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If you are in any doubt about any of the contents of this circular or as to what action to take in relation to this circular, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **Huadian Power International Corporation Limited*** (the “Company”), you should at once hand this circular and the proxy form and reply slip to the purchaser(s) or the transferee(s) or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or the transferee(s).

This circular is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities of Huadian Power International Corporation Limited.

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華電國際電力股份有限公司

Huadian Power International Corporation Limited*

(A Sino-foreign investment joint stock company limited by shares incorporated in the People's Republic of China (the “PRC”))

(Stock Code: 1071)

**(1) CONNECTED TRANSACTION —
PLACING OF NEW A SHARES TO CHINA HUADIAN
(2) APPLICATION FOR WHITEWASH WAIVER
AND
(3) CONTINUING CONNECTED TRANSACTIONS**

**Independent Financial Adviser to the IBC of Subscription and CCT, the IBC of Subscription
and Whitewash Waiver and the Independent Shareholders**



A letter from the board of directors of the Company is set out on pages 1 to 27 of this circular. A letter from the IBC of Subscription and CCT is set out on pages 28 to 29 of this circular. A letter from the IBC of Subscription and Whitewash Waiver is set out on pages 30 to 31 of this circular. A letter from the Independent Financial Adviser, containing its advice to the IBC of Subscription and CCT, the IBC of Subscription and Whitewash Waiver and the Independent Shareholders, is set out on pages 32 to 59 of this circular.

The notice convening the Extraordinary General Meeting of the Company to be held at 2:00 p.m. on 6 December 2013 at Huabin International Hotel, No.4 Xuanwumennei Street, Xicheng District, Beijing, the PRC was despatched to the Shareholders on 22 October 2013, which is reproduced on pages 492 to 502 of this circular.

15 November 2013

* For identification purposes only

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:

- “A Shares Subscription”** means the proposed subscription of new A Shares by China Huadian pursuant to the A Shares Subscription Agreement;
- “A Shares Subscription Agreement”** means the conditional subscription agreement entered into between China Huadian and the Company on 16 October 2013, under which, China Huadian agreed to subscribe for, and the Company agreed to issue, 1,150,000,000 new A Shares at the subscription price of RMB3.12 per share;
- “A Shares Subscription Announcement”** means the announcement of the Company dated 16 October 2013 in relation to, among others, (i) the A Shares Subscription which constituted a connected transaction of the Company; and (ii) the Whitewash Waiver;
- “A Shares”** means the listed domestic shares in the ordinary share capital of the Company, with a par value of RMB1.00 each, which are listed on the Shanghai Stock Exchange;
- “associate(s)”** has the meaning ascribed to it under the Hong Kong Listing Rules that apply to the Company;
- “Board”** means the board of directors of the Company;
- “China Huadian Hong Kong”** means 中國華電香港有限公司 China Huadian Hong Kong Company Limited*, a wholly-owned subsidiary of China Huadian;
- “China Huadian”** means 中國華電集團公司 China Huadian Corporation*, a wholly PRC State-owned enterprise, and the controlling shareholder of the Company, and where the context requires, means China Huadian and its subsidiaries and companies whose 30% or more equity interests are directly or indirectly held by China Huadian;
- “Company”** means 華電國際電力股份有限公司 Huadian Power International Corporation Limited*, a Sino-foreign investment joint stock company limited by shares incorporated in the PRC, whose H Shares and A Shares are listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange, respectively;
- “connected person(s)”** has the meaning ascribed to it under the Hong Kong Listing Rules that apply to the Company;

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“controlling shareholder”	has the meaning ascribed to it under the Hong Kong Listing Rules that apply to the Company;
“CSRC”	means 中國證券監督管理委員會 China Securities Regulatory Commission;
“Directors”	means the directors of the Company;
“EGM”	means the extraordinary general meeting of the Company to be convened to consider and approve, among other things, the A Shares Subscription, the Whitewash Waiver, the Proposed Continuing Connected Transactions contemplated under the Proposed Continuing Connected Transactions Agreements and the related proposed annual caps;
“Executive”	means the Executive Director of the Corporate Finance Division of the Securities and Futures Commission of Hong Kong or any of his delegates;
“Existing Coal Purchase Framework Agreement with Huainan Mining”	means the coal purchase framework agreement entered into between Huainan Mining and the Company on 10 September 2010 in relation to the supply of coal by Huainan Mining to the Group, the principal terms of which have been disclosed in the Company’s announcement dated 10 September 2010 and its circular dated 8 October 2010;
“Existing Coal Purchase Framework Agreement with Yanzhou Coal”	means the coal purchase framework agreement entered into between Yanzhou Coal and the Company on 10 September 2010 in relation to the supply of coal by Yanzhou Coal to the Group, the principal terms of which have been disclosed in the Company’s announcement dated 10 September 2010 and its circular dated 8 October 2010;
“Existing Coal, Equipments and Services Purchase (Supply) Framework Agreement”	means the coal, equipments and services purchase (supply) framework agreement entered into between China Huadian and the Company on 6 November 2012 in relation to the mutual supply of coal and provision of products and services between China Huadian and the Group, the principal terms of which have been disclosed in the Company’s announcement dated 6 November 2012 and its circular dated 9 November 2012;

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“Existing Continuing Connected Transactions”	means the transactions contemplated under the Existing Coal, Equipments and Services Purchase (Supply) Framework Agreement, the Existing Coal Purchase Framework Agreement with Yanzhou Coal and the Existing Coal Purchase Framework Agreement with Huainan Mining;
“Group”	means the Company and its subsidiaries as at the Latest Practicable Date;
“H Shares”	means the overseas listed foreign shares in the ordinary share capital of the Company, with a par value of RMB1.00 each, which are listed on the Hong Kong Stock Exchange;
“Hong Kong Listing Rules”	means the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
“Hong Kong Stock Exchange”	means The Stock Exchange of Hong Kong Limited;
“Hong Kong”	means the Hong Kong Special Administrative Region of the PRC;
“Huainan Mining”	means 淮南礦業(集團)有限責任公司 Huainan Mining Industry Group Company Limited*, a limited liability company established in the PRC;
“IBC of Subscription and CCT”	means the independent board committee of the Company comprising all independent non-executive Directors formed to advise the Independent Shareholders on the A Shares Subscription and the Proposed Continuing Connected Transactions in accordance with the Hong Kong Listing Rules;
“IBC of Subscription and Whitewash Waiver”	means the independent board committee of the Company comprising all non-executive Directors who have no direct or indirect interest in the A Shares Subscription formed to advise the Independent Shareholders on the A Shares Subscription and the Whitewash Waiver in accordance with the Takeovers Code;

