	Limited company	Luohu	Wang Fengjiao	68076402-X	Generation and sale of electricity	502,000	475,300	75	75	Y	(22,279)	10,762
Tengzhou Xinyuan Heat Company Limited ("Tengzhou Heat Company") (Note 2)	Limited company	Tengzhou	Ge Lijun	68170352-8	Sale of heat	30,000	—	65.28	70	Y	4,938	2,439

# Notes to the financial statements (Continued)

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## 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)	Amount in Current year's minority interests used to offset the profit/(loss) attributable to minority shareholders	
											RMB'000	RMB'000
Shanxi Maohua Energy Investment Company Limited ("Maohua Company")	Limited company	Taiyuan	Lu Xianqun	68809562-9	Investment and management in coal, electricity and heat industry	1,547,000	1,547,000	100	100	Y	—	—
Guyuan Wind Power Company	Limited company	Zhangjiakou	Kang Jinzhu	67418073-0	Generation and sale of electricity	386,100	386,100	100	100	Y	—	—
Keuzhongqi Wind Power Company	Limited company	Keuzhongqi	Xie Wei	69590532-3	Generation and sale of electricity	80,000	80,000	100	100	Y	—	—
Huadian Qudong Power Generation Company Limited ("Qudong Company")	Limited company	Xinxiang	Xing Shibang	69599741-6	Generation and sale of electricity (under construction)	562,000	341,740	90	90	Y	53,529	—
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	2,462	—
Ningdong Shangde Company	Limited company	Lingwu	Ji Jun	69432340-1	Generation and sale of electricity	38,000	22,800	60	60	Y	14,624	588
Kangbao Wind Power Company	Limited company	Kangbao	Peng Guoquan	55043453-2	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	159,180	95	95	Y	5,467	247
Huadian Zoucheng Heat Company Limited ("Zoucheng Heat Company")	Limited company	Zoucheng	Li Jingliu	55994539-5	Sale of heat	80,000	56,000	70	70	Y	22,697	1,315
Shantou Huadian Power Generation Company Limited ("Shantou Company")	Limited company	Shantou	Yin Zhengjun	56084427-9	Generation and sale of electricity (under construction)	30,000	300,900	51	51	Y	14,700	—
Huadian Laizhou Power Generation Company Limited ("Laizhou Power Generation Company")	Limited company	Laizhou	Xing Shibang	55992021-1	Generation and sale of electricity (under construction)	1,246,670	1,080,000	86.63	86.63	Y	180,251	—
Guangdong Huadian Shaoguan Thermal Power Company Limited ("Shaoguan Thermal Power Company")	Limited company	Nanxiong	Yin Zhengjun	56450155-6	Generation and sale of electricity and heat (under construction)	30,000	30,000	100	100	Y	—	—
Hebei Huadian Yuzhou Wind Company Limited ("Yuzhou Wind Power Company") (Note 4)	Limited company	Yuxian	Wang Li	56618950-0	Generation and sale of electricity	120,000	—	100	100	Y	—	—
Wefang Taihe Heat Company Limited ("Taihe Heat Company") (Note 5)	Limited company	Wefang	Xiong Zhuoyuan	57547412-7	Sale of heat	50,000	—	36	80	Y	10,012	—
Huadian Laizhou Port Company Limited ("Laizhou Port Company")	Limited company	Laizhou	Bai Hua	57046634-7	Port construction and operation (under construction)	215,130	139,833	65	65	Y	75,112	1
Laizhou Wind Company	Limited company	Laizhou	Dong Fengliang	57547126-8	Generation and sale of electricity	91,914	91,914	100	100	Y	—	—
Anhui Wenhui New Products Promotion Company Limited ("Wenhui Company")	Limited company	Hefei	Peng Guoquan	55630753-4	Research, Development, promotion and sales of new product (under construction)	50,000	283,315	51	51	Y	272,428	—
Anhui Huain International Energy Company Limited ("Huain Company")	Limited company	Hefei	Peng Guoquan	57443853-8	Investment on coal mine resources (under construction)	50,000	25,500	51	51	Y	24,500	—
Sichuan Huoxing Investment Company Limited ("Huoxing Company")	Limited company	Chengdu	Luo Xiaoqian	78911593-9	Investment on hydropower resources	263,750	894,420	100	100	Y	—	—
Sichuan Xieqing Investment Company Limited ("Xieqing Company")	Limited company	Chengdu	Luo Xiaoqian	78814754-1	Investment on hydropower resources	300,000	933,930	100	100	Y	—	—
Sichuan Liangshan Shulluohu Hydropower Development Company Limited ("Shulluohu Company") (Note 6)	Limited company	Xichang	Luo Xiaoqian	78470603-5	Generation and sale of electricity	400,000	—	57	57	Y	962,139	97
Tianjin Huadian Fuyuan Thermal Power Company Limited ("Fuyuan Thermal Power Company")	Limited company	Tianjin	Xing Shibang	58978921-8	Generation and sale of electricity and heat	100,000	60,000	98	98	Y	—	—
Ningxia Yingling Coal Sales and Transportation Company Limited ("Yingling Coal Transportation Company")	Limited company	Yinchuan	Liu Jianhui	59622111-0	Sale of mine	10,000	10,000	100	100	Y	—	—
Chongqing Mingyang Coal Sales Company Limited ("Mingyang Coal Sales Company")	Limited company	Fengjie	Wang Fulou	59670778-6	Coal storage and sale of mining product	10,000	7,000	70	70	Y	3,004	—
Shanxi Shuzhou Pinglu Maohua Bailu Coal Company Limited ("Bailu Coal Company") (Note 7)	Limited company	Shuzhou	Yang Zhi	05628626-3	Resource integration improvement and expansion services	20,000	—	100	100	Y	—	—
Hangzhou Huadian Xiaoshan Thermal Power Company Limited ("Xiaoshan Thermal Power Company")	Limited company	Hangzhou	Xing Shibang	59955524-7	Generation and sale of electricity and heat	288,000	89,600	56	56	Y	70,400	—
Huadian Zhejiang Longyou Thermal Power Company Limited ("Longyou Thermal Power Company")	Limited company	Longyou	Xie Yun	05281573-8	Generation and sale of electricity and heat (under construction)	50,000	50,000	100	100	Y	—	—
Hangzhou Huadian Jiangdong Thermal Power Company Limited ("Jiangdong Thermal Power Company")	Limited company	Hangzhou	Wang Xinan	05672105-0	Generation and sale of electricity and heat (under construction)	600,000	84,000	70	70	Y	36,000	—

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## 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)

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.

Note 6: Shuiluohu Company is the subsidiary of Huoxing Company and Xiexing Company, subsidiaries of the Company. Huoxing Company and Xiexing Company own 57% equity interests of Shuiluohu Company. The closing amount of the investment is RMB 276,354,600.

Note 7: Bailu Coal Company is a wholly-owned subsidiary of Maohua Company, a subsidiary of the Company. The closing amount of investment is RMB 20,000,000.

#### (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)	Amount in Current year's minority interests used to offset the profit(loss) attributable to minority shareholders	
											Closing amount of minority interests	
		Note 1				RMB'000	RMB'000	(%)	(%)		RMB'000	RMB'000
Sichuan Guang'an Power Generation Company Limited ("Guang'an Company")	Limited company	Guang'an	Zhong Tonglin	28956243-3	Generation and sale of electricity	1,785,860	1,267,577	80	80	Y	519,881	—
Huadian Xinxiang Power Generation Company Limited ("Xinxiang Company")	Limited company	Xinxiang	Wang Fengjiao	75388082-3	Generation and sale of electricity	69,000	835,686	90	90	Y	(54,227)	—
Aohui Huadian Suzhou Power Generation Limited company ("Suzhou Company")	Limited company	Suzhou	Xu Yu	75299721-0	Generation and sale of electricity	854,912	829,267	97	97	Y	26,689	—
Aohui Huadian Wuhu Power Generation Limited company ("Wuhu Company")	Limited company	Wuhu	Xu Yu	76277372-0	Generation and sale of electricity	1,000,000	644,046	65	65	Y	431,269	—
Hangzhou Huadian Banshan Power Generation company Limited ("Banshan Company")	Limited company	Hangzhou	Gou Wei	14304951-4	Generation and sale of electricity and heat	880,762	642,724	64	64	Y	433,319	—
Hebei Huadian Complex Pumping-storage Limited company ("Complex Pumping-storage Limited company")	Limited company	Luquan	Kang Jinzhu	77770333-8	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 Wenqi	71318764-5	Generation and sale of electricity and heat	789,740	908,511	82	82	Y	151,873	—
Hebei Huadian Shijiazhuang Yuhua Thermal Power Company Limited ("Yuhua Thermal Power Company") (Note 8)	Limited company	Shijiazhuang	Wang Wenqi	79138065-1	Generation and sale of electricity and heat	500,000	—	89.2	100	Y	36,448	—
Hebei Huadian Shijiazhuang Luhua Thermal Power Company Limited ("Luhua Thermal Power Company")	Limited company	Shijiazhuang	Xing Shibang	67468690-X	Generation and sale of electricity and heat	440,000	391,475	90	90	Y	45,166	—
Shuzhou Huadian Thermal Power Company Limited ("Shuzhou Thermal Power Company")	Limited company	Shuzhou	Xing Shibang	67448145-3	Generation and sale of electricity and heat (under construction)	40,000	40,000	100	100	Y	—	—

Note 8: 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 (Continued)

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

### 1 Background of major subsidiaries (continued)

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

Name of subsidiary	Type	Registration place	Legal representative	Organisation code	Business Nature and operation scope	Registered capital	Closing amount of investment	Percentage of equity interest held by the Company	Percentage of voting rights held by the Company	Included in consolidated financial statements (Y/N)	Amount in Current year'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	16358000-3	Generation and sale of electricity and heat	700,000	345,668	55	55	Y	795,531	—
Weifang Company (Note 9)	Limited company	Weifang	Bai Hua	16542339-4	Generation and sale of electricity and heat	1,250,000	823,483	45	45	Y	1,101,431	—
Huadian Zibo Thermal Power Company Limited ("Zibo Thermal Power Company")	Limited company	Zibo	Xing Shibang	73470473-6	Generation and sale of electricity and heat	574,800	574,800	100	100	Y	—	—
Huadian Zhangqiu Power Generation Company Limited ("Zhangqiu Company")	Limited company	Zhangqiu	Bai Hua	70592974-1	Generation and sale of electricity and heat	750,000	617,077	87.50	87.50	Y	8,898	—
Tengzhou Thermal Power Company	Limited company	Tengzhou	Bai Hua	16991985-6	Generation and sale of electricity and heat	474,172	424,400	93.26	93.26	Y	8,136	—
Zagunao Hydroelectric Company	Limited company	Lixian	Luo Xiaoqian	75472823-3	Generation and sale of electricity	200,000	788,362	64	64	Y	202,312	29,660
Huarui Group Company (Note 10)	Limited company	Shijiazhuang	Gou Wei	75243920-0	Generation and sale of electricity and heat	938,000	1,366,895	100	100	Y	—	—
Huafeng Investment Company (Note 10)	Limited company	Shijiazhuang	Wang Li	75026749-2	Energy projects investment	977,300	—	100	100	Y	—	—
Hebei Fengyuan Industrial Company Limited ("Fengyuan Company") (Note 10)	Limited company	Shijiazhuang	Wang Li	73024734-7	Sale of coal and chemical products	502,000	—	100	100	Y	—	—
Shanxi Shuozhou Pinglu Maohua Dongyi Coal Company Limited ("Dongyi Coal Company") (Note 11)	Limited company	Shuozhou	Diao Youfeng	X0243004-7	Resources consolidation, improvement and expansion services	12,180	—	70	70	Y	162,884	—
Shanxi Shuozhou Maohua Pinglu Wantongyuan Coal Company Limited ("Wantongyuan Coal Company") (Note 11)	Limited company	Shuozhou	Diao Youfeng	11147348-4	Resources consolidation, improvement and expansion services	10,000	—	70	70	Y	170,585	—
Shandong Century Electric Power Development Corporation Limited ("Century Power Company") (Note 12)	Corporation Limited	Longkou	Bai Hua	16942322-8	Generation and sale of electricity and heat	488,000	2,120,369	84.31	84.31	Y	363,338	—
Shaoguan Pingshi Power Plant Company Limited (B Plant) ("Pingshi Power Company")	Limited company	Lechang	Ma Ruiqiong	61745169-6	Generation and sale of electricity	989,000	784,706	100	100	Y	—	—
Shijiazhuang Huadian Heat Company Limited ("Shijiazhuang Heat Company") (Note 13)	Limited company	Shijiazhuang	Kang Jinzhu	71836417-X	Sale of heat	332,370	237,374	100	100	Y	—	—
Ningxia Zhongning Power Generation Company Limited ("Zhongning Company")	Limited company	Zhongning	Ji Jun	73597054-2	Generation and sale of electricity	285,600	142,800	50	50	Y	264,498	—
Inner Mongolia Alia League Shunge Mining Industry Corporation Company Limited ("Shunge Company")	Limited company	Alia League	Yang Shaoguo	75256317-2	Coal mine improvement and sales of mining equipment	30,000	672,078	100	100	Y	—	—
Inner Mongolia Haoyuan Coal Company Limited ("Haoyuan Company")	Limited company	Ordos	Peng Guoquan	66409258-5	Sale of mining equipment and components	3,000	691,777	85	85	Y	122,821	3,226
Shenzhen Huanyu Star River Investment Company Limited ("Huanyu Company") (Note 14)	Limited company	Shenzhen	He Yongsheng	69713558-8	Investment and management of electricity	20,000	483,164	100	100	Y	—	—
Star River Hydroelectric Company (Note 14)	Limited company	Li Xian	Luo Xiaoqian	77580354-6	Generation and sale of electricity	50,000	—	100	100	Y	—	—
Ganbao Hydroelectric Company (Note 14)	Limited company	Li Xian	Luo Xiaoqian	77580353-8	Generation and sale of electricity	50,000	—	100	100	Y	—	—

Note 9: 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 10: 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. Yuzhou Wind Power Company is established after the acquisition of Huarui Group Company. See Note IV 1(1)

Note 11: 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 12: 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 13: 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 136,787,500, RMB 79,461,746, RMB 13,100,000, RMB 31,900,000 and RMB 688,000 respectively.

Note 14: 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.



# Notes to the financial statements (Continued)

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

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

### (1) Subsidiaries that are newly consolidated during the year

Name	Note	Net assets at	
		31 December 2012	2012 Net profit/(loss)
		RMB'000	RMB'000
Shuozhou Thermal Power Company	Note 1	40,000	—
Huanyu Company	Note 2	419,908	25,928
Yinling Coal Transportation Company	Note 3	12,086	2,086
Mingyang Coal Sales Company	Note 3	10,013	13
Fuyuan Thermal Power Company	Note 3	60,025	25
Xiasha Thermal Power Company	Note 3	160,001	1
Longyou Thermal Power Company	Note 3	50,000	—
Jiangdong Thermal Power Company	Note 3	120,000	—
Bailu Coal Company	Note 3	20,399	(4,700)
New Energy Company	Note 4	404,973	32,947

Note 1: Shuozhou Thermal Power Company is a subsidiary acquired through business combinations under common control during the year. 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 year. Net profits of Huanyu Company of the year is the consolidated net profit from the acquisition date to 31 December 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 seven companies are the subsidiaries newly established by the Company during the year. Details are referred to Note IV. 1(1).