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- “Independent Financial Adviser” or “China Investment Securities”** means China Investment Securities International Capital Limited, a corporation licensed to carry on Type 6 (advising on corporate finance) regulated activities as defined under the SFO, the independent financial adviser appointed by the Company to advise the IBC of Subscription and CCT, the IBC of Subscription and Whitewash Waiver and the Independent Shareholders on the A Shares Subscription, the A Shares Subscription Agreement, the Whitewash Waiver and the Proposed Continuing Connected Transactions Agreements;
- “Independent Shareholders”** means:
- (i) in respect of the A Shares Subscription, the A Shares Subscription Agreement and the Whitewash Waiver, Shareholders other than: (a) China Huadian; (b) parties acting in concert with it (including China Huadian Hong Kong); and (c) all other parties (if any) who are interested or involved in the A Shares Subscription, the A Shares Subscription Agreement and/or the Whitewash Waiver;
 - (ii) in respect of the Proposed Coal, Equipments and Services Purchase (Supply) Framework Agreement, Shareholders other than China Huadian, its associates, and other Shareholders, if any, with a material interest in such agreement and the transactions thereunder and their respective associates;
 - (iii) in respect of the Proposed Coal Purchase Framework Agreement with Yanzhou Coal, Shareholders other than those Shareholders, if any, with a material interest in such agreement and the transactions thereunder and their respective associates; and
 - (iv) in respect of the Proposed Coal Purchase Framework Agreement with Huainan Mining, Shareholders other than those Shareholders, if any, with a material interest in such agreement and the transactions thereunder and their respective associates;
- “Latest Practicable Date”** means 12 November 2013, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein;

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“Miscellaneous and Relevant Services”	has the meaning ascribed to it under paragraph (3) under “Transactions” of section III.2 of this circular;
“PRC”	means the People’s Republic of China excluding, for the purpose of this circular, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan;
“Price Determination Date”	means 16 October 2013, i.e., the date of the announcement of the Board’s resolutions in respect of the A Shares Subscription;
“Price Determination Period”	means the period of 20 trading days prior to the Price Determination Date, i.e., from 10 September 2013 to 16 October 2013, and for this purpose, “trading day” means a day on which the Shanghai Stock Exchange is open for dealing or trading in securities;
“Proposed Coal Purchase Framework Agreement with Huainan Mining”	means the coal purchase framework agreement entered into between Huainan Mining and the Company in relation to the supply of coal by Huainan Mining to the Group, which is subject to the Independent Shareholders’ approval at the EGM;
“Proposed Coal Purchase Framework Agreement with Yanzhou Coal”	means the coal purchase framework agreement entered into between Yanzhou Coal and the Company in relation to the supply of coal by Yanzhou Coal to the Group, which is subject to the Independent Shareholders’ approval at the EGM;
“Proposed Coal, Equipments and Services Purchase (Supply) Framework Agreement”	means the coal, equipments and services purchase (supply) framework agreement entered into between China Huadian and the Company in relation to the mutual supply of coal and provision of products and services between China Huadian and the Group, which is subject to the Independent Shareholders’ approval at the EGM;
“Proposed Continuing Connected Transactions Agreements”	means the Proposed Coal, Equipments and Services Purchase (Supply) Framework Agreement, the Proposed Coal Purchase Framework Agreement with Yanzhou Coal and the Proposed Coal Purchase Framework Agreement with Huainan Mining;
“Proposed Continuing Connected Transactions”	means continuing connected transactions under the Proposed Continuing Connected Transactions Agreements;

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“Relevant Period”	means the period commencing 6 months preceding the date of the A Shares Subscription Announcement and up to and including the Latest Practicable Date;
“RMB”	means Renminbi, the lawful currency of the PRC;
“SASAC”	means 中國國務院國有資產監督管理委員會 State-owned Assets Supervision and Administration Commission of the State Council of the PRC;
“SFO”	means the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time;
“Shareholder(s)”	means the shareholders of the Company;
“Share(s)”	means the A Share(s) and the H Share(s);
“Takeovers Code”	means the Hong Kong Code on Takeovers and Mergers;
“Whitewash Waiver”	means a waiver from the Executive pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code, in respect of the obligations of China Huadian to make a mandatory general offer for all the securities of the Company not already owned or agreed to be acquired by China Huadian or party(ies) acting in concert with it which would otherwise arise as a result of the allotment and issue of the new A Shares under the A Shares Subscription Agreement;
“Yanzhou Coal”	means 兗州煤業股份有限公司 Yanzhou Coal Mining Company Limited*, a joint stock limited company incorporated in the PRC and the H shares, American depositary shares and A shares of which are listed on the Hong Kong Stock Exchange, New York Stock Exchange Inc. and the Shanghai Stock Exchange, respectively; and
“%”	means per cent.

* For identification purposes only

LETTER FROM THE BOARD



華電國際電力股份有限公司

Huadian Power International Corporation Limited*

(A Sino-foreign investment joint stock company limited by shares incorporated in the People's Republic of China (the "PRC"))

(Stock Code: 1071)

Directors:

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*)
Geng Yuanzhu (*Executive Director*)
Chen Bin (*Non-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*)

Office address:

No.2 Xuanwumennei Street
Xicheng District
Beijing, the PRC

Place of business in Hong Kong:

8th Floor, Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

15 November 2013

To the Shareholders

Dear Sir or Madam,

**(1) CONNECTED TRANSACTION —
PLACING OF NEW A SHARES TO CHINA HUADIAN
(2) APPLICATION FOR WHITEWASH WAIVER
AND
(3) CONTINUING CONNECTED TRANSACTIONS**

I. INTRODUCTION

Reference is made to the notice of the EGM dated 22 October 2013 (the "EGM Notice") to be held at 2:00 p.m. on 6 December 2013 at Huabin International Hotel, No.4 Xuanwumennei Street, Xicheng District, Beijing, the PRC.

* *For identification purposes only*

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Reference is also made to (i) the A Shares Subscription Announcement, in relation to the A Shares Subscription and application made to the SFC for the Whitewash Waiver and (ii) the announcement of the Company dated 17 October 2013 in relation to the Proposed Continuing Connected Transactions contemplated under the Proposed Continuing Connected Transactions Agreements and the related proposed annual caps.

The purpose of this circular is to provide the Shareholders with further information in respect of resolutions regarding the following matters to be proposed at the EGM to enable the Shareholders to make their informed decisions as to how to vote at the EGM:

- (i) the terms of the A Shares Subscription Agreement and details of the A Shares Subscription;
- (ii) details of the application made to the SFC for the Whitewash Waiver; and
- (iii) the terms of the Proposed Continuing Connected Transactions Agreements, the Proposed Continuing Connected Transactions contemplated thereunder and the related proposed annual caps.

II. PLACING OF NEW A SHARES TO CHINA HUADIAN

1. A Shares Subscription Agreement

Parties

- (1) The Company as the issuer; and
- (2) China Huadian as the subscriber.

Number of new A Shares subscribed for

Under the A Shares Subscription Agreement, China Huadian would subscribe for an aggregate of 1,150,000,000 new A Shares. Such new A Shares represented approximately 15.60% of the existing issued share capital of the Company as at the Latest Practicable Date. Immediately after completion of the A Shares Subscription, China Huadian and its associates will hold, directly and indirectly, 4,406,923,853 Shares in aggregate, representing approximately 51.72% of the then enlarged total issued share capital of the Company.

LETTER FROM THE BOARD

Subscription price

RMB3.12 per A Share, with a total subscription price of RMB3,588,000,000.

The subscription price for the A Shares Subscription was determined by reference to the average trading price of A Shares, i.e. RMB3.23, during the Price Determination Period. The average trading price of the A Shares during the Price Determination Period was determined by dividing the total turnover of the trading of the A Shares during the 20 trading days immediately preceding the Price Determination Date by the total trading volume of the A Shares during those 20 trading days immediately preceding the Price Determination Date.

The subscription price for the A Shares Subscription: (i) represented no less than 90% of such average trading price of the A Shares during the Price Determination Period and was agreed after arm's length negotiations between the parties, and (ii) was effectively higher than the benchmarked price of the H Shares, i.e. HK\$3.21 (equivalent to approximately RMB2.54), which was determined in accordance with Rule 13.36(5) of the Hong Kong Listing Rules (assuming an exchange rate of HK\$1 = RMB0.79).

The subscription price of RMB3.12 will, pursuant to the terms of the A Shares Subscription Agreement, be paid in cash into the special savings account as designated by the placing agent when the Company issues the new A Shares to China Huadian, after the Company having obtained, among others, the approval of SASAC and CSRC for the proposed A Shares Subscription.

Conditions precedent to the A Shares Subscription Agreement

The A Shares Subscription is conditional upon, among other things:

- (1) the Shareholders approving the A Shares Subscription by way of a special resolution at the EGM;
- (2) the Independent Shareholders approving the A Shares Subscription Agreement and the A Shares Subscription by way of special resolutions and by poll at the EGM, and the Independent Shareholders approving the Whitewash Waiver by way of an ordinary resolution and by poll at the EGM;

LETTER FROM THE BOARD

- (3) the relevant governmental and regulatory authorities, including but not limited to SASAC and CSRC, approving the A Shares Subscription; and
- (4) the Executive granting (subject to approval of the Independent Shareholders) the Whitewash Waiver.

None of the above conditions is waivable under the A Shares Subscription Agreement.

The A Shares Subscription shall be approved by SASAC and CSRC. The application for approval by SASAC was submitted on 24 October 2013. The application for approval by CSRC will be submitted as soon as practicable after the EGM is held. After the SASAC and CSRC's approvals are obtained, the Company will proceed with the A Shares Subscription as soon as practicable and will publish a completion announcement with respect to the A Shares Subscription in due course.

Termination of the A Shares Subscription Agreement

If CSRC refuses to grant the necessary approval relating to the issue of any portion of new A Shares under the A Shares Subscription, the A Shares Subscription Agreement shall automatically be terminated.

Lock-up arrangement

Pursuant to the relevant rules of CSRC, China Huadian has undertaken to the Company that it shall not transfer any of the new A Shares that it will subscribe for pursuant to the A Shares Subscription Agreement within 72 months from the date of completion of the A Shares Subscription. Except for this lock-up arrangement, there is no restriction on the subsequent sale of the new A Shares that China Huadian will subscribe for pursuant to the A Shares Subscription Agreement.

Applications for listing of the new A Shares

The Company will apply to the Shanghai Stock Exchange for the listing of, and permission to deal in, the new A Shares. Dealing in the A Shares to be issued under the A Shares Subscription on the Shanghai Stock Exchange will commence upon expiration of the lock-up period.

The Shareholders and potential investors should be aware that the proposed A Shares Subscription is subject to the fulfillment of certain conditions as set out in this circular, and consequently the proposed A Shares Subscription may or may not proceed. Accordingly, they are advised to exercise caution when dealing in the H Shares.

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2. Ranking of New A Shares to be Issued

The new A Shares to be issued pursuant to the A Shares Subscription Agreement will rank, upon issue, *pari passu* in all respects with the A Shares in issue at the time of allotment and issue of such new A Shares.

3. Shareholding Structure of the Company

The shareholding structure of the Company as at the Latest Practicable Date and immediately after completion of the A Shares Subscription is as follows:

Shareholders	As at the Latest Practicable Date		Immediately after completion of the A Shares Subscription	
	<i>Number of Shares</i>	<i>Approximate percentage of the total issued shares of the Company</i>	<i>Number of Shares</i>	<i>Approximate percentage of the then enlarged total issued shares of the Company</i>
China Huadian	3,171,061,853 A Shares	43.02%	4,321,061,853 A Shares	50.71%
China Huadian Hong Kong (a wholly-owned subsidiary of China Huadian and a party acting in concert with China Huadian)	85,862,000 H Shares	1.16%	85,862,000 H Shares	1.01%
Sub-total of shareholding interests held by China Huadian and its concert party	3,256,923,853 Shares	44.19%	4,406,923,853 Shares	51.72%
Shandong International Trust Corporation	800,766,729 A Shares	10.86%	800,766,729 A Shares	9.40%
Public	1,968,227,618 A Shares	26.71%	1,968,227,618 A Shares	23.10%
	1,345,166,000 H Shares	18.25%	1,345,166,000 H Shares	15.78%
Total	<u>7,371,084,200 Shares</u>	<u>100%</u>	<u>8,521,084,200 Shares</u>	<u>100%</u>

Note: The figures above are provided assuming that: (i) a total of 1,150,000,000 new A Shares to be issued under the A Shares Subscription Agreement are fully subscribed by China Huadian; and (ii) no other Shares will be issued or transferred after the Latest Practicable Date until the completion of the A Shares Subscription.

The percentage figures above have been rounded off to the nearest second decimal place.

LETTER FROM THE BOARD

4. Reasons and Benefits for the a Shares Subscription

The Directors believe that the A Shares Subscription will significantly enhance the capital structure and financial position of the Company by improving its balance sheet and leverage ratios, and will also improve the financing capability of the Company, which in the long term, will enhance the Company's competitiveness and help the Company improve its operational position.

The terms and conditions of the A Shares Subscription were agreed after arm's length negotiations between the parties. Considering all these factors, the Directors are of the view that the terms and conditions of the A Shares Subscription, including the subscription price, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Following completion of the A Shares Subscription, China Huadian and the party acting in concert with it intend to continue the existing business of the Group, and have no intention to introduce any major changes in such business (including redeployment of the fixed assets of the Group) or terminate the continued employment of the employees of the Group.

5. Recent Fund Raising Activities and Use of Proceeds

The Company has not conducted any fund raising activities through any issue of equity securities within the 12 months immediately prior to the date of the A Shares Subscription Announcement.

The total proceeds of the A Shares Subscription will be approximately RMB3,588,000,000, which is intended to be used to supplement the working capital of the Company.

The net proceeds (after deducting all applicable costs and expenses in association with the A Shares Subscription) of the A Shares Subscription will be approximately RMB3,550,000,000. The accurate net proceeds of the A Shares Subscription and net price of each new A Share to be issued will be determined and disclosed upon completion of the A Shares Subscription and determination of relevant expenses incurred or to be incurred in relation to the A Shares Subscription.