Note 4: New Energy Company was established in September 2012. Huadian Ningxia Ningdong Wind Power Company ("Ningdong Company"), Huadian Ningxia Liupanshan Wind Power Company ("Liupanshan Company") and Huadian Ningxia Yueliangshan Wind Power Company ("Yueliangshan Company"), which were then subsidiaries of the Company, is cancelled and transferred as branches of New Energy Company.

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

## 5 Business combinations involving entities under common control during the year

### (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 above 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
Payables	(171,462)
Net assets	10,000

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 31 December 2012, Shuozhou Thermal Power Company has not yet completed the procedure of business cancellation.

# Notes to the financial statements (Continued)

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

### 6 Business combinations involving entities not under common control during the year

#### (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. The 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 Autonomous Region, 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	Net profit from	Net cash inflow from
	Acquisition date to 31 December 2012	acquisition date to 31 December 2012	operating activities from acquisition date to 31 December 2012
	RMB'000	RMB'000	RMB'000
Huanyu Company	58,010	25,928	29,817

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

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	<b>115,646</b>	<b>393,980</b>	<b>117,242</b>
Add: Goodwill		<b>89,184</b>	
Consideration		<b>483,164</b>	

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 (Continued)

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## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1 Cash at bank and on hand

Item	2012			2011 (restated)		
	Foreign currency amount	Exchange rate	RMB	Foreign currency amount	Exchange rate	RMB
	'000		'000	'000		'000
Cash on hand:						
RMB			1,488			1,951
Cash at bank:						
RMB			3,057,446			2,178,621
US dollar	2,014	6.2855	12,659	681	6.3009	4,291
HK dollar	5	0.8109	4	5	0.8107	4
Other monetary fund:						
RMB			128			414
Guarantee deposits for bank acceptance bills payable and others:						
RMB			30,834			297,535
<b>Total</b>			<b>3,102,559</b>			<b>2,482,816</b>

As at 31 December 2012, the balance of cash at bank amounting to RMB 11,651,000 (2011: RMB 65,000,000), mainly represent frozen bank accounts for bank deposits and enterprise production development fund for mining company.

### 2 Bills receivable

#### (1) Classification of bills receivable

Category	2012	2011
	RMB'000	RMB'000
Bank acceptance bills	599,417	308,651
Commercial acceptance bills	35,000	7,000
<b>Total</b>	<b>634,417</b>	<b>315,651</b>

All of the above bills are due within one year.

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

(2) **As at 31 December 2012, no commercial acceptance bills have been discounted by the Group (2011: RMB 7,000,000).**

(3) **As at 31 December 2012, there are no acceptance bills transferred to accounts receivable due to non-performance for the issuers.**

(4) **As at 31 December 2012, derecognition of bills receivable due to transfer of financial assets**

Item	Amount derecognised	Losses related to derecognition
	RMB'000	RMB'000
Bank acceptance bill discounted and endorsed	1,206,877	3,576

# Notes to the financial statements (Continued)

(Prepared under China Accounting Standards for Business Enterprises)  
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## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 2 Bills receivable (continued)

#### (5) As at 31 December, the top five outstanding endorsed bank acceptance bills that have not matured are as follows:

Issuer	Issuing date	Due date	Amount
			RMB'000
1. Bank of China Ltd. Ningxia Qingtongxia subbranch	27 September 2012	27 March 2013	10,000
2. Bank of China Ltd. Ningxia Qingtongxia subbranch	27 September 2012	27 March 2013	10,000
3. Agricultural Bank of China Co., Ltd. Yinchuan Jinfeng District subbranch	3 September 2012	3 March 2013	10,000
4. Agricultural Bank of China Co., Ltd. Yinchuan Jinfeng District subbranch	3 September 2012	3 March 2013	10,000
5. China Everbright Bank Co., Ltd Zhengzhou subbranch	26 October 2012	26 April 2013	10,000
Total			<u>50,000</u>

### 3 Trade receivables

#### (1) Trade receivables by customer type:

Category	2012	2011
	RMB'000	RMB'000
1. Trade receivables for sale of electricity	6,147,944	4,654,117
2. Trade receivables for sale of heat	267,754	216,456
3. Trade receivables for sale of coal	221,240	61,787
Sub-total	6,636,938	4,932,360
Less: Provision for bad and doubtful debts	23,229	6,750
Total	<u>6,613,709</u>	<u>4,925,610</u>

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

Ageing	2012	2011
	RMB'000	RMB'000
Within one year (inclusive)	6,449,998	4,821,139
Between one and two years (inclusive)	169,894	100,219
Between two and three years (inclusive)	17,046	—
Over three years	—	11,002
Sub-total	6,636,938	4,932,360
Less: Provision for bad and doubtful debts	23,229	6,750
Total	<u>6,613,709</u>	<u>4,925,610</u>

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

#### (3) Trade receivables by category

Category	Note	2012				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		6,282,844	94.66	19,239	0.31	4,608,558	93.44	—	—
Other insignificant trade receivables	(4)	354,094	5.34	3,990	1.13	323,802	6.56	6,750	2.08
Total		<u>6,636,938</u>	<u>100.00</u>	<u>23,229</u>	<u>0.35</u>	<u>4,932,360</u>	<u>100.00</u>	<u>6,750</u>	<u>0.14</u>

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

# Notes to the financial statements (Continued)

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## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 3 Trade receivables (continued)

#### (4) Provision for bad and doubtful debts for individually significant trade receivables at year end

Content of trade receivables	Gross carrying amount	Provision for bad and doubtful debts	Percentage	Reason
	RMB'000	RMB'000	(%)	
Sale of heat	19,239	19,239	100	Long ageing

#### (5) Provision for bad and doubtful debts for individually insignificant trade receivables at year end

Content of trade receivables	Gross carrying amount	Provision for bad and doubtful debts	Percentage	Reason
	RMB'000	RMB'000	(%)	
Sale of heat	820	820	100	Long ageing
Sale of coal	3,170	3,170	100	Long ageing
Total	3,990	3,990	100	

#### (6) Reversal or recovery of provision for bad and doubtful debts during the year

Trade receivables for which a full provision or a significant provision was made in the previous years that are recovered or reversed partly or in full amount during the year are as follows:

Content of trade receivables	Reason for original provision	Accumulated provision for bad and doubtful debts before reversal or recovery	Amount reversed or recovery
		RMB'000	RMB'000
Sale of electricity	Long ageing	6,361	6,361
Sale of heat	Long ageing	289	289
Total		6,650	6,650

#### (7) The Group does not actually write-off any trade receivables during the year.

#### (8) As at 31 December 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	2,539,700	Within one year (Note)	38.27
2. Ningxia Electric Power Company	Third party	812,761	Within one year (Note)	12.25
3. Sichuan Electric Power Corporation	Third party	757,207	Within one year	11.41
4. Henan Electric Power Company	Third party	392,351	Within one year	5.91
5. East Inner Mongolia Electric Power Company	Third party	350,687	Within one year (Note)	5.28
Total		4,852,706		73.12

Note: As at 31 December 2012, of the total amount due from Shandong Electric Power Group Corporation, Ningxia Electric Power Company and East Inner Mongolia Electric Power Company, receivables amounted to RMB 22,788,000, RMB 37,092,000 and RMB 82,538,000 are over one year, respectively, all of which are receivables for new energy subsidies.

#### (9) 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.

# Notes to the financial statements (Continued)

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## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 3 Trade receivables (continued)

#### (10) As at 31 December 2012, derecognition of accounts receivable due to transfer of financial assets

Item	Amount derecognised	Losses related to derecognition
	RMB'000	RMB'000
Factored trade receivables without recourse	990,947	828

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

### 4 Other receivables

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

Ageing	2012	2011
	RMB'000	RMB'000 (restated)
Within one year (inclusive)	1,172,565	553,139
Between one and two years (inclusive)	286,303	113,571
Between two and three years (inclusive)	7,305	65,073
Over three years	77,191	49,108
Sub-total	1,543,364	780,891
Less: Provision for bad and doubtful debts	142,307	3,226
Total	1,401,057	777,665

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

#### (2) Other receivables by category

Category	2012				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	1,480,091	95.90	140,066	9.46	716,123	91.71	2,266	0.32
Other insignificant other receivables	63,273	4.10	2,241	3.54	64,768	8.29	960	1.48
Total	1,543,364	100.00	142,307	9.22	780,891	100.00	3,226	0.41

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

#### (3) Provision for bad and doubtful debts for individually insignificant other receivables at year end

Content of other receivables	Gross carrying amount	Provision for bad and doubtful debts	Percentage	Reason
	RMB'000	RMB'000		
Receivables on CERs	84,614	84,614	100	Remote likelihood of recovery
Advance payments	45,267	45,267	100	Long ageing
Receivables on construction projects	8,387	8,387	100	Long ageing
Others	1,798	1,798	100	Long ageing
	140,066	140,066		

# Notes to the financial statements (Continued)

(Prepared under China Accounting Standards for Business Enterprises)  
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## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 4 Other receivables (continued)

#### (4) Reversal or recovery of provision for bad and doubtful debts during the year

Other receivables for which a full provision or a significant provision was made in the previous years that are recovered or reversed partly or in full amount during the year are as follows:

Content of other receivables	Reason for original provision	Accumulated provision for bad and doubtful debts before recovery	Amount recovery
		RMB'000	RMB'000
Technical service fee	Long ageing	20	20

#### (5) The Group does not actually write-off any other receivables during the year.

#### (6) As at 31 December 2012, other receivables due from the five biggest debtors of the Group

Name of enterprise	Relationship with the Company	Amount	Ageing	Percentage of total other receivables
		RMB'000		(%)
1. Aluminum Corporation of China	Third party	816,915	Within one year	52.93
2. Shuozhou Tongmei Wantongyuan Erpu Coal Transportation and Sales Co., Ltd ("Erpu Transportation and Sales Company")	Related party	84,900	Within one year and between one and two years	5.50
3. Hebei International Business Development Co., Ltd.	Third party	55,000	Within one year	3.56
4. Linfen City Changfa Coal Coke Co., Ltd ("Linfen Changfa Company")	Related party	53,388	Between one and six years	3.46
5. Camco Carbon Limited	Third party	47,050	Between one and two years	3.05
Total		<u>1,057,253</u>		<u>68.50</u>

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

#### (8) The Group does not have derecognition of other receivables due to transfer of financial assets during the year.

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

### 5 Prepayments

#### (1) Prepayments by category:

Item	2012	2011
	RMB'000	RMB'000 (restated)
Prepayments for purchase of fuel	717,998	827,966
Prepayments for purchase of materials	210,113	137,478
Total	<u>928,111</u>	<u>965,444</u>

# Notes to the financial statements (Continued)

(Prepared under China Accounting Standards for Business Enterprises)  
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## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 5 Prepayments (continued)

#### (2) Prepayments by ageing

Ageing	2012		2011(restated)	
	Amount	Percentage	Amount	Percentage
	RMB'000	(%)	RMB'000	(%)
Within one year (inclusive)	861,107	92.78	924,176	95.73
Between one and two years (inclusive)	62,201	6.70	36,634	3.79
Between two and three years (inclusive)	1,206	0.13	3,860	0.40
Over three years	3,597	0.39	774	0.08
Total	928,111	100.00	965,444	100.00

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

As at 31 December 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.

### 6 Inventories

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

Item	Opening balance	Increase for the year	Decrease for the year	Closing balance
	RMB'000	RMB'000	RMB'000	RMB'000
Coal, stalk and gas	2,012,683	38,091,777	(37,529,266)	2,575,194
Fuel oil	129,696	186,447	(196,310)	119,833
Materials, components and spare parts	709,931	7,952,226	(7,899,208)	762,949
Sub-total	2,852,310	46,230,450	(45,624,784)	3,457,976
Less: Provision for diminution in value of inventories	74,802	342	(300)	74,844
Total	2,777,508	46,230,108	(45,624,484)	3,383,132

#### (2) Provision for diminution in value of inventories

Category of inventories	Opening balance	Increase for the year	Decrease for the year		Closing balance
			Reversal	Write-off	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Materials, components and spare parts	74,802	342	(300)	—	74,844



# Notes to the financial statements (Continued)

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## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 7 Other current assets

Item	2012	2011
	RMB'000	RMB'000
VAT recoverable and prepaid taxes	986,754	764,266
Other	—	1,596
Sub-total	986,754	765,862
Less: Provision for impairment	—	—
Total	986,754	765,862

### 8 Available-for-sale financial assets

As at 31 December 2012, available-for-sale financial assets represent 7,886,010 shares of the Bank of Communications Co., Ltd. The Group disposed all of its stock shares in ST Yuancheng with a consideration of RMB 6,787,000 in 2012. Change in fair value of available-for-sale financial assets is referred to Note IX. 3.

### 9 Long-term receivables

Item	2012	2011
	RMB'000	RMB'000
Long-term loan receivables	54,268	66,365
long-term entrusted loan receivables	20,000	20,000
Finance leases (sales and leaseback) deposit	112,706	90,000
Sub-total	186,974	176,365
Less: Provision for bad and doubtful debts	—	—
Less: Non-current assets due within one year	42,094	—
Total	144,880	176,365

As at 31 December 2012, Long-term loan receivables represent loan principle and interest amounting to RMB 54,268,238 (2011: RMB 66,364,738) from Hebei New Resource Infrastructure Investment Company Limited by Shijiazhuang Huadian Xijiao Heat Company, a subsidiary of the Company, bearing an interest rate at 90% of which announced by the People's Bank of China for the corresponding year. The loan mentioned above of which amounting to RMB 22,094,000 is due in one year, the rest will due in before 2015.

As at 31 December 2012, Long-term entrust loan receivable represent entrusted loan principle amounting to RMB 20,000,000 from Ningxia Power Company (Group) Limited ("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 year. The entrusted loan is due in one year.