6. Hong Kong Listing Rules Implications

The issue of new A Shares pursuant to the A Shares Subscription Agreement will be conducted under the general mandate granted to the Board at the annual general meeting of the Company held on 25 June 2013 and subject to the approvals from the relevant regulatory authorities. That general mandate has not been used by the Company since the date of its grant. A maximum number of 1,188,011,240 A Shares are allowed to be issued under that general mandate.

Since China Huadian is the controlling shareholder of the Company, and hence a connected person of the Company, the placing of new A Shares to China Huadian pursuant to the A Shares Subscription Agreement constitutes a connected transaction of the Company and is subject to reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules. The proposal relating to the A Shares Subscription will be proposed by way of a special resolution at the EGM for the Independent Shareholders to approve. As required by the Hong Kong Listing Rules, as at the Latest Practicable Date, China Huadian, which held 3,171,061,853 issued A Shares representing approximately 43.02% of the Company's total issued share capital, and its wholly-owned subsidiary, China Huadian Hong Kong, which held 85,862,000 issued H Shares representing approximately 1.16% of the Company's total issued share capital, will abstain from voting on the resolutions to be proposed at the EGM for approving the A Shares Subscription. As at the Latest Practicable Date, other than China Huadian Hong Kong, there is no other associate of China Huadian that held Shares in the Company and therefore is required to abstain from voting on the resolutions to be proposed at the EGM for approving the A Shares Subscription.

Four non-executive Directors, namely, Yun Gongmin, Chen Bin and Chu Yu (who are currently employees (not being directors) of China Huadian) and Chen Feihu (who was previously an employee (not being a director) of China Huadian), have abstained from voting on the Board resolutions approving the transactions contemplated under the A Shares Subscription Agreement. Save as mentioned above, none of the other Directors has material interest in the A Shares Subscription and hence no other Director has abstained from voting on such Board resolutions.

LETTER FROM THE BOARD

The IBC of Subscription and CCT (comprising all the independent non-executive Directors) has, in accordance with the Hong Kong Listing Rules, been formed to advise the Independent Shareholders on the A Shares Subscription and the A Shares Subscription Agreement. The IBC of Subscription and Whitewash Waiver (comprising all the non-executive Directors who have no direct or indirect interest in the A Shares Subscription, namely, Chen Dianlu, Wang Yingli, Wang Yuesheng, Wang Jixin, Ning Jiming and Yang Jinguan) was formed in accordance with Rule 2.8 of the Takeovers Code to advise the Independent Shareholders on the A Shares Subscription, the A Shares Subscription Agreement and the Whitewash Waiver. China Investment Securities has been appointed to advise such committees and the Independent Shareholders as to whether the A Shares Subscription, the A Shares Subscription Agreement and the Whitewash Waiver (as the case may be) are fair and reasonable and make recommendation on voting.

7. Takeovers Code Implications and Application for Whitewash Waiver

As at the Latest Practicable Date, China Huadian and the party acting in concert with it (i.e., China Huadian Hong Kong) (the details of which are set out under the section headed “II. PLACING OF NEW A SHARES TO CHINA HUADIAN — 3. Shareholding Structure of the Company” of this circular) owned approximately 44.19% of the total existing issued share capital of the Company. Immediately following completion of the A Shares Subscription, assuming that there is no other change to the issued share capital of the Company, the aggregate shareholding of China Huadian and China Huadian Hong Kong in the Company will increase to approximately 51.72% of the then enlarged total issued share capital of the Company. Following completion of the A Shares Subscription, China Huadian may increase its shareholding in the Company without incurring any further obligation under Rule 26 of the Takeovers Code to make a general offer.

Assuming that there is no other change to the issued share capital of the Company, upon completion of the A Shares Subscription, pursuant to Rule 26.1 of the Takeovers Code, China Huadian and the party acting in concert with it (i.e., China Huadian Hong Kong) will be required to make a mandatory general offer for all the issued shares in the Company not already owned or agreed to be acquired by China Huadian or China Huadian Hong Kong, unless the Whitewash Waiver from strict compliance with Rule 26.1 of the Takeovers Code is obtained from the Executive.

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Completion of the A Shares Subscription is conditional upon, among other things, the Whitewash Waiver being granted by the Executive and approved by the Independent Shareholders. An application has been made to the Executive for the granting of the Whitewash Waiver pursuant to Note 1 on Dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver, if granted by the Executive, would be subject to the approval of the Independent Shareholders taken by way of a poll at the EGM. The Executive may or may not grant the Whitewash Waiver. China Huadian and China Huadian Hong Kong (being the party acting in concert with China Huadian) will abstain from voting in respect of the resolution(s) to approve the A Shares Subscription, the A Shares Subscription Agreement and the Whitewash Waiver at the EGM. As far as the Directors are aware, as of the Latest Practicable Date, save for China Huadian and China Huadian Hong Kong, there were no other Shareholders who are interested or involved in the A Shares Subscription.

It is one of the conditions that the Whitewash Waiver must be granted by the Executive and approved by the Independent Shareholders at the EGM. If the Whitewash Waiver is not granted by the Executive or not approved by the Independent Shareholders, the A Shares Subscription Agreement will not become unconditional and the A Shares Subscription will not proceed.

The Executive has indicated that it will agree, subject to the approval by the Independent Shareholders at the EGM by way of poll, to waive China Huadian from any obligation to make a general offer for all the Shares under Rule 26 of the Takeovers Code as a result of the A Shares Subscription.

LETTER FROM THE BOARD

As at the Latest Practicable Date, other than the 44.19% interest in the total existing issued share capital of the Company owned by China Huadian and the party acting in concert with it (i.e., China Huadian Hong Kong) (the details of which are set out under the section headed “II. PLACING OF NEW A SHARES TO CHINA HUADIAN — 3. Shareholding Structure of the Company” of this circular) and all the transactions contemplated under the proposed A Shares Subscription and as disclosed in this circular, neither China Huadian nor China Huadian Hong Kong:

- (i) held, owned, controlled or directed any shares, convertible securities, warrants, options or derivatives in respect of the securities in the Company;
- (ii) had secured an irrevocable commitment to vote in favour of or against the A Shares Subscription and/ or the Whitewash Waiver;
- (iii) had any arrangement (whether by way of option, indemnity or otherwise) or contracts in relation to the shares of the Company or China Huadian which might be material to the A Shares Subscription and/or the Whitewash Waiver;
- (iv) had any agreement or arrangement to which China Huadian or China Huadian Hong Kong was a party which related to the circumstances in which it might or might not invoke or seek to invoke a pre-condition or a condition to the A Shares Subscription and/or the Whitewash Waiver; or
- (v) had borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company.