As at 31 December 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 payment 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	2012	2011
	RMB'000	RMB'000
Investments in associates	9,984,055	10,428,371
Other long-term equity investments	320,895	297,704
Sub-total	10,304,950	10,726,075
Less: Provision for impairment	—	—
Total	10,304,950	10,726,075

# Notes to the financial statements (Continued)

(Prepared under China Accounting Standards for Business Enterprises)  
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## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 10 Long-term equity investments (continued)

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

Investee name	Investment cost	Opening balance	Movement of additions and reductions	Adjustments under equity method		Cash dividends for the year	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 Power Company (Note 2)	630,000	1,055,192	(1,068,059)	(3,918)	16,785	—	—	—	—
Huadian Property Co., Ltd. ("Huadian Property") (Note 1)	290,000	282,446	—	(156)	—	—	282,290	16.57	16.57
Sichuan Luzhou Chuannan Power Generation Company Limited ("Luzhou Company")	344,000	64,064	—	(64,064)	—	—	—	40	40
Huadian Coal Industry Group Company Limited ("Huadian Coal") (Note 1)	465,214	1,332,052	—	132,451	1,196	—	1,465,699	12.56	12.72
China Huadian Finance Corporation Limited ("China Huadian Finance") (Note 1)	861,095	1,066,622	—	147,875	8,923	(102,886)	1,120,534	15.91	16.46
Huadian Jinshajiang Upstream Hydropower Development Co. Ltd. ("Jinshajiang Hydropower")	74,990	46,990	28,000	—	—	—	74,990	20	20
Hengshui Hengxing Power Generation Company Limited ("Hengshui Hengxing")	189,604	180,860	—	20,454	—	(6,747)	194,567	30	30
Hebei Jiantou Yuzhou Wind Power Company Limited ("Yuzhou Wind Company")	165,819	177,862	—	24,683	—	(11,342)	191,203	44.08	44.08
Xingtai Guotai Power Generation Company Limited ("Xingtai Guotai")	208,842	180,837	—	10,628	—	—	191,465	35	35
Hebei Xibaipo Second Power Generation Company Limited ("Xibaipo Company")	435,996	438,987	—	50,595	—	(36,330)	453,252	35	35
Guodian Inner Mongolia Dongsheng Thermal Power Company Limited ("Dongsheng Thermal Company")	112,812	147,527	—	39,487	—	(32,635)	154,379	20	20
Guodian Huaian Thermal Power Company Limited ("Huaian Thermal Company")	143,682	198,210	—	27,267	—	—	225,477	35	35
Otog Front Banner Changcheng Mine Company Limited ("Changcheng Mine Company")	452,612	526,679	—	112,322	—	—	639,001	35	35
Inner Mongolia Fucheng Mining Company Limited ("Fucheng Mining Company")	498,042	605,997	—	51,232	—	—	657,229	35	35
Ningxia Ningdong Railway Corporation Limited ("Ningdong Railway Company") (Note 1)	300,000	345,546	—	31,097	4,316	—	380,959	8.49	8.49
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")	678,000	600,000	78,000	—	—	—	678,000	50	40
Sichuan Huayingshan Longtan Coal Company Limited ("Longtan Coal Company")	64,910	70,175	—	54,756	20,874	—	145,805	36	45
Zoucheng Lunan Electricity Power Technology Development Co., Ltd. ("Zoucheng Lunan Company") (Note 3)	1,733	2,131	(2,131)	—	—	—	—	—	—
Hebei Jiantou Renqiu Thermal Power Company Limited ("Renqiu Company") (Note 5)	69,540	58,712	(50,537)	(8,175)	—	—	—	17.44	17.44
Sichuan Balanghe Hydropower Development Company Limited ("Balanghe Hydropower")	142,782	149,748	—	(2,680)	—	—	147,068	20	20
Sichuan Zhongxing Power Development Company Limited ("Zhongxing Hydropower") (Note 4)	11,175	13,175	(8,561)	(4,614)	—	—	—	—	—
Erpu Transportation and Sales Company	111,100	111,100	4,900	—	—	—	116,000	49	49
Sichuan Litang Heyuan Hydropower Development Company Limited ("Litang Hydropower") (Note 5)	16,854	16,854	(16,854)	—	—	—	—	5.50	5.50
Datang Xiangcheng Hydropower Development Company Limited ("Xiangcheng Hydropower")	303,661	213,326	90,335	—	—	—	303,661	49	49
Datang Derongtangdian Hydropower Development Company Limited ("Derong Hydropower")	49,028	19,628	29,400	—	—	—	49,028	49	49
Other associates	362,381	370,208	(4,000)	(6,203)	—	—	360,005		
<b>Total</b>	<b>9,137,315</b>	<b>10,428,371</b>	<b>(919,507)</b>	<b>613,037</b>	<b>52,094</b>	<b>(189,940)</b>	<b>9,984,055</b>		

# Notes to the financial statements (Continued)

(Prepared under China Accounting Standards for Business Enterprises)  
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## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 10 Long-term equity investments (continued)

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

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 November 2012, the Company listed its 23.66% equity interest in Ningxia Power Company for public trade in Shanghai United Assets and Equity Exchange, with a consideration of RMB 1,361,525,400 calculated base on the asset appraisal report on the equity interest. The transaction is completed with a third party in 31 December 2012. At the date of the transaction, the carrying value of the interest Ningxia Power Company was RMB 1,068,059,000, including an amount of RMB 182,657,200 previously recognised through the Company's equity for changes in equity of Ningxia Power Company other than those arising from net profits or losses. Therefore The Company recognised investment income of RMB 476,123,600 on disposal.

Note 3: 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, with a consideration of RMB 2,016,400 calculated base on the asset appraisal report on the equity interest. The transaction is completed with a third party in 7 March 2012.

Note 4: On 20 July 2012, Xiexing Company and Huoxing Company listed its 32% equity interest in Zhongxing Hydropower for public trade in Shanghai United Assets and Equity Exchange, with a consideration of RMB 10,986,000 calculated base on the asset appraisal report on the equity interest. The transaction is completed with a third party in 24 September 2012.

Note 5: In August 2012, The Company's equity interest in Renqiu Company and Litang Hydropower is decreased from 40% and 20% to 17.44% and 5.5%, respectively, both due to capital injection from shareholders other than the Company. The Group thus ceases to have significant influence over Renqiu Company and Litang Hydropower, and starting from September 2012, its remaining equity interest in these two companies is accounted for as other equity investment using cost method.

Investee name	Investment cost	Opening balance	Movement of additions and reductions	Closing balance	Shareholding percentage	Voting rights	Cash dividends for the year
<b>Cost method</b>							
Shandong Luneng Heze Coal Power Development Company Limited ("Luneng Heze Company")	103,609	103,609	—	103,609	12.27	12.27	—
Renqiu Thermal Company	69,540	—	50,537	50,537	17.44	17.44	—
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	—
Litang Hydropower Company	16,854	—	16,854	16,854	5.50	5.50	—
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	—	—	1,225
<b>Total</b>	<b>384,098</b>	<b>297,704</b>	<b>23,191</b>	<b>320,895</b>			<b>5,529</b>

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 (Continued)

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## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 10 Long-term equity investments (continued)

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

Investee name	Type	Place of registration	Legal representative	Organisation code	Principal operation	Registered capital	Closing balance of total assets	Closing balance of net assets	Operating income for the year
						RMB'000	RMB'000	RMB'000	RMB'000
Huadian Property Luzhou Company	Limited company	Beijing	Cao Yinchang	77545281-1	Property development	1,747,500	4,062,538	2,234,872	413,182
Huadian Coal	Limited company	Beijing	Ding Huande	71093361-4	Provision of coal procurement service	3,657,143	42,621,795	15,662,462	16,705,872
China Huadian Finance	Limited company	Beijing	Chen Yu	11778303-7	Provision of corporate financial service to its group companies	5,000,000	30,377,316	6,807,017	1,477,903
Hengshui Hengxing	Limited company	Hengshui	Wang Jinsheng	74341504-7	Generation and sale of electricity and heat	475,000	1,362,665	591,880	1,267,460
Yuzhou Wind Company	Limited company	Zhangjiakou	Cao Xin	79842721-3	Generation and sale of electricity	364,000	1,651,117	421,583	185,691
Xingtai Guotai	Limited company	Xingtai	Wang Jinsheng	75244165-0	Generation and sale of electricity and heat	400,000	1,506,649	457,242	1,306,807
Xibaipo Company	Limited company	Shijiazhuang	Wang Yongzhong	75243698-2	Generation and sale of electricity and heat	880,000	3,677,935	1,112,018	2,424,649
Dongsheng Thermal Power Company	Limited company	Ordos	Miu Ju	78300656-3	Generation and sale of electricity and heat	500,000	3,400,520	762,168	1,015,321
Huaian Thermal Company	Limited company	Zhangjiakou	Li Enyi	78981246-X	Generation and sale of electricity and heat	514,800	2,109,475	573,851	1,254,080
Changcheng Mine Company	Limited company	Inner Mongolia	Liu Duhong	77221211-8	Sale of mechanical equipments and accessories for coal mines	23,077	1,846,682	1,336,344	1,212,527
Fucheng Mining Company	Limited company	Inner Mongolia	Liu Fudao	78707803-8	Sale of ironstone and steel products	150,000	3,263,020	1,668,692	1,384,724
Yinxing Coal	Limited company	Yin Chuan	Huang Jinhai	67040432-X	Development of coal mines	611,000	1,476,886	611,000	—
Ningdong Railway Company	Corporation limited	Yin Chuan	Bao Jinquan	69432300-6	Railway development and management	3,533,368	5,092,564	4,257,297	873,754
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	3,509,937	2,682,383	—
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	2,023,094	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	—
Jinshajiang Hydropower	Limited company	Cheng Du	Yang Qingting	78911988-4	Generation and sale of electricity(under construction)	92,552	2,206,922	374,952	—
Longtan Coal Company	Limited company	Guang An	Gao Zhengqiang	74692267-7	Coal mining and sales	36,000	842,456	253,263	478,453
Epu Coal Transportation and Sales Company	Limited company	Shuo Zhou	Zhang Qiwen	57108816-5	Development of coal mines	10,000	183,990	20,000	—
Balanghe Hydropower	Limited company	Ganzi Tibetan Autonomous Region	Sun Yun	77984224-3	Generation and sale of electricity	120,000	1,551,611	532,258	129,216
Xiangcheng Hydropower	Limited company	Ganzi Tibetan Autonomous Region	Wang Linrui	66955585-X	Generation and sale of electricity (under construction)	160,000	2,965,229	584,608	—
Derong Hydropower	Limited company	Ganzi Tibetan Autonomous Region	Wang Linrui	69695905-9	Generation and sale of electricity (under construction)	100,000	506,226	100,000	—

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## 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
<b>Cost</b>					
Balance at the beginning of the year (restated)	35,690,502	86,813,667	385,355	2,023,482	124,913,006
Transferred from construction in progress	7,222,386	15,401,713	426,117	584,879	23,635,095
Additions from acquisition of subsidiaries	144,420	444,301	—	1,986	590,707
Net addition from sales and leaseback	—	(792,642)	—	—	(792,642)
Other additions during the year	—	18,282	87,172	63,294	168,748
Disposals during the year	(3,321)	(336,583)	—	(26,636)	(366,540)
Balance at the end of the year	43,053,987	101,548,738	898,644	2,647,005	148,148,374
<b>Accumulated depreciation</b>					
Balance at the beginning of the year (restated)	(7,517,757)	(26,985,417)	—	(1,157,404)	(35,660,578)
Charge for the year	(1,328,309)	(4,527,602)	(5,005)	(188,786)	(6,049,702)
Written-back on sales and leaseback	—	331,942	—	—	331,942
Written-off during the year	2,313	95,177	—	24,295	121,785
Balance at the end of the year	(8,843,753)	(31,085,900)	(5,005)	(1,321,895)	(41,256,553)
<b>Impairment loss</b>					
Balance at the beginning of the year	—	—	—	—	—
Charge for the year	—	(10,564)	—	—	(10,564)
Balance at the end of the year	—	(10,564)	—	—	(10,564)
<b>Carrying amounts</b>					
At the end of the year	34,210,234	70,452,274	893,639	1,325,110	106,881,257
At the beginning of the year (restated)	28,172,745	59,828,250	385,355	866,078	89,252,428

# Notes to the financial statements (Continued)

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## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 11 Fixed assets (continued)

#### (1) Fixed assets (continued)

- (a) Change in accounting estimates on depreciation

Pursuant to the State policy of energy saving and pollutant reduction, the Group carried out a review of the estimated useful lives of certain generators. As a result, the estimated useful lives of these generators have been decreased from 1 July 2012. These generators expected to be disposed upon their closing down in 2013 or 2014.

The effect due to the above change in accounting estimates on depreciation in cost of sales, in current and future periods is as follows:

Item	2012	2013	2014	Subsequent years
	RMB'000	RMB'000	RMB'000	RMB'000
Increase/(decrease) in depreciation	135,240	99,503	(10,246)	(224,497)

- (b) Impairment loss

Pursuant to the State policy of energy saving and pollutant reduction, the Group stopped operation of a generator in 2012. The Group assessed the recoverable amounts of the asset group related to this generator, and as a result the carrying amount of fixed assets and goodwill of this generator was written down by RMB 10,564,000 and RMB 6,155,000, respectively. The estimates of recoverable amount were calculated based on its estimated future cash flows which are discounted to their present value.

- (c) As at 31 December 2012, the Group has the mortgaged fixed assets that have been restricted on the ownership. Details are referred to Note V. 19.

**(2) As at 31 December 2012, the Group did not have any temporary idle fixed assets.**

**(3) Details of fixed assets increase arising from finance leases (sales and leaseback transaction):**

Item	2012			2011		
	Cost	Accumulated depreciation	Net book value	Cost	Accumulated depreciation	Net book value
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Generators and related machinery and equipment	1,056,792	(52,997)	1,003,795	405,609	(6,425)	399,184

**(4) As at 31 December 2012, the Group did not have any fixed assets held for sale.**

**(5) As at 31 December 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 (Continued)

(Prepared under China Accounting Standards for Business Enterprises)  
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## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 12 Construction in progress

#### (1) Changes in major construction projects in the year

Project	Budget amount	Opening balance	Additions for the year	Transfer to fixed assets	Closing balance	Impairment Loss	Carrying amount	Percent-age of input to budget	Accumulated capitalised interest	Including: capitalised interest for the year	Source of funds
	RMB'000	RMB'000 (restated)	RMB'000	RMB'000	RMB'000	RMB'000 (2)	RMB'000	(%)	RMB'000	RMB'000	
Luding Hydropower Company Phase I generating units	8,782,228	2,293,997	1,457,328	(3,733,130)	18,195	—	18,195	84	—	70,633	Self-financing and bank loans
Laizhou Power Company Phase I generating units	7,420,000	1,383,971	5,237,820	(6,496,489)	125,302	—	125,302	89	—	238,458	Self-financing and bank loans
Shuiluohu Company preliminary hydropower plants	12,413,778	320,070	79,420	—	399,490	—	399,490	3	41	41	Self-financing and bank loans
Shuiluohu Company Ninglang Hydropower plant	1,012,320	925,946	171,056	(348,034)	748,968	—	748,968	108	129,932	44,191	Self-financing and bank loans
Shuiluohu Company Saduo Hydropower plant	1,796,800	743,895	333,868	—	1,077,763	—	1,077,763	60	87,715	51,317	Self-financing and bank loans
Banshan Company Co-generation Project	3,798,480	69,793	1,779,458	(1,032,172)	817,079	—	817,079	49	54,060	50,896	Self-financing and bank loans
Zagunao Hydroelectric Company Shiziping hydroelectric project	3,082,000	222,148	436,201	—	658,349	—	658,349	129	43,751	16,766	Self-financing and bank loans
Qudong Company Thermal Power project	2,843,720	1,247,592	983,780	(1,520,754)	710,618	—	710,618	78	104,346	90,006	Self-financing and bank loans
Zibo Thermal Power Company Phase II generating units	2,689,000	876,295	1,187,002	(1,610,480)	452,817	—	452,817	74	91,694	102,869	Self-financing and bank loans
Lu'an Company Phase I generating units	2,612,000	165,699	175,903	—	341,602	—	341,602	13	18,190	15,762	Self-financing and bank loans
Maohua Company Coal Mine projects	1,734,316	678,252	1,210,009	(1,166,649)	721,612	—	721,612	109	73,449	84,963	Self-financing and bank loans
Guyuan Wind Power Company Phase II Projects	927,320	134,762	462,219	(596,981)	—	—	—	64	—	19,952	Self-financing and bank loans
New Energy Power Company Ningdong Phase III, IV Projects	965,000	237,642	355,601	(593,243)	—	—	—	61	—	22,954	Self-financing and bank loans
Yuzhou Wind Company Zhenjiawan and Huanghualiang Projects	752,130	116,080	513,888	(629,968)	—	—	—	84	—	20,135	Self-financing and bank loans
New Energy Power Company Yuejiangshan Phase I, II Projects	960,000	118,283	441,453	(559,736)	—	—	—	58	—	7,909	Self-financing and bank loans
Kangbao Wind Company Phase I Projects	381,090	118,504	184,772	(303,276)	—	—	—	80	—	1,579	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		4,511,830	5,854,996	(4,715,205)	5,651,621	(52,486)	5,599,135		334,339	140,792	Self-financing and bank loans
		<u>14,164,759</u>	<u>21,193,752</u>	<u>(23,635,095)</u>	<u>11,723,416</u>	<u>(52,486)</u>	<u>11,670,930</u>		<u>937,517</u>	<u>979,936</u>	

Note 1: As at 31 December 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 (Continued)

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## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 12 Construction in progress (continued)

#### (2) Impairment loss for construction in progress

Project	Opening balance	Provision for the year	Reversal for the year	Closing balance
	RMB'000	RMB'000	RMB'000	RMB'000
Tengzhou Company Phase III preliminary project	—	20,940	—	20,940
Luoyang nuclear power preliminary project	—	17,242	—	17,242
Zibo Thermal Power Company Gaoqingji project	—	11,885	—	11,885
Tianjin Dagang Phase III preliminary project	—	2,419	—	2,419
	—	52,486	—	52,486

In 2012, the above projects of the Group were identified that the likelihood to obtain preliminary approval is remote. As a result, the carrying amount of these projects was fully written down as at 31 December 2012.

### 13 Construction materials

Item	Opening balance	Additions through acquisition	Additions for the year	Decreases for the year	Closing balance
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Construction materials	160,856	—	2,036,725	(2,183,950)	13,631

### 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
<b>Cost</b>						
Balance at the beginning of the year	2,374,650	7,102,785	2,946,886	1,382,954	33,575	13,840,850
Additions for the year	319,687	—	—	—	6,195	325,882
Additions from acquisition of subsidiaries	22,699	—	—	—	—	22,699
Balance at the end of the year	2,717,036	7,102,785	2,946,886	1,382,954	39,770	14,189,431
<b>Accumulated amortisation</b>						
Balance at the beginning of the year	(328,825)	(5,849)	(206,985)	—	(11,795)	(553,454)
Charge for the year	(49,308)	(34,690)	(119,846)	—	(4,880)	(208,724)
Balance at the end of the year	(378,133)	(40,539)	(326,831)	—	(16,675)	(762,178)
<b>Carrying amounts</b>						
At the end of the year	2,338,903	7,062,246	2,620,055	1,382,954	23,095	13,427,253
At the beginning of the year	2,045,825	7,096,936	2,739,901	1,382,954	21,780	13,287,396



# Notes to the financial statements (Continued)

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## 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 year. As at 31 December 2012, the net book value of the concession assets held under finance lease amounted to RMB 299,002,000 (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 31 December 2012, the Group has the mortgaged intangible assets that have been restricted on the ownership. Details are referred to Note V. 19.

As at 31 December 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. As at 31 December 2012, based on the results of the impairment test on intangible assets with indefinite useful life, no additional provision for impairment was needed to be made on intangible assets with indefinite useful lives by the Group.

### 15 Goodwill

Investee name	Note	Opening balance	Addition for the year	Decrease for the year	Provision for impairment	Closing balance
		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	—	—	(6,155)	47,614
Bainian Power Company	Note	342,490	—	—	—	342,490
Pingshi Power Company	Note	340,376	—	—	—	340,376
Star River Hydropower Company	Note	—	37,419	—	—	37,419
Ganbao Hydropower Company	Note	—	51,765	—	—	51,765
<b>Total</b>		<b>790,157</b>	<b>89,184</b>	<b>—</b>	<b>(6,155)</b>	<b>873,186</b>

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.

As mentioned in V.11(1), As at 31 December 2012, the Group recognized impairment loss on goodwill allocated to Guanghua Thermal Power Company, a subsidiary of Huarui Group Company, amounting to RMB 6,155,000. In addition, the Group had performed impairment test to goodwill mentioned above. According to the test results, no further provision for impairment was needed to be made on the goodwill by the Group for the current year.

# Notes to the financial statements (Continued)

(Prepared under China Accounting Standards for Business Enterprises)  
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## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 15 Goodwill (continued)

The Group allocated goodwill to asset groups identified according to operating area. The recoverable amount of asset group is determined based on the present value of expected future cash flows. The Group calculated the present value of expected future cash flows of asset group based on financial forecasts covering a five-year period ("forecast period") for Power Plants' generating units and a pre-tax discount rate of 8.00%. Management anticipates that the cash flows beyond forecast period are similar to cash flows in the last forecast period. Based on the estimated recoverable amount, no impairment loss was recognised.

Other key assumptions used to perform impairment test including estimated electricity price, demand conditions for electricity in the area of power plants and purchase price of coal. Management determined those key assumptions based on the historical operating performance and the expectation for future market condition, and they expected the above assumptions are subject to change. Management believes that any adverse change in the assumptions would cause the carrying amount of individual asset group to exceed its recoverable amount.

### 16 Deferred tax assets /deferred tax liabilities

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

Item	2012		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	245,214	49,748	107,028	26,757
Accrued salary expenses	32,851	8,106	31,356	7,839
Tax losses	1,741,085	435,272	2,648,172	662,043
Fair value adjustment	(6,818,278)	(1,680,299)	(6,669,722)	(1,642,834)
Depreciation of fixed assets	(4,480,388)	(1,119,977)	(3,973,351)	(993,587)
Others	73,982	18,497	29,400	7,350
Total	<b>(9,205,534)</b>	<b>(2,288,653)</b>	<b>(7,827,117)</b>	<b>(1,932,432)</b>
Offsetting amount		<b>300,472</b>		<b>387,598</b>
Amounts after offsetting presented in balance sheet				
Deferred tax assets		<b>363,770</b>		444,484
Deferred tax liabilities		<b>(2,652,423)</b>		(2,376,916)
Total		<b>(2,288,653)</b>		<b>(1,932,432)</b>

The movements of deferred tax assets and liabilities for the year

	Deferred tax assets/(liabilities)				
	Opening balance	Movement charged to capital reserve	Movement charged to income statement	Acquisition of subsidiaries	Closing balance
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Provision for stock and bad debt	26,757	—	22,991	—	49,748
Accrued salary expenses	7,839	—	267	—	8,106
Tax losses	662,043	—	(226,771)	—	435,272
Fair value adjustment	(1,642,834)	(3)	55,315	(92,777)	(1,680,299)
Depreciation of fixed assets	(993,587)	—	(126,390)	—	(1,119,977)
Others	7,350	—	11,147	—	18,497
Total	<b>(1,932,432)</b>	<b>(3)</b>	<b>(263,441)</b>	<b>(92,777)</b>	<b>(2,288,653)</b>

# Notes to the financial statements (Continued)

(Prepared under China Accounting Standards for Business Enterprises)  
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## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 16 Deferred tax assets /deferred tax liabilities (continued)

#### (2) Details of unrecognised deferred tax assets

Item	2012	2011
	RMB'000	RMB'000
Deductible tax losses	<b>5,542,876</b>	4,640,006

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

Year	2012	2011
	RMB'000	RMB'000
2012	—	20,391
2013	<b>1,753,986</b>	1,426,541
2014	<b>61,344</b>	23,923
2015	<b>760,705</b>	1,153,805
2016	<b>2,073,814</b>	2,015,346
2017	<b>893,027</b>	—
Total	<b>5,542,876</b>	4,640,006

#### (4) Unrecognised deferred tax liabilities

As at 31 December 2012, temporary differences relating to the undistributed profits of subsidiaries amounted to RMB 3,956,112,000 (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.

### 17 Other non-current assets

Item	2012	2011
	RMB'000	RMB'000 (restated)
Prepayments for investment	<b>436,854</b>	589,985
VAT recoverable and other prepaid taxes	<b>865,054</b>	776,967
Deferred difference arising from a sales and leaseback arrangement	<b>454,199</b>	—
Prepayment on mining rights acquisition	<b>196,000</b>	—
	<b>1,952,107</b>	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 other 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.

# Notes to the financial statements (Continued)

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## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 18 Details of provisions for impairment

Item	Note	Opening balance	Charge for the year	Decrease for the year		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	23,129	(6,650)	—	23,229
Other receivables	V.4	3,226	139,101	(20)	—	142,307
Provision for diminution in value of inventories	V.6(2)	74,802	342	(300)	—	74,844
Goodwill	V.15	—	6,155	—	—	6,155
Fixed assets	V.11	—	10,564	—	—	10,564
Construction in progress	V.12	—	52,486	—	—	52,486
<b>Total</b>		<b>84,778</b>	<b>231,777</b>	<b>(6,970)</b>	<b>—</b>	<b>309,585</b>

### 19 Restricted assets

As at 31 December 2012, the assets with restrictions placed on their ownership were as follows:

Category	Note	Opening balance	Additions for the year	Decrease for the year	Closing balance
Assets used as guarantee					
— Cash at bank and on hand	V.1	297,535	236,237	(502,938)	30,834
— Bills receivables	V.2	7,000	—	(7,000)	—
— Trade receivables	V.3	1,520,593	2,207,353	(2,844,969)	882,977
— Inventory		53,250	—	(53,250)	—
— Fixed assets	V.11	104,422	348,034	(5,930)	446,526
— Construction in progress	V.12	1,669,841	527,198	(348,034)	1,849,005
— Intangible assets	V.14	157,683	258,458	(3,541)	412,600
Other restricted assets					
— Cash at bank and on hand	V.1	—	11,651	—	11,651
<b>Total</b>		<b>3,810,324</b>	<b>3,588,931</b>	<b>(3,765,662)</b>	<b>3,633,593</b>

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	2012	2011
	RMB'000	RMB'000
Unsecured loans	18,666,190	25,225,731
Secured loans	675,642	1,407,413
Mortgaged loans	150,000	66,000
Guaranteed loans	—	19,995
<b>Total</b>	<b>19,491,832</b>	<b>26,719,139</b>

#### (2) As at 31 December 2012, the Group do not have any past due short-term loans.

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## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 21 Bills payable

Category	2012	2011
	RMB'000	RMB'000
Bank acceptance bills	393,120	860,832
Commercial acceptance bills	56,000	55,000
Payment of domestic letter of credit on behalf of others	—	350,000
Total	449,120	1,265,832

The bills payable above are due within one year.

### 22 Trade payables

#### (1) Details of trade payables are as follows:

Item	2012	2011
	RMB'000	RMB'000 (restated)
Payables for fuel	1,400,002	1,363,230
Payables for construction, equipment and material	7,352,022	3,999,492
Payables for maintenance	84,318	49,559
Others	8,478	6,433
Total	8,844,820	5,418,714

As at 31 December 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.

### 23 Advances from customers

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

Item	2012	2011
	RMB'000	RMB'000 (restated)
Sales of heat	798,721	664,339
Sales of coal	63,424	65,756
Others	63,762	61,040
Total	925,907	791,135

As at 31 December 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.

# Notes to the financial statements (Continued)

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## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 24 Wages payable

Item	Opening balance	Additions for the year	Payments for the year	Closing balance
	RMB'000 (restated)	RMB'000	RMB'000	RMB'000
Wages, bonuses, allowances and subsidies	8,935	1,713,554	1,713,554	8,935
Staff welfare	—	186,605	186,605	—
Social insurances				
Including:				
1. Medical insurance	37,677	197,775	205,161	30,291
2. Pension insurance	6,938	449,761	447,640	9,059
3. Unemployment insurance	3,240	40,091	40,859	2,472
4. Work injury insurance	714	8,882	8,196	1,400
5. Maternity insurance	425	10,691	10,599	517
6. Supplementary pension insurance	1,115	95,847	96,962	—
Housing fund	8,434	393,402	394,807	7,029
Termination benefits	8,825	—	2,784	6,041
Labour union and staff education fund	39,569	70,158	66,290	43,437
Others	390	31,589	31,622	357
<b>Total</b>	<b>116,262</b>	<b>3,198,355</b>	<b>3,205,079</b>	<b>109,538</b>

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

### 25 Taxes payable

Item	2012	2011
	RMB'000	RMB'000 (restated)
VAT	330,276	210,249
EIT	231,025	126,072
Individual income tax	23,482	21,199
Education surcharge	19,356	16,029
City maintenance and construction tax	24,741	16,452
Land use tax	21,227	21,072
Property tax	17,564	20,429
Others	21,798	15,131
<b>Total</b>	<b>689,469</b>	<b>446,633</b>

### 26 Interests payable

Item	2012	2011
	RMB'000	RMB'000
Interests payable for loans	282,139	304,887
Interests payable for debentures	320,714	116,445
<b>Total</b>	<b>602,853</b>	<b>421,332</b>

# Notes to the financial statements (Continued)

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## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 27 Other payables

#### (1) Details of other payables are as follows:

Item	2012	2011
	RMB'000	RMB'000 (restated)
Amounts due to China Huadian	1,060	83,145
Amounts due to other related parties	302,878	249,630
Amounts due to third parties	2,549,564	4,737,213
Total	2,853,502	5,069,988

- (2) Except for amounts due to China Huadian, no amount due to shareholders who hold 5% or more of the voting rights of the Group is included in the closing balance of other payables.
- (3) As at 31 December 2012, except for quality guarantee deposits of constructions and consideration payables, 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, deposits and consideration payables.

### 28 Short-term debenture payables

Item	Opening balance	Addition for the year	Decrease for the year	Closing balance
	RMB'000	RMB'000	RMB'000	RMB'000
Short-term debenture	3,551,384	11,814,696	(3,701,700)	11,664,380

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

Debenture	Face value	Date of issuance	Maturity period	Interest rate	Issuance amount	Opening balance	Additions for the year	Discount amortisation	Interest accrued for the year	Interest paid for the year	Principle paid for the year	Closing balance
	RMB		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	—	4,896	68,547	(112,000)	(2,000,000)	—
The second tranche of 2011 short-term debenture	100	20 October 2011	366	5.98	1,500,000	1,512,827	—	4,819	72,054	(88,700)	(1,500,000)	—
The first tranche of 2012 short-term debenture	100	10 February 2012	366	4.68	1,500,000	—	1,494,000	5,295	61,952	—	—	1,561,247
The first tranche of 2012 super short-term debenture	100	19 June 2012	270	3.15	3,500,000	—	3,489,500	7,583	58,901	—	—	3,555,984
The second tranche of 2012 short-term debenture	100	12 September 2012	366	4.22	2,000,000	—	1,992,000	2,411	25,436	—	—	2,019,847
The third tranche of 2012 short-term debenture	100	13 December 2012	366	4.65	1,500,000	—	1,494,000	296	3,440	—	—	1,497,736
The second tranche of 2012 super short-term debenture	100	19 September 2012	270	4.15	3,000,000	—	2,991,000	3,433	35,133	—	—	3,029,566
Total						3,551,384	11,460,500	28,733	325,463	(201,700)	(3,500,000)	11,664,380

As at 31 December 2012, the carrying amount of short-term debenture payables of the Group includes interests payable with the amount of RMB 184,862,000 (2011: RMB 61,099,000).