Save for the entering into of the A Shares Subscription Agreement, neither China Huadian nor the party acting in concert with it (i.e., China Huadian Hong Kong) has acquired or disposed of any voting rights of the Company or has dealt for value in any shares, convertible securities, warrants, options or derivatives in respect of the securities in the Company in the six-month period prior to and including 16 October 2013, being the date on which the Company first made an announcement in respect of the A Shares Subscription. China Huadian and parties acting in concert with it (including China Huadian Hong Kong) will not acquire or dispose of any voting rights of the Company after the Latest Practicable Date until the completion of the A Shares Subscription.

The Company had no outstanding warrants, options or securities convertible into shares of the Company as at the Latest Practicable Date.

III. CONTINUING CONNECTED TRANSACTIONS

1. Background

The Existing Coal, Equipments and Services Purchase (Supply) Framework Agreement, which regulates the mutual supply of coal and provision of certain products and services between China Huadian and the Group, will expire on 31 December 2013. The Company intends to continue and increase the existing transactions contemplated under, and upon the expiry of, the Existing Coal, Equipments and Services Purchase (Supply) Framework Agreement.

The Existing Coal Purchase Framework Agreement with Yanzhou Coal and the Existing Coal Purchase Framework Agreement with Huainan Mining, which regulate the supply of coal by Yanzhou Coal and Huainan Mining to the Company, will expire on 31 December 2013. The Company intends to continue the existing transactions contemplated under, and upon the expiry of, the Existing Coal Purchase Framework Agreement with Yanzhou Coal and the Existing Coal Purchase Framework Agreement with Huainan Mining.

2. The Existing Coal, Equipments and Services Purchase (Supply) Framework Agreement

On 6 November 2012, the Company entered into the Existing Coal, Equipments and Services Purchase (Supply) Framework Agreement with China Huadian. The agreement is for a term of one year commencing from 1 January 2013 and expiring on 31 December 2013.

LETTER FROM THE BOARD

The principal terms of the Existing Coal, Equipments and Services Purchase (Supply) Framework Agreement are set out as follows and have been disclosed in the Company's announcement published on 6 November 2012:

Date: 6 November 2012

Parties: China Huadian
the Company

Existing Term: One (1) year commencing from 1 January 2013 and expiring on 31 December 2013

Transactions:

- (1) Mutual supply of coal between the Group and China Huadian;
- (2) Provision to the Group by China Huadian of engineering equipments (including but not limited to transducers, recycled water and desulphurisation systems), systems, products and engineering and construction contracting projects;
- (3) Provision to the Group by China Huadian of supplies procurement services and other miscellaneous and relevant services, including: (i) services in relation to the production and operation of the generating units of power plants, including overhauls and maintenance services, technological services such as testing of generating units and technology renovation and other services relating to production and operation; (ii) financial agency service capital operations and property transaction agency services; (iii) CDM registration services for the development and operation of clean energy projects; (iv) relevant quota (such as the quota on power generation rights and the quota of "replacing small units with larger units" on shutting down small generating units) services for the operation and project development of the Group; (v) property management services for the leasing of Huadian Tower, the office building of the headquarters of the Company (collectively "**Miscellaneous and Relevant Services**"); and
- (4) Provision to China Huadian by the Group of services of overhauls and maintenance of generating units of power plants and alternative power generation and relevant quota services.

LETTER FROM THE BOARD

Price determination principles:

The consideration for the mutual provision or sale of coal, engineering equipments, systems, products and engineering and construction contracting projects, and of Miscellaneous and Relevant Services under the framework agreement is subject to mutual consent and confirmation by the parties to the agreement, as well as determinations after arm's length negotiation with reference to the then market price and prevailing market conditions, and on transaction terms no less favourable than those with independent third parties.

Furthermore, the consideration for provision of engineering equipments, systems, products and engineering and construction contracting projects will be determined by reference to the successful bidding price under the bidding process as required by the relevant PRC laws and regulations, and is subject to adjustment upon further arm's length negotiation with the successful bidder.

The then market price of the relevant coal, engineering equipments, systems, products and engineering and construction contracting projects, and of Miscellaneous and Relevant Services is generally determined by the local spot market price as at the time of the purchase order. The local spot market price is usually determined with reference to (i) the purchase prices of local large-scale coal enterprises, which are published on various coal industry websites (if available); and/or (ii) quotation from a number of enterprises. The price of the mutual provision or sale of coal, engineering equipments, systems, products and engineering and construction contracting projects, and of Miscellaneous and Relevant Services under the Existing Coal, Equipments and Services Purchase (Supply) Framework Agreement will be negotiated by the Company and China Huadian after arm's length negotiation with reference to the then market price and prevailing market conditions, and on transaction terms no less favourable than those with independent third parties.

LETTER FROM THE BOARD

Historical Amounts

The actual amounts and the annual caps of the historical transactions under the Existing Coal, Equipments and Services Purchase (Supply) Framework Agreement for the twelve months ended 31 December 2011, twelve months ended 31 December 2012, and for the nine months ended 30 September 2013 are set out below:

Transactions	For the twelve months ended 31 December 2011		For the twelve months ended 31 December 2012	
	Actual amount	Annual caps	Actual amount	Annual caps
	<i>(RMB millions)</i>	<i>(RMB millions)</i>	<i>(RMB millions)</i>	<i>(RMB millions)</i>
Expenditure				
Purchase of coal from China Huadian	1,557	5,000	2,551	5,000
Provision of engineering equipments, systems, products and engineering and construction contracting projects by China Huadian	527	1,300	607	1,300
Provision of supplies procurement services and other Miscellaneous and Relevant Services by China Huadian	32	200	183	200
Revenue				
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	5	1,200	97	2,000

LETTER FROM THE BOARD

	For the nine months ended 30 September 2013	
	Annual caps (in respect of the entire financial Actual amount year ending 31 December 2013)	
Transactions	(RMB millions)	(RMB millions)
Expenditure		
Purchase of coal from China Huadian	1,606	6,000
Provision of engineering equipments, systems, products and engineering and construction contracting projects, supplies procurement services and other Miscellaneous and Relevant Services by China Huadian (<i>Note 1</i>)	670	1,500
Revenue		
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	60	2,000

Note 1: The Company estimated two categories of transactions, namely, provision of engineering equipments and products, etc., and provision of supplies procurement services and other Miscellaneous and Relevant Services, both from China Huadian to the Group, on a consolidated basis under the Existing Coal, Equipments and Services Purchase (Supply) Framework Agreement. The price obtained for a combination of services comprising those involving these two categories of services as a package may be more favourable to the Company than that obtainable for stand-alone services separately. The Company therefore believed that it would be more administratively efficient and appropriate for it to prepare its accounting records and to book such transactions on the same combined basis. Please refer to the Company's announcement published on 6 November 2012 for more details.

In respect of the Existing Coal, Equipments and Services Purchase (Supply) Framework Agreement, in order to ensure the price determination principles are properly adhered to, the Company will submit relevant information and materials in relation to the relevant transactions of the Company to its independent non-executive Directors on a monthly basis, and to its auditors and, if necessary, the PRC regulatory authorities for review on a quarterly basis. There are channels for the Company's independent non-executive Directors and auditors to provide their view and opinion regarding the transactions to the Board, and at the Latest Practicable Date, the Company's independent non-executive Directors and auditors had not expressed views or opinions that are against such transactions to the Board.