# Notes to the financial statements (Continued)

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## 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	2012	2011
		RMB'000	RMB'000
Long-term loans due within one year	(2)	9,647,074	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)	311,480	143,119
Other long-term payables due within one year	(4)	808,233	131,462
Total		10,766,787	10,362,977

As at 31 December 2012, the foreign currencies included in the balance of long-term loans due within one year amounting to USD 28,236,385 and EUR 2,392,202 (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 116,586,210 (2011: USD 8,665,429) at exchange rate 6.2855 and 8.3176 (2011:6.3009 and 8.1625), respectively.

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

Item	2012	2011
	RMB'000	RMB'000
Secured loans	1,175,094	938,575
Mortgaged loans	133,560	124,560
Guaranteed loans	126,955	117,301
Unsecured loans	8,211,465	7,408,908
Total	9,647,074	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.

#### (a) At 31 December 2012, the top five largest long-term loans due within one year

Debtor	Loan starting date	Loan ending date	Currency	Interest rate	31 December	31 December
					2012	2011
				(%)	RMB'000	RMB'000
1. ICBC Beijing Xueyuan Road Subbranch	12 May 2010	10 May 2013	RMB	5.99	420,000	400,000
2. Bank of Communication Licang first Subbranch	14 January 2009	23 July 2013	RMB	5.18	280,000	—
3. China Construction Bank	9 December 2002	26 December 2013	RMB	5.90	202,000	—
4. China Construction Bank, Jinan Quancheng Subbranch	3 December 2010	2 December 2013	RMB	5.54	200,000	—
5. SITC	20 October 2011	9 October 2013	RMB	6.70	198,000	2,000
Total					1,300,000	402,000

#### (b) As at 31 December 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 31 December 2012, net obligations under finance leases due within one year is RMB 311,480,000 (Total amount of RMB 323,419,000, net of unrecognised finance charges amounting to RMB 11,939,000).

#### (4) Long-term payables due within one year

As at 31 December 2012, long-term payables due within one year including payables for debts of the Group as bank loan guarantor amounting to RMB 732,803,000 (2011: RMB 54,600,000), payables for central heating construction amounting to RMB 20,000,000 (2011: RMB 76,862,000) and payables to local governments on mining rights of RMB 55,430,000 (2011: RMB nil).



# Notes to the financial statements (Continued)

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## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 30 Long-term loans

#### (1) Long-term loans by category

Item	2012	2011
	RMB'000	RMB'000
Unsecured loans	52,983,816	49,892,848
Secured loans	13,656,303	12,984,450
Mortgaged loans	3,427,350	3,284,216
Loans guaranteed by third parties	550,880	444,706
Loans guaranteed by China Huadian	3,202,648	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	9,647,074	8,589,344
Total	64,173,923	61,734,471

As at 31 December 2012, the foreign currencies included in the balance of long-term loans (excluding due within one year) amounting to USD 70,632,094 and EUR 23,407,040 (2011: USD 31,276,793 and EUR 21,157,613) at exchange rate 6.2855 and 8.3176 (2011: 6.3009 and 8.1625), respectively.

#### (2) As at 31 December 2012, the top five largest long-term loans

Debtor	Loan starting date	Loan ending date	Currency	Interest rate	31 December 2012	31 December 2011
				(%)	RMB'000	RMB'000
1. Syndicated Loans (Note 1)	26 December 2005	26 December 2025	RMB	5.90	2,980,000	3,040,000
2. Syndicated Loans (Note 2)	28 June 2006	18 June 2022	RMB	6.12	1,900,000	2,100,000
3. Syndicated Loans (Note 3)	27 June 2007	26 June 2022	RMB	6.55	1,755,600	1,880,160
4. Taikang Assets Management Co., Ltd.	6 September 2012	6 September 2019	RMB	5.86	1,500,000	—
5. Ping'an Assets Management Co., Ltd	1 June 2011	20 March 2021	RMB	6.06	1,080,000	1,080,000
Total					9,215,600	8,100,160

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.

# Notes to the financial statements (Continued)

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## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 31 Debentures payable

Item	Opening balance	Addition for the year	Decrease for the year	Closing balance
	RMB'000	RMB'000	RMB'000	RMB'000
Medium-term notes and non-public private placement bonds	5,362,631	6,489,962	(1,500,000)	10,352,593
Less: Debentures payable due within one year	1,499,052	948	(1,500,000)	—
<b>Total</b>	<b>3,863,579</b>	<b>6,489,014</b>	<b>—</b>	<b>10,352,593</b>

The analysis of debentures payable is set out as follows:

Debenture	Face value	Date of issuance	Maturity year	Interest rate	Issuance amount	Opening balance	Additions for the year	Discount amortisation	Decrease for the year	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	—	4,510	—	1,494,467
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	—	7,215	—	2,380,837
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	2,748	—	1,480,248
The first tranche of non-public private placement bonds of 2012	100	13 March 2012	From 14 March 2012 to 14 March 2015	5.02	5,000,000	—	4,985,000	12,041	—	4,997,041
<b>Total</b>						<b>5,362,631</b>	<b>6,462,500</b>	<b>27,462</b>	<b>(1,500,000)</b>	<b>10,352,593</b>

Interests on the above debentures are paid annually and principals are repaid on maturity.

### 32 Long-term payables

Item	Note	2012	2011
		RMB'000	RMB'000
Payables on mining rights	(1)	595,804	—
Payables for debts	(2)	732,803	784,673
Payables for central heating construction	(2)	58,511	83,912
Payables for finance leases	(3)	956,265	630,297
Payables on deposit for mining rights		96,000	—
Less: Long-term payables due within one year		1,119,713	274,581
<b>Total</b>		<b>1,319,670</b>	<b>1,224,301</b>

As at 31 December 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).

#### (1) Payables on mining rights

Payables on mining rights represents mining resource fee payables to local Bureau of Land and Resources by Maohua Company, a subsidiary of the Company. According to corresponding agreements, RMB 55,430,000 of total amount payables is due in 31 December 2013.

#### (2) Payables for debts and central heating construction

According to corresponding contracts, payables for debts is due in 30 June 2013, payables for central heating construction RMB 20,000,000 is due in 31 December 2013.

# Notes to the financial statements (Continued)

(Prepared under China Accounting Standards for Business Enterprises)  
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## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 32 Long-term payables (continued)

#### (3) Obligations under finance leases

As at 31 December 2012, the total future minimum lease payments under finance leases are as follows:

Minimum lease payments	2012	2011
	RMB'000	RMB'000
Within one year (inclusive)	323,419	149,306
Between one and two years (inclusive)	316,230	162,360
Between two and three years (inclusive)	245,019	162,360
Over three year	184,563	267,028
Sub-total	1,069,231	741,054
Less: Finance expenses not recognized	112,966	110,757
Total	956,265	630,297

The above mentioned obligations under finance 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 31 December 2012, the net book value of the facilities held under finance lease included in fixed assets and intangible assets amounted to RMB 1,003,795,000 and RMB 299,002,000 (2011: RMB 399,184,000 and RMB 315,927,000), respectively.

#### (4) 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.

### 33 Other non-current liabilities

As at 31 December 2012, the other non-current liabilities included deferred income arising from cash received for the upfront connection and installation fees for heating networks construction amounting to RMB 1,683,839,000 (2011: RMB 1,190,240,000) and deferred government grants amounting to RMB 319,055,000 (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

	2012	2011
	RMB'000	RMB'000
Share capital	7,371,084	6,771,084

In 2012, the Company was approved by China Securities Regulatory Commission, with Zheng Jian Xu Ke [2012] No. 263, to issue 600,000,000 ordinary shares with par value of RMB 1 each to target subscribers. The Company completed the non-public issue on July 2012. Total net proceeds of the shares issued was RMB 1,829,084,377, of which RMB 600,000,000 was credited to share capital and the balance of RMB 1,229,084,377 was credited to the capital reserve account. KPMG Huazhen verified the above issued and fully paid share capital, and issued related capital verification reports on 28 June 2012 numbered KPMG-A(2012)CR No.0022.

The share capital of the Company included A shares with restriction on disposals amounting to RMB 600,000,000, and shares without restriction on disposals amounting to RMB 6,771,084,000.

### 35 Capital reserve

Item	Opening balance	Additions for the year	Decrease for the year	Closing balance
	RMB'000 (restated)	RMB'000	RMB'000	RMB'000
Share premiums	3,914,680	1,229,084	—	5,143,764
Other capital reserves	688,453	88,837	(171,319)	605,971
Total	4,603,133	1,317,921	(171,319)	5,749,735

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.

# Notes to the financial statements (Continued)

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## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 36 Specific reserve

Specific reserve is the provisions for production maintenance, production safety and other similar funds based on coal production volume according to the related regulations.

### 37 Surplus reserve

Item	Opening balance	Additions for the year	Closing balance
	RMB'000	RMB'000	RMB'000
Statutory surplus reserve	1,479,421	6,603	1,486,024
Discretionary surplus reserve	68,089	—	68,089
Total	1,547,510	6,603	1,554,113

### 38 Retained profits

Item	Note	Amount	Extraction or distribution ratio
		RMB'000	(%)
Opening balance retained profits		3,175,032	
Add: Net profit attributable to equity shareholders of the Company		1,417,695	
Less: statutory surplus reserve		6,603	10%
Closing balance retained profits	(1)	4,586,124	

#### (1) Dividends of ordinary shares declared during the year

Pursuant to the shareholders' approval at the Shareholders' Meeting on 8 June 2012, a final dividend of RMB Nil (2011: RMB Nil) was declared to the Company's ordinary shareholders.

#### (2) Distribution of dividends of ordinary shares proposed after balance sheet date

Pursuant to a resolution passed at the Directors' meeting held on 27 March 2013, final dividend of RMB 0.065 per share, totalling RMB 479,120,473 will be payable to shareholders for 2012 (2011: RMB Nil). The resolution is subject to the approval of the shareholders at the coming Annual General Meeting.

#### (3) Retained earnings at the end of the year

The consolidated retained profits attributable to the Company included an appropriation of RMB 142,940,000 to surplus reserve made by the subsidiaries for the year (2011: RMB 86,612,000).

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	2012	2011
	RMB'000	RMB'000
Operating income from principal activities	59,079,714	54,178,060
Other operating income	410,259	312,747
Operating costs	49,968,358	49,464,893

# Notes to the financial statements (Continued)

(Prepared under China Accounting Standards for Business Enterprises)  
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## 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	2012		2011	
	Operating income	Operating costs	Operating income	Operating costs
	RMB'000	RMB'000	RMB'000	RMB'000
Sale of electricity	55,346,729	45,714,282	51,125,461	46,057,489
Sale of heat	2,806,786	3,162,487	2,697,878	2,930,472
Sale of coal	926,199	877,090	354,721	304,457
Total	<b>59,079,714</b>	<b>49,753,859</b>	54,178,060	49,292,418

#### (3) Principal activities (by geographical area)

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

#### (4) Operating income from the top five customers in 2012

The Group has only one customer (2011: one) whose recognised revenue in 2012 accounted for more than 10% of total operating income. Operating income from the Group's top five customers during the year are as follows:

Customer name	Operating income	Percentage of total operating income
	RMB'000	(%)
1. SEPCO	27,025,876	45.43
2. Ningxia Electric Power Company	5,672,892	9.54
3. Sichuan Electric Power Corporation	4,820,676	8.10
4. Hebei Electric Power Company	3,784,361	6.36
5. Henan Electric Power Company	3,533,208	5.94
Total	<b>44,837,013</b>	<b>75.37</b>

### 40 Sales taxes and surcharges

Item	2012	2011	Taxation basis and rates
	RMB'000	RMB'000	
City maintenance and construction tax	149,413	116,921	1-7% of VAT payable
Education surcharge	119,046	92,459	3-5% of VAT payable
Total	<b>268,459</b>	209,380	

### 41 General and Administrative Expenses

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

### 42 Finance expenses

Item	2012	2011
	RMB'000	RMB'000
Interest expenses from loans and payables	7,239,441	5,976,303
Less: Borrowing costs capitalised	979,936	878,022
Interest income from deposits and receivables	(65,095)	(65,680)
Net exchange losses/(gains)	9,424	(120,095)
Other finance expenses	18,870	12,753
Total	<b>6,222,704</b>	4,925,259

The interest rate per annum at which the borrowing costs were capitalised for the year by the Group was 5.52%-7.50%(2011: 4.69%-6.90%).

# Notes to the financial statements (Continued)

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## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 43 Investment income

#### (1) Investment income by item

Item	Note	2012	2011
		RMB'000	RMB'000
Income from long-term equity investments under cost method	V.10(2)	5,529	40,490
Income from long-term equity investments under equity method	(2)	613,037	556,872
Investment income from holding available-for-sale financial assets		789	143
Investment income from disposal of available-for-sale financial assets		6,227	—
Gain on dilution of an associate		—	568,870
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)	478,552	102,400
Total		<b>1,104,134</b>	<b>1,281,786</b>

#### (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	2012	2011	Reason for movements for the year
	RMB'000	RMB'000	
China Huadian Finance	147,876	110,160	Profit or loss from normal operations
Huadian Coal	132,451	118,264	Profit or loss from normal operations
Changcheng Mine Company	112,322	63,090	Profit or loss from normal operations
Longtan Coal Company	54,756	4,501	Profit or loss from normal operations
Fucheng Mining Company	51,232	95,542	Profit or loss from normal operations

#### (3) The investment income is mainly from the disposal of associates including Ningxia Power Company, Zoucheng Lunan Company and Zhongxing Hydropower, and from the disposal of other long-term equity investment including Jinzhongnan Coal company and Weifang Venture Capital. See Note V.10.

### 44 Assets impairment loss/(reversal)

Item	Note	2012	2011
		RMB'000	RMB'000
(Reversal)/loss of bad and doubtful debts			
Accounts receivable	V.18	16,479	(13,160)
Other receivables	V.18	139,081	368
Loss/(reversal) of provision of inventories	V.6(2)	42	(233)
Impairment loss on goodwill	V.15	6,155	—
Impairment loss on fixed assets	V.11	10,564	—
Impairment loss on construction in progress	V.12	52,486	—
Total		<b>224,807</b>	<b>(13,025)</b>

# Notes to the financial statements (Continued)

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## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 45 Non-operating income

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

Item	Note	2012	2011	Amount recognized in extraordinary gain and loss
		RMB'000	RMB'000	RMB'000
Gains on disposal of fixed assets		33,312	2,744	33,312
Government grants	(2)	535,300	327,280	529,415
CERs income		6,748	113,804	—
Sales of installed capacity quota		50,000	—	50,000
Others		131,159	87,172	131,159
Total		756,519	531,000	743,886

#### (2) Details of government grants

Item	2012	2011
	RMB'000	RMB'000
Grants of sale of heat	228,324	89,738
Grants of sale of electricity (Note 1)	150,170	116,224
Grants of eliminating backward production facilities	11,250	31,500
Interest subsidies	95,804	19,864
VAT refunding of wind and stalk power generation (Note 2)	5,885	9,504
Taxes refunding of sale of heat (Note 3)	1,411	23,592
Others	42,456	36,858
Total	535,300	327,280

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 2011 to 2012 earned the VAT refund policies.

### 46 Non-operating expenses

Item	2012	2011	Amount recognized in extraordinary gain and loss
	RMB'000	RMB'000	RMB'000
Losses on disposal of fixed assets	8,543	3,137	8,543
Donations	620	290	620
Approved carbon emission reduction costs	5,458	9,937	—
Electricity price regulation fund (Note 1)	186,372	—	186,372
Others	6,870	7,186	6,870
Total	207,863	20,550	202,405

Note 1: Electricity price regulation fund represented the expenses levied on electricity supplied by subsidiaries located in Ningxia Hui Nationality Autonomous Region to other provinces in the PRC. Collection of such fund is based on regulations issued by Ningxia local authorities and is expected to be non-recurring. Thus the fund is accounted for in non-operating expenses.

# Notes to the financial statements (Continued)

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## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 47 Income tax

Item	Note	2012 RMB'000	2011 RMB'000
Income tax for the year based on tax law and corresponding regulations		438,721	166,406
Deferred taxation adjustments	(1)	263,441	(133,884)
Over provision for income tax in respect of preceding year		(3,827)	(457)
Total		698,335	32,065

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

Item	2012 RMB'000	2011 RMB'000
Origination and reversal of temporary differences	243,375	(62,597)
Recognition of previously unrecognised tax losses	(115,173)	(71,287)
Reversal of previously recognised tax losses	135,239	—
Total	263,441	(133,884)

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

Item	2012 RMB'000	2011 RMB'000
Profit before taxation	2,615,307	176,788
Expected income tax at a tax rate of 25%	653,827	44,197
Add: Non-deductible expenses	34,073	19,084
Non-taxable income	(195,414)	(341,766)
Effect of preferential tax rate of subsidiaries on income tax	(77,111)	(89,033)
Over provision in respect of preceding year	(3,827)	(457)
Tax losses	286,787	400,040
Income tax expense	698,335	32,065

### 48 Calculation of basic earnings per share and diluted earnings per share

#### (1) Basic earnings per share

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

	2012	2011
Consolidated net profit of the Company attributable to ordinary shareholders (RMB'000)	1,417,695	79,193
Weighted average number of ordinary shares outstanding ('000 share)	7,070,262	6,771,084
Basic earnings per share (RMB per share)	0.201	0.012

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

	2012 '000 share	2011 '000 share
Issued ordinary shares at 1 January	6,771,084	6,771,084
Effect of shares issued	299,178	—
Weighted average number of ordinary shares	7,070,262	6,771,084

#### (2) Diluted earnings per share

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



# Notes to the financial statements (Continued)

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

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 49 Other comprehensive income

Item	2012	2011
	RMB'000	RMB'000
1. Gain/(losses) arising from available-for-sale financial assets	6,239	(3,400)
Less: Tax benefit/(expenses) arising from available-for-sale financial assets	3	(850)
Reclassification adjustments for amounts transferred to profit or loss	6,227	—
Sub-total	9	(2,550)
2. Share of other comprehensive income of investees accounted for under the equity method	10,560	(8,393)
Less: Reclassification adjustments for amounts transferred to profit or loss	1,637	(2,831)
Sub-total	8,923	(5,562)
Total	8,932	(8,112)

### 50 Notes to cash flow statement

#### (1) Other cash received relating to operating activities

Item	Amount
	RMB'000
Cash received relating to other operating activities	385,765
Government grants received relating to profits	454,438
Cash received from sales of capacity quota	50,000
Others	131,031
Total	1,021,234

#### (2) Other cash paid relating to operating activities

Item	Amount
	RMB'000
Cash paid relating to administration expenses	1,201,255
Cash paid relating to cash receipt from sale of electricity which collected on behalf of others under trade receivables factoring	663,000
Others	314,740
Total	2,178,995

#### (3) Other cash received relating to investing activities

Item	Amount
	RMB'000
Collection of bank deposits with maturity over three months	65,000
Interest income	65,095
Principal collected from borrowings to a third party	12,000
Cash received relating to guarantee for bidding	60,047
Total	202,142

# Notes to the financial statements (Continued)

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

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 50 Notes to cash flow statement (continued)

#### (4) Other cash paid relating to investing activities

Item	Amount
	RMB'000
Cash repaid relating to guarantee for bidding	49,830
Total	49,830

#### (5) Other cash received relating to financing activities

Item	Amount
	RMB'000
Cash received relating to bills financing	1,108,730
Government grants received relating to assets	142,281
Total	1,251,011

#### (6) Other cash paid relating to financing activities

Item	Amount
	RMB'000
Repayment of bill financing	1,005,000
Cash paid relating to finance lease deposit and surcharge	32,263
Cash paid relating to financing surcharge	63,616
Others	44,817
Total	1,145,696

### 51 Information of cash flow statement

#### (1) Supplement to cash flow statement

Supplement	2012	2011
	RMB'000	RMB'000 (restated)
<b>1. Reconciliation of net profit to cash flow from operating activities:</b>		
<b>Net profit</b>	<b>1,916,972</b>	144,723
Add: Impairment loss/(reversal)	224,807	(13,025)
Depreciation of fixed assets	6,032,891	5,341,395
Amortisation of intangible assets	208,724	184,829
Gains on disposal of fixed assets	(24,769)	393
Maintenance and production fund and production safety related expenditures	27,188	3,845
Finance expenses	6,222,704	4,925,259
Gains arising from investments	(1,104,134)	(1,281,786)
Decrease/(increase) in deferred tax assets	80,714	(122,215)
Increase/(decrease) in deferred tax liabilities	182,727	(11,669)
Increase in gross inventories	(603,449)	(959,063)
Increase in operating receivables	(1,828,408)	(1,547,000)
Increase in operating payables	946,638	66,956
Net cash flow from operating activities	12,282,605	6,732,642
<b>2. Change in cash and cash equivalents:</b>		
Cash at the end of the year	3,060,074	2,120,281
Less: Cash at the beginning of the year	2,120,281	1,240,089
Net increase in cash and cash equivalents	939,793	880,192

# Notes to the financial statements (Continued)

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

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 51 Information of cash flow statement (continued)

#### (2) Information on acquisition of subsidiaries during the year

Item	2012	2011
	RMB'000	RMB'000
1. Consideration of acquisition on equity interest and receivables of subsidiaries	590,482	3,337,170
2. Cash and cash equivalents paid for acquiring subsidiaries	590,482	2,030,569
Add: Cash and cash equivalents paid in current year for subsidiaries acquired in previous year	1,341,526	100,997
The expense of acquisition of subsidiaries	—	5,088
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	582,898
3. Net cash paid for the acquisition	1,660,911	1,553,756
4. Non-cash assets and liabilities held by the acquired subsidiaries		
Current assets	3,009	320,153
Non-current assets	613,406	8,289,856
Current liabilities	(129,945)	(1,127,960)
Non-current liabilities	(92,777)	(2,956,763)

#### (3) Details of cash and cash equivalents

Item	2012	2011
	RMB'000	RMB'000 (restated)
1. Cash at bank and on hand		
Including: Cash on hand	1,488	1,951
Bank deposits available on demand	3,058,458	2,117,916
Other monetary fund available on demand	128	414
2. Closing balance of cash and cash equivalents	3,060,074	2,120,281

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

## VI. RELATED PARTY AND RELATED PARTY TRANSACTIONS

### 1 Parent of the Company

Company name	Related party relationship	Type	Registered place	Legal representative	Business nature	Registered capital	Percentage of equity interest to the Company	Percentage of voting right to the Company	Organisation code
						RMB'000	(%)	(%)	
China Huadian	Ultimate controlling party	State-owned enterprise	Beijing, the PRC	Yun Gongmin	Development, construction and operation management of electricity related business, organisation of production and sale of electricity and heat	12,000,000	44.19 (Note)	44.19	71093107-X

Note: This included 1.16% 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 (Continued)

(Prepared under China Accounting Standards for Business Enterprises)  
(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
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
Huadian Sichuan Power Co., Ltd ("Sichuan Power")	Controlled by China Huadian	76729769-8
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

### 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	2012		2011	
		Amount	Percentage of the same type of transaction	Amount	Percentage of the same type of transaction
	Note 1	RMB'000	(%)	RMB'000	(%)
Huadian Engineering and its subsidiaries	Construction expenses and Equipment expenses	433,070	2.14	427,378	2.79
Huadian Engineering's subsidiaries	Technical Service fee	54,140	35.72	18,641	21.69
CHD Capital	Agency fees	4,950	100.00	5,157	100.00
China Huadian Finance	Commission charges	17,797	17.85	—	—
China Huadian and China Huadian finance	Guarantee fee	7,600	100.00	—	—
Huadian Coal	Coal services fee	65,094	100.00	—	—
Huadian Coal	Purchase of coal	2,437,629	3.78	1,535,138	3.91
Shanxi Huasheng Tongpei Coal Company Limited ("Shanxi Huasheng"), Sichuan Power, Changcheng Mine Company and Fucheng Mining Company	Purchase of coal	249,903	0.39	35,546	0.09
Ningdong Railway Company	Fuel transportation fees	92,971	1.45	75,830	1.66
Huadian New Energy	CDM services fees	—	—	7,501	100.00
Huadian Technology & Trade	Property management services fees	8,010	20.37	7,059	23.35
Hebei Tianwei Huarui Electric Co., Ltd ("Tianwei Comany") and Zoucheng lunan Company	Maintenance fee	—	—	11,128	1.80
Shanghai Huadian Electric	Maintenance fee	43,010	4.52	—	—
Xibaipo Company	Purchase of electricity	—	—	150,651	39.92
Baoding Huacheng Residual Thermal Power Generation Company Limited ("Huacheng Comany")	Sale of electricity rights	—	—	125,267	27.01
Anhui Lu'an Power	Power generation substitution income	40,929	11.23	—	—
CHD Operation	Operation service income	1,030	1.97	1,604	21.08
Huadian Hubei Power	Provision of Maintenance fee	4,934	9.45	3,069	40.31
Huadian Shanxi Energy	Purchase of quota service	174,030	57.49	100,000	100.00
Huadian Kemen Phase II Company	Sale of quota service	50,000	100.00	—	—
Key management personnel	Payment of remuneration	7,939	0.25	8,124	0.30

# Notes to the financial statements (Continued)

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

## VI. RELATED PARTY AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 5 Transactions with related parties (continued)

The below transactions with related parties were conducted under normal commercial terms or relevant agreements (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>	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, Materials Company	Construction expenses and Equipment expenses	398,427	25.02	325,465	37.37
Zoucheng Heat Company	Sale of heat	87,325	44.01	59,414	38.08
	Operation service income	1,085	5.01	1,085	7.19
Zouxian Company	Properties rental income	37,797	91.30	37,797	94.31
Zhongning Company and Lingwu Company	Maintenance service fees	7,688	35.49	—	—
CHD Capital	Agency fees	200	100.00	200	100.00
Materials Company	Property Management service fees	3,370	100.00	—	—
Huadian Technology & Trade	Property Management services fees	8,010	58.54	7,059	50.05
China Huadian	Guarantee fees	4,500	59.21	—	—
China Huadian Finance	Guarantee fees	1,500	19.74	—	—
Key management personnel	Payment of remuneration	7,939	1.08	8,124	1.25

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

#### (2) Related party lease

Table of transactions concerning leasing in:

##### The Group and the Company

Lessor name	Lessee name	Type of assets leased	Inception date of lease	Maturity date of lease	Basis for determining lease expense	Lease expenses recognized in the year RMB'000
Anfu Company	The Company	China Huadian Building	1 April 2009	31 December 2014	Trustee area	49,001
CHD Operation	The Company	Buildings and vehicle	1 November 2011	31 October 2013	Trustee period	1,224

#### (3) Related party guaranty

##### The Group

Guarantor	Guarantee	Amount of guaranty RMB'000	Inception date of guaranty	Maturity date of guaranty	Guaranty completed (Y/N)
<b>Providing guaranty</b>					
Guang'an Company	Longtan Coal Company	163,577	9 January 2006	14 April 2022	N
<b>Guaranty secured</b>					
China Huadian	Banshan Company	102,648	25 June 2004	30 May 2022	N
China Huadian	Lingwu Company	1,600,000	6 January 2011	20 March 2021	N
China Huadian	The Company	700,000	6 September 2012	6 September 2019	N
China Huadian	Zouxian Company	800,000	6 September 2012	6 September 2019	N

Note: Zhongning Company, a subsidiary of the Company, provided guarantees to banks for loans granted to Ningxia Power Company amounting to RMB 25,110,000 in 2012. The Company disposed all of its equity interests in Ningxia Power Company in 31 December 2012, but the above mentioned guarantees is yet to be terminated.

# Notes to the financial statements (Continued)

(Prepared under China Accounting Standards for Business Enterprises)  
(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)
		RMB'000			
<b>Providing guaranty</b>					
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	197,143	12 August 2009	23 August 2022	N
The Company	Kailu Wind Power Company	167,000	19 June 2009	11 July 2022	N
The Company	Kailu Wind Power Company	340,000	27 September 2011	27 September 2022	N
The Company	Suzhou Company	19,400	29 December 2009	19 August 2019	N
The Company	Maohua Company	250,000	16 August 2012	8 January 2016	N
The Company	Maohua Company	190,000	30 July 2013	29 July 2015	N
The Company	Maohua Company	368,000	22 September 2016	21 September 2018	N
The Company	Maohua Company	140,000	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 Company	130,000	29 March 2012	29 December 2016	N
The Company	Xiasha Thermal Power Company	28,000	28 November 2027	28 November 2029	N
The Company	Xiasha Thermal Power Company	144,315	28 November 2027	28 November 2029	N
The Company	Maohua Company	300,000	25 September 2016	25 September 2018	N
The Company	Maohua Company	300,000	28 June 2012	27 June 2019	N
<b>Guaranty secured</b>					
China Huadian	The Company	700,000	6 September 2012	6 September 2019	N

#### (4) Related party borrowing and refunding

##### The Group

Related party	Borrowing Amount	Refunding Amount	Interest income recognised for the year ended 31 December 2012
Funds provided	RMB'000	RMB'000	RMB'000
Linfen Changfa Company	—	—	3,605

Note: Ningxia Power Company and Zhongxing Company was associates of the Group. Before its disposal, the Group received interests income from Ningxia Power Company and Zhongxing Company with carrying amount of RMB 1,329,000 and RMB 1,760,000, respectively.