LETTER FROM THE BOARD

3. The Existing Coal Purchase Framework Agreement With Yanzhou Coal

On 10 September 2010, the Company entered into the Existing Coal Purchase Framework Agreement with Yanzhou Coal. The agreement is for a term of three years commencing from 1 January 2011 and expiring on 31 December 2013.

The principal terms of the Existing Coal Purchase Framework Agreement with Yanzhou Coal are set out as follows and have been disclosed in the Company's announcement published on 10 September 2010:

- Date: 10 September 2010
- Parties: Yanzhou Coal as supplier;
the Company as buyer
- Existing Term: Three (3) years commencing from 1 January 2011 and expiring on 31 December 2013
- Nature of Transactions: Supply of coal by Yanzhou Coal to the Group
- Price-determination: The parties agreed that the coal will be supplied at the prevailing market price and the prevailing market price shall be with reference to the price of coal (of the same category or same type and quality) Yanzhou Coal supplies to other independent third parties under normal business circumstances.
- Other major terms: The parties will from time to time determine the quality and the transportation method of coal supplied to the Group with reference to the then prevailing market circumstances, and subject to the parties' discussion and negotiations. The quantity of coal to be supplied to the Group by Yanzhou Coal shall be in accordance with the Company's instructions to Yanzhou Coal from time to time.

LETTER FROM THE BOARD

The prevailing market price of coal is generally determined by the local spot market price as at the time of the purchase order. The local spot market price is usually determined with reference to (i) the purchase prices of local large-scale coal enterprises, which are published on various coal industry websites (if available); and/or (ii) quotation from a number of coal enterprises. The price of the coal purchased under the Existing Coal Purchase Framework Agreement with Yanzhou Coal will be negotiated by the Company and Yanzhou Coal after arm's length negotiation with reference to the then market price and prevailing market conditions, and on transaction terms no less favourable than those with independent third parties.

Historical Amounts

The actual amounts and the annual caps of the historical transactions under the Existing Coal Purchase Framework Agreement with Yanzhou Coal for the twelve months ended 31 December 2011, the twelve months ended 31 December 2012, and the nine months ended 30 September 2013 are set out below:

Transactions	For the twelve months ended 31 December 2011		For the twelve months ended 31 December 2012		For the nine months ended 30 September 2013	
	Actual amount <i>(RMB millions)</i>	Annual cap <i>(RMB millions)</i>	Actual amount <i>(RMB millions)</i>	Annual cap <i>(RMB millions)</i>	Actual amount <i>(RMB millions)</i>	Annual cap (in respect of the entire financial year ending 31 December 2013) <i>(RMB millions)</i>

Expenditure:

Coal Purchase Framework Agreement with Yanzhou Coal	4,509	8,000	3,828	8,000	2,540	8,000
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In respect of the Existing Coal Purchase Framework Agreement with Yanzhou Coal, in order to ensure the price determination principles are properly adhered to, the Company will submit relevant information and materials in relation to the relevant transactions of the Company to its independent non-executive Directors on a monthly basis, and to its auditors and, if necessary, the PRC regulatory authorities for review on a quarterly basis. There are channels for the Company's independent non-executive Directors and auditors to provide their view and opinion regarding the transactions to the Board, and at the Latest Practicable Date, the Company's independent non-executive Directors and auditors had not expressed views or opinions that are against such transactions to the Board.

LETTER FROM THE BOARD

4. The Existing Coal Purchase Framework Agreement With Huainan Mining

On 10 September 2010, the Company entered into the Existing Coal Purchase Framework Agreement with Huainan Mining. The agreement is for a term of three years commencing from 1 January 2011 and expiring on 31 December 2013.

The principal terms of the Existing Coal Purchase Framework Agreement with Huainan Mining are set out as follows and have been disclosed in the Company's announcement published on 10 September 2010:

Date: 10 September 2010

Parties: Huainan Mining as supplier;
the Company as buyer

Existing Term: Three (3) years commencing from 1 January 2011 and expiring on 31 December 2013

Nature of Transactions: Supply of coal by Huainan Mining to the Group

Price-determination: The Parties agreed that the coal will be supplied to the Group at the prevailing market price and the prevailing market price shall be determined with reference to the price of coal (of the same category or same type and quality) Huainan Mining supplies to other independent third parties under normal business circumstances.

Other major terms: The Parties will from time to time determine the quality and the transportation method for the supply of coal with reference to the then prevailing market circumstances, and subject to the parties' discussion and negotiations. The quantity of coal to be supplied to the Group shall be determined by the Company providing instructions to Huainan Mining from time to time.

The prevailing market price of coal is generally determined by the local spot market price as at the time of the purchase order. The local spot market price is usually determined with reference to (i) the purchase prices of local large-scale coal enterprises, which are published on various coal industry websites (if available); and/or (ii) quotation from a number of coal enterprises. The price of the coal purchased under the Existing Coal

LETTER FROM THE BOARD

Purchase Framework Agreement with Huainan Mining will be negotiated by the Company and Huainan Mining after arm's length negotiation with reference to the then market price and prevailing market conditions, and on transaction terms no less favourable than those with independent third parties.

Historical Amounts

The actual amounts and the annual caps of the historical transactions under the Existing Coal Purchase Framework Agreement with Huainan Mining for the twelve months ended 31 December 2011, the twelve months ended 31 December 2012, and for the nine months ended 30 September 2013 are set out below:

Transactions	For the twelve months ended 31 December 2011		For the twelve months ended 31 December 2012		For the nine months ended 30 September 2013	
	Actual amount <i>(RMB millions)</i>	Annual cap <i>(RMB millions)</i>	Actual amount <i>(RMB millions)</i>	Annual cap <i>(RMB millions)</i>	Actual amount <i>(RMB millions)</i>	Annual cap <i>(in respect of the entire financial year ending 31 December 2013) (RMB millions)</i>
Expenditure:						
Coal Purchase Framework Agreement with Huainan Mining	1,177	4,000	53	4,000	0	4,000

In respect of the Existing Coal Purchase Framework Agreement with Huainan Mining, in order to ensure the price determination principles are properly adhered to, the Company will submit relevant information and materials in relation to the relevant transactions of the Company to its independent non-executive Directors on a monthly basis, and to its auditors and, if necessary, the PRC regulatory authorities for review on a quarterly basis. There are channels for the Company's independent non-executive Directors and auditors to provide their view and opinion regarding the transactions to the Board, and at the Latest Practicable Date, the Company's independent non-executive Directors and auditors had not expressed views or opinions that are against such transactions to the Board.

5. The Proposed Coal, Equipments And Services Purchase (Supply) Framework Agreement

In accordance with the terms of the Existing Coal, Equipments and Services Purchase (Supply) Framework Agreement, the agreement will expire on 31 December 2013. To continue to regulate the relevant terms of the transactions contemplated thereunder between the Group and China Huadian, on 17 October 2013, the Company has conditionally entered into the Proposed Coal, Equipments and Services Purchase (Supply) Framework Agreement with China Huadian, which will be for another term of one year commencing from 1 January 2014 and expiring on 31 December 2014.

Save for the above term of the contract and the maximum annual transaction amounts (as set out below) agreed by both parties in the agreement, the principal terms of transactions under the Proposed Coal, Equipments and Services Purchase (Supply) Framework Agreement are substantially the same as the above terms of the Existing Coal, Equipments and Services Purchase (Supply) Framework Agreement.

Condition Precedent

The Proposed Coal, Equipments and Services Purchase (Supply) Framework Agreement is conditional upon Independent Shareholders' approval being obtained at the EGM.

LETTER FROM THE BOARD

Proposed Annual Caps

The Directors propose the proposed annual caps for the transactions contemplated under the Proposed Coal, Equipments and Services Purchase (Supply) Framework Agreement for the financial year ending 31 December 2014 as follows:

	Proposed annual caps for the financial year ending 31 December 2014 (RMB millions)
Transactions	
Expenditure	
Purchase of coal from China Huadian	6,000
Provision of engineering equipments, systems, products and engineering and construction contracting projects, supplies procurement services and other Miscellaneous and Relevant Services by China Huadian (<i>Note 1</i>)	3,000
	<hr/>
Total:	<u><u>9,000</u></u>
Revenue	
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 (<i>Note 2</i>)	2,000
	<hr/>
Total:	<u><u>2,000</u></u>

Note 1: Of the estimated annual cap of RMB3.0 billion, it is estimated that based on the historical amounts and the needs of existing projects of the Company, approximately 85% is for provision of engineering equipments, systems, products and engineering and construction contracting projects, approximately 5% is for provision of the supplies procurement services and approximately 10% is for provision of other Miscellaneous and Relevant Services.

Note 2: Of the estimated annual cap of RMB2.0 billion, approximately 80% is for sale of coal, approximately 10% is for provision of overhauls and maintenance services and alternative power generation and approximately 10% is for provision of relevant quota services.

LETTER FROM THE BOARD

In the process of considering the proposed annual caps for the financial year ending 31 December 2014, when estimating the annual cap for the purchase of coal from China Huadian, the Company has considered that there had been an over supply of coal in the market for the nine months ended 30 September 2013, leading to a decline in market price of coal. Thus the Group had a wide range of choices of coal suppliers for that period and had chosen to purchase coal from suppliers which offered coal at a lower price than that offered by China Huadian. However, if there is a substantial change in the market and the supply of coal becomes tight, the Group would need to increase purchase of coal from China Huadian. As such, if the annual cap for the purchase of coal from China Huadian remains at the same level as before, this could afford the Group flexibility and stability in the Group's purchase of coal. The Company further proposed to revise the annual cap for the provision of engineering equipments, systems, products and engineering and construction contracting projects, supplies procurement services and other Miscellaneous and Relevant Services by China Huadian from RMB1.5 billion to RMB3.0 billion. When estimating the annual cap for this category of transactions, the Company has mainly considered, among other things, the factors that (i) with the commencement of construction of its new generating units, the Group has been growing in size; (ii) the Chinese government has recently increased environmental requirements, pursuant to which, the Group's coal-fired generating units need to be further equipped with denitration equipments, and the original desulphurization and dust removal equipments also require upgrade; and (iii) China Huadian is a leading supplier of relevant technological transformation projects, as such, the Group intends to increase amount of provision of engineering equipments, systems, products and engineering and construction contracting projects, supplies procurement services and other Miscellaneous and Relevant Services by China Huadian so as to meet the demand for routine operations of the Company.

The payment under the Proposed Coal, Equipments and Services Purchase (Supply) Framework Agreement will be made separately (i) by the Company each time when China Huadian sells coal or provides engineering equipments, systems, products and engineering and construction contracting projects, supplies procurement services and other Miscellaneous and Relevant Services to the Company and (ii) by China Huadian each time when the Company sells coal and provides services such as overhauls and maintenance of generating units of power plants, alternative power generation and relevant quota services to China Huadian.

LETTER FROM THE BOARD

The transactions under the Proposed Coal, Equipments and Services Purchase (Supply) Framework Agreement constitute non-exempt continuing connected transactions of the Company subject to the notification, announcement and Independent Shareholders' approval requirements in accordance with the requirements of the Hong Kong Listing Rules. For good corporate governance purpose, the Company will put forward each category of the transactions under the Proposed Coal, Equipments and Services Purchase (Supply) Framework Agreement and the proposed annual caps for Independent Shareholders' approval at the EGM.

6. The Proposed Coal Purchase Framework Agreement With Yanzhou Coal and the Proposed Coal Purchase Framework Agreement With Huainan Mining

In accordance with the terms of the Existing Coal Purchase Framework Agreement with Yanzhou Coal and the Existing Coal Purchase Framework Agreement with Huainan Mining, the agreements will expire on 31 December 2013. To continue to regulate the relevant terms of the transactions contemplated thereunder between the Group and Yanzhou Coal and between the Group and Huainan Mining, respectively, on 17 October 2013, the Company has conditionally entered into the Proposed Coal Purchase Framework Agreement with Yanzhou Coal and the Proposed Coal Purchase Framework Agreement with Huainan Mining, with Yanzhou Coal and Huainan Mining, respectively, each of which will be for another term of three years commencing from 1 January 2014 and expiring on 31 December 2016.

Save for the above term of the contract agreed by both parties in the agreements, the principal terms of transactions under the Proposed Coal Purchase Framework Agreement with Yanzhou Coal and the Proposed Coal Purchase Framework Agreement with Huainan Mining are substantially the same as the above terms of the Existing Coal Purchase Framework Agreement with Yanzhou Coal and the Existing Coal Purchase Framework Agreement with Huainan Mining, respectively.

Conditions Precedent

The Proposed Coal Purchase Framework Agreement with Yanzhou Coal and the Proposed Coal Purchase Framework Agreement with Huainan Mining are each conditional upon Independent Shareholders' approval being obtained at the EGM.

LETTER FROM THE BOARD

Proposed Annual Caps

The Directors propose the proposed annual caps for the transactions contemplated under the Proposed Coal Purchase Framework Agreement with Yanzhou Coal and the Proposed Coal Purchase Framework Agreement with Huainan Mining for the three financial years ending 31 December 2016 as follows:

Transactions	Proposed annual caps for the financial year ending 31 December 2014 <i>(RMB millions)</i>	Proposed annual caps for the financial year ending 31 December 2015 <i>(RMB millions)</i>	Proposed annual caps for the financial year ending 31 December 2016 <i>(RMB millions)</i>
Expenditure			
Proposed Coal Purchase Framework Agreement with Yanzhou Coal	8,000	8,000	8,000
Proposed Coal Purchase Framework Agreement with Huainan Mining	4,000	4,000	4,000

In the process of considering the proposed annual caps for the purchase of coal from Yanzhou Coal and Huainan Mining for the three financial year ending 31 December 2016, the Company has considered that there had been an over supply of coal in the market for the nine months ended 30 September 2013, leading to a decline in market price of coal. Thus the Group had a wide range of choices of coal suppliers for that period and had chosen to purchase coal from suppliers which offered coal at a lower price than that offered by Yanzhou Coal and Huainan Mining. However, if there is a substantial change in the market and the supply of coal becomes tight, the Group would need to increase purchase of coal from Yanzhou Coal and Huainan Mining. As such, if the annual caps for the purchase of coal from Yanzhou Coal and Huainan Mining remain at the same level as before, this could afford the Group flexibility and stability in the Group's purchase of coal.