Related party	2012	2011	Interest income recognised for the year ended 31 December 2012
Deposit	RMB'000	RMB'000	RMB'000
China Huadian Finance	2,028,275	1,077,982	33,529

Related party	Borrowing Amount	Refunding Amount	Interest expense recognised for the year ended 31 December 2012
Funds received	RMB'000	RMB'000	RMB'000
China Huadian	135,866	—	67,029
SITC	621,840	(978,079)	104,819
China Huadian Finance	5,025,000	(4,852,580)	414,241
Huadian Tendering	100,000	(100,000)	6,130
Fortune Trust	—	(3,000)	30,314
Huadian Shanxi Energy	—	(105,061)	2,131
Total	5,882,706	(6,038,720)	624,664

# Notes to the financial statements (Continued)

(Prepared under China Accounting Standards for Business Enterprises)  
(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	Cash received	Lease payment
Obligation under sales and leaseback arrangements	RMB'000	RMB'000
China Huadian Finance	250,000	30,173

##### The Company

Related party	Borrowing Amount	Refunding Amount	Interest income recognised for the year ended 31 December 2012
Funds provided	RMB'000	RMB'000	RMB'000
Zagunao Hydroelectric Company	620,000	(15,000)	37,875
Shantou Company	70,000	(317,000)	21,296
Maohua Company	450,000	—	6,783
Suzhou Biomass Energy Company	10,000	—	413
Luding Hydropower Company	500,000	—	14,986
Zibo Thermal Power Company	50,000	—	1,499
Tengzhou Thermal Power Company	200,000	—	5,963
Shaoguan Thermal Power Company	121,000	—	3,626
Zhangqiu Company	200,000	—	5,963
Laizhou Power Generation Company	600,000	—	12,912
Kailu wind power company	175,000	—	2,862
Haoyuan Company	75,000	—	1,475
Shunge Company	20,000	—	373
Weifang Company	260,000	—	4,034
Pingshi Power Company	110,000	—	1,370
Total	3,461,000	(332,000)	121,430

Related party	2012	2011	Interest income recognised for the year ended 31 December 2012
Deposit	RMB'000	RMB'000	RMB'000
China Huadian Finance	47,694	48,049	3,487

Related party	Borrowing Amount	Refunding Amount	Interest income recognised for the year ended 31 December 2012
Funds provided	RMB'000	RMB'000	RMB'000
China Huadian	32,648	—	—
SITC	—	(250,000)	15,963
China Huadian Finance	1,855,000	(1,910,000)	31,238
Huadian Tendering	—	(100,000)	3,280
Fortune Trust	—	(3,000)	30,314
Materials Company	50,000	(50,000)	2,879
Project Company	45,000	—	1,320
Total	1,982,648	(2,313,000)	84,994

# Notes to the financial statements (Continued)

(Prepared under China Accounting Standards for Business Enterprises)  
(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	2012	2011
		RMB'000	RMB'000
<b>Capital investment</b>			
Jinshajiang Hydropower	Capital Injection	28,000	28,480
Xiangcheng Hydropower	Capital Injection	90,335	12,000
Shanxi Huasheng	Capital Injection	—	6,000
Derong Hydropower	Capital Injection	29,400	—
Erpu Coal Transportation and Sales Company	Capital Injection	4,900	—
Zhongxing Hydropower	Capital Injection	—	121

#### (6) Related party transferring of equity interests

##### The Company

Related party	Content of transaction	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 a subsidiary	14,268	2.87	—	—

Note: Ningxia Power Company was an associate of the Group. Before its disposal in 2012, the Group acquired 5% of the equity interest in Yinxing Coal from Ningxia Power Company at a consideration of RMB 78,000,000. Upon the effective date of the transaction in 10 December 2012, the Group's interests in Yinxing Coal increased from 45% to 50%.

#### (7) Commitment with related parties

As at 31 December 2012, commitment with related parties is as follows:

Item	2012	2011
	RMB'000	RMB'000
Capital commitment	225,789	368,215
Commitment on properties rental and management fees	115,376	156,076
<b>Total</b>	<b>341,165</b>	<b>524,291</b>



# Notes to the financial statements (Continued)

(Prepared under China Accounting Standards for Business Enterprises)  
(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	2012	2011
		RMB'000	RMB'000 (restated)
<b>Receivables from related party</b>			
Prepayments for construction and construction materials	Huadian Engineering and its subsidiaries	252,866	249,515
Prepayments for fuel	Huadian Coal, Sichuan Power, Changcheng Mine Company and Fucheng Mining Company	329,458	70,353
Prepayments for maintenance	Shanghai Huadian Electric	8,548	—
Prepayments for fuel transportation	Ningdong Railway Company and Erpu Transportation and Sales Company	84,900	93,795
Trade receivables for sale of installed capacity quota	Huadian Kemen Phase II Company	2,010	—
Payment made on behalf	Linfen Changfa Company and Zhongxing Hydropower	53,388	66,576
Prepayment for investment	Huadian Shanxi Energy	—	44,268
<b>Payables to related party</b>			
Payables for construction and construction materials	Shanghai Huadian Electric China Huadian Engineering and its subsidiaries	(400,456)	(268,597)
Payables for fuel	Huadian Coal and Shanxi Huasheng	(68,431)	(4,586)
Payables for fuel transportation	Ningdong Railway Company	(963)	—
Payables for property management service fees	Huadian Technology & Trade	(1,250)	—
Payables of CDM service fee	Huadian New Energy	(787)	(787)
Payables of maintenance fee	Zoucheng Lunan Company and Tianwei Company	(45)	(624)
Payables of capacity quota	Huadian Shanxi Energy	(273,530)	(99,500)
Other payables	China Huadian and Huadian Shanxi Energy	(1,060)	(193,101)
Advances from the sale of electricity rights	Huacheng Company	(10,000)	(10,000)
Shareholder loans	China Huadian and SITC	(3,020,023)	(3,240,396)
Other loans	China Huadian Finance Huadian Tendering and Fortune Trust	(7,155,505)	(6,986,085)
Obligations under finance lease	China Huadian Finance	(227,500)	—

#### The Company

Item	Related party	2012	2011
		RMB'000	RMB'000
<b>Receivables from related party</b>			
Prepayments for construction and construction materials	Huadian Engineering and its subsidiaries, Material Company	23,725	26,623
Entrusted loans and interests	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, Kailu Wind Power Company, Haoyuan Company, Shunge Company, Weifang Company and Pingshi Power Company	3,703,666	495,548
Prepayments for purchase of fuel	Huadian Coal	297,190	20,300
Prepayments for investment	Huadian Shanxi Energy	—	44,268
<b>Payables to related party</b>			
Other payables	China Huadian	(1,060)	(82,945)
Trade Payables for construction equipments	Huadian Engineering and its subsidiaries	(10,278)	(2,153)
Loans from shareholders	China Huadian and SITC	(175,775)	(393,127)
Other Loans	Huadian Tendering, Fortune Trust, Material Company and China Huadian Finance	(732,000)	(845,000)
Receipt in advance for purchase and sales of fuel	The Company's subsidiaries	(77,146)	(79,296)

# Notes to the financial statements (Continued)

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

## VII. CONTINGENCIES

Haoyuan Company is a subsidiary acquired by the Group on 30 September 2011. As at 31 December 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 approval date of these financial statement 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 the guarantees as set out in Note VI.5(3), the Group has no other material contingent liabilities as at 31 December 2012.

## VIII. SIGNIFICANT COMMITMENTS

### 1 Capital commitments

Item	2012 RMB'000	2011 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	12,334,474	15,261,795
Construction contracts authorised but not signed	29,224,678	23,662,289
Total	42,715,848	40,411,770

### 2 Operating lease commitments

At 31 December, 2012 and 31 December 2011, the total future minimum lease payments under non-cancellable operating leases of buildings and land were payable as follows:

Item	2012 RMB'000	2011 RMB'000
Within one year (inclusive)	90,503	88,023
Between one and two years (inclusive)	86,229	79,042
Between two and three years (inclusive)	28,618	77,811
Over three years	334,025	362,014
Total	539,375	606,890

## 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 (Continued)

(Prepared under China Accounting Standards for Business Enterprises)  
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## 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	2012	2011
	RMB'000	RMB'000
Past due within three months (inclusive)	87,290	37,972
Past due three to six months (inclusive)	143,645	73,001
Past due six months to one year (inclusive)	249,266	96,781
More than one year past due	160,130	87,556
Total	640,331	295,310

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, 60% (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 (Continued)

(Prepared under China Accounting Standards for Business Enterprises)  
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## 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 31 December 2012 and 31 December 2011 are adopted) are as follows:

Item	2012 Contractual undiscounted cash flow				Total RMB'000	Balance sheet carrying amount RMB'000
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000		
<b>Financial assets</b>						
Cash at bank and on hand	3,102,559	—	—	—	3,102,559	3,102,559
Receivables	8,719,641	—	—	—	8,719,641	8,716,123
Available-for-sale financial assets	38,958	—	—	—	38,958	38,958
Long-term Receivables (including due within one year)	45,651	33,460	118,227	—	197,338	186,974
Sub-total	11,906,809	33,460	118,227	—	12,058,496	12,044,614
<b>Financial liabilities</b>						
Short-term loans	(20,150,022)	—	—	—	(20,150,022)	(19,491,832)
Short-term debentures payable	(11,898,001)	—	—	—	(11,898,001)	(11,664,380)
Long-term loans (including due within one year)	(13,927,958)	(14,897,885)	(28,700,154)	(45,269,903)	(102,795,900)	(73,820,997)
Debentures payable	(471,920)	(1,926,190)	(9,179,193)	—	(11,577,303)	(10,352,593)
Payables	(12,874,152)	—	—	—	(12,874,152)	(12,874,152)
Long-term payables (including due within one year)	(1,131,652)	(505,391)	(593,532)	(1,644,908)	(3,875,483)	(2,439,383)
Sub-total	(60,453,705)	(17,329,466)	(38,472,879)	(46,914,811)	(163,170,861)	(130,643,337)
Net amount	(48,546,896)	(17,296,006)	(38,354,652)	(46,914,811)	(151,112,365)	(118,598,723)

In order to resolve the liquid risk arising from the maturity of short term loan contract, the group will continually communicate and cooperate with bank and other financial institutes to acquire more financing. As at 31 December 2012, the Group has unused bank credit limits and non-public debts financing facilities of RMB 80.783 billion.

# Notes to the financial statements (Continued)

(Prepared under China Accounting Standards for Business Enterprises)  
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## IX. OTHER SIGNIFICANT ITEMS (CONTINUED)

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

#### (2) Liquidity risk (continued)

Item	2011 (restated) Contractual undiscounted cash flow				Total RMB'000	Balance sheet carrying amount RMB'000
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000		
<b>Financial assets</b>						
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
<b>Financial liabilities</b>						
Short-term loans	(27,489,753)	—	—	—	(27,489,753)	(26,719,139)
Short-term debentures payable	(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 (Continued)

(Prepared under China Accounting Standards for Business Enterprises)  
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## 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 31 December 2012 and 31 December 2011, the Group held the following interest-bearing financial instruments:

Item	2012		2011 (restated)	
	Annual interest rate (%)	Amount RMB'000	Annual interest rate (%)	Amount RMB'000
<b>Fixed rate instruments</b>				
Financial assets				
— Cash at bank	3.05	13,425	3.10-4.50	317,950
— Other receivables	8.00	40,700	7.22	8,000
Financial liabilities				
— Short-term loans	3.00-7.22	(9,517,739)	4.37-7.87	(10,242,263)
— Long-term loans (including due within one year)	2.25-7.76	(4,094,971)	2.25-7.70	(3,196,285)
— Short-term debentures payable	3.15-4.68	(11,664,380)	2.89-5.98	(3,551,384)
— Debentures payable (including due within one year)	3.78-5.02	(10,352,593)	3.38-3.96	(5,362,631)
— Other payables	—	—	6.10	(50,000)
Total		<b>(35,575,558)</b>		<b>(22,076,613)</b>

Item	2012		2011 (restated)	
	Annual interest rate (%)	Amount RMB'000	Annual interest rate (%)	Amount RMB'000
<b>Variable rate instruments</b>				
Financial assets				
— Cash at bank	0.35-1.35	3,087,646	0.50-1.49	2,162,915
— Other receivables	6.15	4,100	7.59	140,105
— Long term receivables (including due within one year)	3.38-6.90	124,290	4.00-6.65	136,365
Financial liabilities				
— Short-term loans	2.61-6.60	(9,974,093)	2.92-8.53	(16,476,876)
— Long-term loans (including due within one year)	3.30-7.94	(69,726,026)	0.66-9.31	(67,127,530)
— Other payables	—	—	5.90-6.56	(173,841)
Total		<b>(76,484,083)</b>		<b>(81,338,862)</b>

(b) Sensitivity analysis

As at 31 December 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 614,971,000 (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 (Continued)

(Prepared under China Accounting Standards for Business Enterprises)  
(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 31 December 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	2012		2011	
	USD	EUR	USD	EUR
	RMB'000	RMB'000	RMB'000	RMB'000
Cash at bank	13,076	—	4,710	—
Short-term loans	(628,550)	—	(1,179,712)	—
Long-term loans (including due within one year)	(621,439)	(214,588)	(206,663)	(192,210)
Long-term payables (including due within one year)	(732,803)	—	(784,673)	—
<b>Total</b>	<b>(1,969,716)</b>	<b>(214,588)</b>	<b>(2,166,338)</b>	<b>(192,210)</b>

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

Item	Average rate		Reporting date mid-spot rate	
	2012	2011	2012	2011
USD	6.3126	6.4584	6.2855	6.3009
EUR	8.1052	9.0003	8.3176	8.1625

- (c) Sensitivity analysis

Assuming all other risk variables remained constant, a 10% strengthening of the Renminbi against the US dollar and Euro at 31 December 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 year end:

Item	Equity	Net profit
	RMB'000	RMB'000
<b>31 December 2012</b>		
USD	153,952	153,952
EUR	16,094	16,094
<b>Total</b>	<b>170,046</b>	<b>170,046</b>
<b>31 December 2011</b>		
USD	162,475	162,475
EUR	14,416	14,416
<b>Total</b>	<b>176,891</b>	<b>176,891</b>

A 10% weakening of the Renminbi against the US dollar and Euro at 31 December 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 (Continued)

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## 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 31 December 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).

31 December 2012	Note	Level 1	Level 2	Level 3	Total
Assets		RMB'000	RMB'000	RMB'000	RMB'000
Available-for-sale Financial assets	V.8	<b>38,958</b>	—	—	<b>38,958</b>

31 December 2011	Note	Level 1	Level 2	Level 3	Total
Assets		RMB'000	RMB'000	RMB'000	RMB'000
Available-for-sale Financial assets	V.8	<b>39,506</b>	—	—	<b>39,506</b>

During the year ended 31 December 2012, there were no significant transfers between instruments in Level 1 and Level 2, there were no changes in valuation technique of fair value.

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

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

Item	2012		2011	
	Carrying amount	Fair value	Carrying amount	Fair value
	RMB'000	RMB'000	RMB'000	RMB'000
Debentures payable	<b>10,673,307</b>	<b>10,653,996</b>	5,479,076	5,497,190
Long-term loans	<b>4,093,041</b>	<b>4,106,430</b>	3,196,285	3,169,398
Total	<b>14,766,348</b>	<b>14,760,426</b>	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 (Continued)

(Prepared under China Accounting Standards for Business Enterprises)  
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## 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)	6.36-6.76	6.40-6.83
Debentures payable (including due within one year)	4.04-4.83	2.92-4.02

### 3 Assets at fair value

Item	Balance at the beginning of the year	Additions from acquisition	Increase for the year	Changes in fair value for the year	Decrease for the year	Balance at the end of the year
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Available-for-sale financial assets	39,506	—	—	6,239	(6,787)	38,958

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

### 1 Trade receivables

#### (1) Trade receivables by customer type:

Item	2012	2011
	RMB'000	RMB'000
1. Trade receivables for sale of electricity	768,061	841,545
2. Trade receivables for sale of heat	32,971	17,208
Sub-total	801,032	858,753
Less: Provision for bad and doubtful debts	—	—
Total	801,032	858,753

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

Item	2012	2011
	RMB'000	RMB'000
Within one year (inclusive)	801,032	858,753

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

# Notes to the financial statements (Continued)

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

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

### 1 Trade receivables (continued)

#### (3) Accounts receivable by category:

Category	Note	2012				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)	799,752	99.84	—	—	858,515	99.97	—	—
Other insignificant trade receivables	(4)	1,280	0.16	—	—	238	0.03	—	—
Total		801,032	100.00	—	—	858,753	100.00	—	—

(4) The Company does not make provision for bad and doubtful debts on trade receivables.

(5) The Company does not actually write-off any trade receivables during the year.

(6) The analysis of significant trade receivables is as follows:

Name of enterprise	Relationship with the Company	Amount	Ageing	Percentage of total trade receivables
		RMB'000		(%)
1. SEPCO	Third party	768,061	Within one year	95.88
2. Zaozhuang Heat Corporation	Third party	31,691	Within one year	3.96
Total		799,752		99.84

(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) As at 31 December 2012, derecognition of bills receivable due to transfer of financial assets

Item	Amount derecognised	Losses related to derecognition
	RMB'000	RMB'000
Factored trade receivables without recourse	200,000	120

(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 (Continued)

(Prepared under China Accounting Standards for Business Enterprises)  
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## X. 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	2012		2011	
	RMB'000		RMB'000	
Within one year (inclusive)	5,036,760		853,501	
Between one and two years (inclusive)	30,982		1,634,038	
Between two and three years (inclusive)	1,575,112		508,665	
Over three years	522,233		15,744	
Sub-total	7,165,087		3,011,948	
Less: Provision for bad and doubtful debts	2,507		2,524	
Total	7,162,580		3,009,424	

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

(2) Other receivables by category

Category	2012				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	7,154,549	99.85	2,266	0.03	3,001,163	99.64	2,266	0.08
Other insignificant other receivables	10,538	0.15	241	2.29	10,785	0.36	258	2.39
Total	7,165,087	100.00	2,507	0.03	3,011,948	100.00	2,524	0.08

The Company does not hold any collateral over the 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 year.
- (4) The Company does not actually write-off any other receivables during the year.
- (5) The analysis of significant other receivables is as follows:

Other receivables	Relationship with the Company	Amount	Ageing	Percentage of total other receivables
		RMB'000		(%)
1. Amounts due from subsidiaries	Subsidiary	6,294,054	Within one year and between one and four year	87.84
2. Consideration payables on acquisitions	Third party	840,138	Within one year and between one and two year	11.73
Total		7,134,192		99.57

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

# Notes to the financial statements (Continued)

(Prepared under China Accounting Standards for Business Enterprises)  
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## X. NOTES TO MAJOR ITEMS IN THE PARENT'S FINANCIAL STATEMENTS (CONTINUED)

### 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.

### 4 Long-term equity investments

#### (1) Long-term equity investments by category:

Item	2012	2011
	RMB'000	RMB'000
Investments in subsidiaries	29,119,260	24,732,209
Investments in associates	7,255,253	7,897,715
Other long-term equity investments	127,109	166,309
Total	36,501,622	32,796,233

#### (2) An analysis of the movements of long-term equity investments for the year is as follows:

Investee name	Investment costs	Movement of		Closing balance	Shareholding percentage	Voting rights	Cash dividends for the year
		Opening balance	additions and deductions				
	RMB'000	RMB'000	RMB'000	RMB'000	(%)	(%)	RMB'000
<b>Cost method-subidiaries</b>							
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	574,800	374,800	200,000	574,800	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	835,686	372,100	463,586	835,686	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	1,366,090	1,266,090	100,000	1,366,090	100	100	100,000
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	642,724	386,724	256,000	642,724	64	64	199,610
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	386,100	336,100	50,000	386,100	100	100	—
Huarui Group Company	1,366,895	966,895	400,000	1,366,895	100	100	—
Qudong Company	371,740	261,740	110,000	371,740	90	90	—
Material Company	38,648	38,648	—	38,648	100	100	11,500
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	—
Shantou Company	300,900	15,300	285,600	300,900	51	51	—
Laizhou Wind Power Company	80,333	80,333	—	80,333	55	55	9,103
Kezuzhongqaj Wind Power Company	80,000	80,000	—	80,000	100	100	—
New Energy Company	330,000	—	330,000	330,000	100	100	—
Ningdong Wind Power Company	150,000	150,000	(150,000)	—	—	—	—
Yueliangshan Wind Power Company	95,000	95,000	(95,000)	—	—	—	—
Liupanshan Wind Power Company	15,000	15,000	(15,000)	—	—	—	—
Laizhou Power Generation Company	1,080,000	307,500	772,500	1,080,000	86.63	86.63	—
Lu'an Company	159,180	109,180	50,000	159,180	95	95	—
Century Power Company	2,120,369	2,120,369	—	2,120,369	84.31	84.31	—
Pingshi Power Company (Note 2)	784,706	684,706	100,000	784,706	100	100	—
Luhua Thermal Power Company	391,475	337,475	54,000	391,475	90	90	—
Zhongning Company	142,800	227,237	—	227,237	50	50	—
Laizhou Port Company	139,833	69,916	69,917	139,833	65	65	—
Laizhou Wind Company	91,914	40,000	51,914	91,914	100	100	—

# Notes to the financial statements (Continued)

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

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

### 4 Long-term equity investments (continued)

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

Investee name	Investment costs	Opening balance	Movement of additions and deductions	Closing balance	Shareholding percentage	Voting rights percentage	Cash dividends for the year
<b>Cost method-subidiaries</b>							
Wenhui Company	283,315	283,315	—	283,315	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	894,420	825,245	69,175	894,420	100	100	—
Xiexing Company	933,930	864,755	69,175	933,930	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	483,164	—	483,164	483,164	100	100	—
Xiasha Thermal Power Company	89,600	—	89,600	89,600	56	56	—
Longyou Thermal Power Company	50,000	—	50,000	50,000	100	100	—
Jiangdong Thermal Power Company	84,000	—	84,000	84,000	70	70	—
Other	113,482	113,482	—	113,482			—
<b>Total</b>	<b>29,294,823</b>	<b>24,732,209</b>	<b>4,387,051</b>	<b>29,119,260</b>			<b>320,213</b>

Note1: For information on subsidiaries of The Company, see Note IV.1.

Note2: 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.

Investee name	Investment costs	Opening balance	Movement of additions and deductions	Adjustments under equity method			Closing balance
				Gains/(losses) in investment	Transfer of capital reserve	Cash dividends for the year	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Equity method-associates</b>							
Ningxia Power Company	630,000	1,055,192	(1,068,059)	(3,918)	16,785	—	—
Huadian Property	290,000	282,446	—	(156)	—	—	282,290
Luzhou Company	344,000	64,064	—	(64,064)	—	—	—
Huadian Coal	432,414	1,237,803	—	123,079	1,111	—	1,361,993
China Huadian Finance	796,533	967,376	—	134,131	8,093	(93,312)	1,016,288
Zoucheng Lunan Company	1,733	2,131	(2,131)	—	—	—	—
Changcheng Mine Company	452,612	526,679	—	112,322	—	—	639,001
Fucheng Mining Company	498,042	605,997	—	51,232	—	—	657,229
Ningdong Railway Company	300,000	345,546	—	31,097	4,316	—	380,959
Quanhui Trading	938,834	938,834	—	—	—	—	938,834
Baihui Trading	569,724	569,724	—	—	—	—	569,724
Zhengtai Trading	644,885	644,885	—	—	—	—	644,885
Yinxing Coal	678,000	600,000	78,000	—	—	—	678,000
Jinshajiang Hydropower	74,990	46,990	28,000	—	—	—	74,990
Other associates	9,000	10,048	—	1,012	—	—	11,060
<b>Total</b>	<b>6,660,767</b>	<b>7,897,715</b>	<b>(964,190)</b>	<b>384,735</b>	<b>30,305</b>	<b>(93,312)</b>	<b>7,255,253</b>

# Notes to the financial statements (Continued)

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

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

### 4 Long-term equity investments (continued)

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

Investee name	Investment costs	Opening balance	Movement of additions and deductions	Closing balance	Shareholding percentage	Voting rights percentage	Cash dividends for the year
	RMB'000	RMB'000	RMB'000	RMB'000	(%)	(%)	RMB'000
<b>Cost method-other long-term equity investments</b>							
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.

### 5 Operating income and Operating costs

(1) Operating income and Operating costs

Item	2012	2011
	RMB'000	RMB'000
Operating income from principal activities	9,002,311	8,808,513
Other operating income	89,294	90,507
Operating costs	7,920,299	8,375,163

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

Industry/product	2012		2011	
	Operating income	Operating costs	Operating income	Operating costs
	RMB'000	RMB'000	RMB'000	RMB'000
Sale of electricity	8,803,890	7,694,231	8,652,472	8,168,743
Sale of heat	198,421	210,089	156,041	188,151
Total	9,002,311	7,904,320	8,808,513	8,356,894

(3) Principal activities (by geographical area)

The Company's principal activities are the generation and sale of electricity in the PRC.

(4) Operating income from the top five customers

Customer name	Operating income	Percentage of total operating income
	RMB'000	(%)
1. SEPCO	8,803,889	96.84
2. Zoucheng Heat Company	98,677	1.09
3. Zaozhuang Heat Corporation	95,607	1.05
4. Zouxian Company	37,797	0.42
5. Laiwu City Heating Power Company	13,301	0.14
Total	9,049,271	99.54

# Notes to the financial statements (Continued)

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

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

### 6 Investment income

#### (1) Investment income by item

Item	Note	2012	2011
		RMB'000	RMB'000
Income from long-term equity investments under cost method	(2)	323,967	324,202
Income from long-term equity investments under equity method	(3)	384,735	443,763
Gain on dilution of an associate		—	528,476
Gain on disposal of long-term equity	(4)	476,129	102,400
Total		1,184,831	1,398,841

#### (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	2012	2011	Reason for movements for the year
	RMB'000	RMB'000	
Banshan Company	199,610	—	Under cost method, investment income is recognised when dividend is declared by subsidiary.
Luding Hydropower Company	100,000	—	Under cost method, investment income is recognised when dividend is declared by subsidiary.
Materials Company	11,500	12,613	Under cost method, investment income is recognised when dividend is declared by subsidiary.
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 investee

# Notes to the financial statements (Continued)

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

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

### 6 Investment income (continued)

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

Investee	2012	2011	Reason for movements for the year
	RMB'000	RMB'000	
China Huadian Finance	134,131	97,257	Profit or loss from normal operations
Huadian Coal	123,079	110,031	Profit or loss from normal operations
Changcheng Mine Company	112,322	63,090	Profit or loss from normal operations
Fucheng Mining Company	51,232	95,542	Profit or loss from normal operations
Ningdong Railway Company	31,097	27,171	Profit or loss from normal operations

#### (4) Gain on disposal of long-term equity in 2012 represents gain on disposal of Ningxia Power Company and Zoucheng Lunan Company, associates of the Company, and gain on disposal of Jinzhongnan Coal Company, an other long-term equity investment of the Company. See Note V. 10.

### 7 Supplement to cash flow statement

Supplement	2012	2011
	RMB'000	RMB'000
<b>1. Reconciliation of net profit to cash flows from operating activities:</b>		
<b>Net profit</b>	66,029	139,563
Add: Impairment loss/(reversal)	35,083	(378)
Depreciation of fixed assets	863,796	859,870
Amortisation of intangible assets	12,577	12,723
Income on disposal of fixed assets	(1,501)	(314)
Financial expense	1,756,714	1,342,264
Gains arising from investments	(1,184,831)	(1,398,841)
Decrease in deferred tax liabilities	(670)	(459)
Decrease/(Increase) in gross inventories	139,364	(104,661)
Decrease/(Increase) in operating receivables	12,984	(192,386)
(Increase)/decrease in operating payables	(417,024)	108,774
Net cash inflow from operating activities	<b>1,282,521</b>	<b>766,155</b>
<b>2. Change in cash and cash equivalents:</b>		
Cash at the end of the year	747,136	421,704
Less: Cash at the beginning of the year	421,704	156,819
Net increase in cash and cash equivalents	<b>325,432</b>	<b>264,885</b>



# Supplements

## 1 DETAILS OF EXTRAORDINARY GAINS AND LOSSES AT 31 DECEMBER 2012.

Item	Amount
	RMB'000
Gains on disposal of non-current assets	24,769
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)	529,415
Sales of installed capacity quota	50,000
Gain on disposal of long-term equity investment	478,552
Gain on disposal of available for sale financial assets	6,227
Electricity price regulation fund	(186,372)
Reversal of provision provided on receivables and inventories that were individually assessed for indication of impairment	6,970
Provision of other impairment losses	(231,777)
The effect due to change in accounting estimates on depreciation	(135,240)
Other non-operating income and expenses besides items mentioned above	123,669
Amount of effect on taxation	(25,986)
Amount of effect on minority shareholders after taxation	(68,149)
Total	<u>572,078</u>

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:

Note	Net profit		Net assets	
	2012	2011	2012	2011
	RMB'000	RMB'000	RMB'000	RMB'000 (restated)
Amount under PRC GAAP	<b>1,916,972</b>	144,723	<b>27,644,896</b>	23,641,882
Adjustments under IFRSs:				
Business combination involving entities under common control (1)	<b>(29,410)</b>	(29,118)	<b>685,014</b>	713,357
Government grants (2)	<b>25,247</b>	13,478	<b>(442,257)</b>	(412,567)
Maintenance, production and other similar fund Adjustment (3)	<b>26,135</b>	3,845	<b>(22,199)</b>	—
Taxation impact of the adjustments	<b>8,804</b>	2,146	<b>(134,898)</b>	(142,635)
Amount under IFRSs	<u><b>1,947,748</b></u>	<u>135,074</u>	<u><b>27,730,556</b></u>	<u>23,800,037</u>

# Supplements (Continued)

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

## 3 RETURN ON NET ASSETS AND EARNINGS PER SHARE

In accordance with "Regulation on the Preparation of Information Disclosures of Companies Issuing Public Shares No.9-Calculation and Disclosure of the Return on Net Assets and Earnings Per Share" (2010 revised) issued by the CSRC, the Group's return on net assets and earnings per share are calculated as follows:

	Inclusive of extraordinary gains and losses	Net of extraordinary gains and losses
Weighted average return on net assets (%)	<b>7.98%</b>	<b>4.76%</b>
Consolidated net profit attributable to the Company's ordinary equity shareholders (RMB'000)	<b>1,417,695</b>	<b>845,617</b>
Weighted average net assets attributable to the Company's ordinary equity shareholders (RMB'000)	<b>17,760,049</b>	<b>17,760,049</b>
Fully diluted return on net assets (%)	<b>7.34%</b>	<b>4.38%</b>
Consolidated net profit attributable to the Company's ordinary equity shareholders (RMB'000)	<b>1,417,695</b>	<b>845,617</b>
Weighted average net assets attributable to the Company's ordinary equity shareholders (RMB'000)	<b>19,301,932</b>	<b>19,301,932</b>
Basic earnings per share (RMB)	<b>0.201</b>	<b>0.120</b>
Consolidated net profit attributable to the Company's ordinary equity shareholders (RMB'000)	<b>1,417,695</b>	<b>845,617</b>
Weighted average number of ordinary shares ('000 shares)	<b>7,070,262</b>	<b>7,070,262</b>

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.



華電國際電力股份有限公司

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