The payment under the Proposed Coal Purchase Framework Agreement with Yanzhou Coal and the Proposed Coal Purchase Framework Agreement with Huainan Mining will be made separately by the Company to Yanzhou Coal and Huadian Mining, respectively, each time when the Company purchases coal from Yanzhou Coal and Huainan Mining, respectively.

7. Reasons for and Benefits for Extension of the Existing Continuing Connected Transactions

Due to the long-term relationships between the Group and China Huadian, Yanzhou Coal and Huainan Mining, the Company considers that it is beneficial to continue to enter into the continuing connected transactions as these transactions have facilitated and will continue to facilitate the operation and growth of the Group's businesses.

The proposed annual caps for the Proposed Continuing Connected Transactions have been determined based on the estimated amounts of transactions involved and with reference to the historical transaction volumes, the estimated potential growth of the Group and the expected economic growth of China. The Directors consider the proposed annual caps to be fair and reasonable.

The Board (including independent non-executive Directors) considers that the Proposed Continuing Connected Transactions are entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms; and (iii) on terms that are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

8. Hong Kong Listing Rules Implications

China Huadian is the controlling shareholder of the Company. Yanzhou Coal and Huainan Mining are substantial shareholders of two of the non-wholly owned subsidiaries of the Company. Therefore, China Huadian, Yanzhou Coal and Huainan Mining are connected persons of the Company under the Hong Kong Listing Rules. The transactions under the Proposed Continuing Connected Transactions will be carried out on a continuing or recurring basis in the ordinary and usual course of businesses of the Group and accordingly constitute continuing connected transactions of the Company under the Hong Kong Listing Rules.

As one or more of the applicable percentage ratios (as defined under Rule 14A.10 of the Hong Kong Listing Rules) in respect of the transactions under the Proposed Continuing Connected Transactions exceed 5%, the transactions contemplated thereunder are subject to the announcement and Independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

The Board proposes to put forward all the continuing connected transactions and the related proposed annual caps contemplated under the Proposed Continuing Connected Transactions, for approval by the Independent Shareholders at the EGM to be convened for, among others, such purposes.

LETTER FROM THE BOARD

As required by the Hong Kong Listing Rules, China Huadian, which holds 3,171,061,853 issued A shares of the Company representing approximately 43.02% of the Company's total issued share capital, and its wholly-owned subsidiary, China Huadian Hong Kong, which holds 85,862,000 issued H shares of the Company representing approximately 1.16% of the Company's total issued share capital, will abstain from voting on the resolutions to be proposed at the EGM for approving the Proposed Coal, Equipments and Services Purchase (Supply) Framework Agreement and the related proposed annual caps. As at the Latest Practicable Date, other than China Huadian Hong Kong, there is no other associate of China Huadian that held Shares in the Company and therefore is required to abstain from voting on the resolutions to be proposed at the EGM for approving the Proposed Coal, Equipments and Services Purchase (Supply) Framework Agreement and the related proposed annual caps.

Four non-executive Directors, namely, Yun Gongmin, Chen Bin and Chu Yu (who are currently employees (not being directors) of China Huadian) and Chen Feihu (who was previously an employee (not being a director) of China Huadian), have abstained from voting on the board resolutions approving the Proposed Coal, Equipments and Services Purchase (Supply) Framework Agreement and the related proposed annual caps. Save as mentioned above, none of the Directors has material interest in the Proposed Coal, Equipments and Services Purchase (Supply) Framework Agreement and hence no other Director has abstained from voting on such Board resolutions.

As at the Latest Practicable Date, Yanzhou Coal and Huainan Mining did not have any shareholding in the Company. No Directors hold positions in Yanzhou Coal or Huainan Mining and thus no Directors have abstained from voting on the Board resolutions approving the Proposed Coal Purchase Framework Agreement with Yanzhou Coal and the Proposed Coal Purchase Framework Agreement with Huainan Mining and the related proposed annual caps.

The IBC of Subscription and CCT has, in accordance with the Hong Kong Listing Rules, been formed to advise the Independent Shareholders on the Proposed Continuing Connected Transactions. China Investment Securities has been appointed to advise such committee and the Independent Shareholders as to whether the Proposed Continuing Connected Transactions Agreements are fair and reasonable and make recommendation on voting.

IV. INFORMATION ON THE PARTIES

Information relating to the Group

The Group is one of the largest comprehensive energy companies in 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.

LETTER FROM THE BOARD

Information relating to China Huadian

China Huadian, the controlling shareholder of the Company, holds, directly and indirectly, approximately 44.19% equity interests in the Company. China Huadian is primarily engaged in power generation, heat production and supply, energy development of coal and other resources related to the power generation and relevant professional technical services.

Information relating to Yanzhou Coal

Yanzhou Coal is primarily engaged in underground coal mining, the preparation, processing, sale and railway transportation of coal. Its products are prime quality and low-sulphur coal, suitable for use as steam coal in large-scale power plants, as coal to be used with coking coal in metallurgical production and for use in pulverized coal injection.

Information relating to Huainan Mining

Huainan Mining is a large State-owned enterprise in Anhui Province in the PRC and primarily engages in coal mining and production.

V. RECOMMENDATIONS

The Directors are of the opinion that the (i) the A Shares Subscription Agreement and the A Shares Subscription, (ii) application made to the SFC for the Whitewash Waiver and (iii) the Proposed Continuing Connected Transactions contemplated under the Proposed Continuing Connected Transactions Agreements and the related proposed annual caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole. The Directors recommend the Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM.

VI. FURTHER INFORMATION

Your attention is also drawn to the letter from the IBC of Subscription and CCT, the letter from the IBC of Subscription and Whitewash Waiver, the letter from the Independent Financial Adviser and the financial information of the Group as set out in Appendix I to this circular as well as the other general information as set out in Appendix II to this circular.

Yours faithfully,
For and on behalf of the Board
Huadian Power International Corporation Limited*
Secretary to the Board
Zhou Lianqing

* For identification purposes only



華電國際電力股份有限公司

Huadian Power International Corporation Limited*

(A Sino-foreign investment joint stock company limited by shares incorporated in the People's Republic of China (the "PRC"))

(Stock Code: 1071)

15 November 2013

To the Independent Shareholders

Dear Sir or Madam,

**CONNECTED TRANSACTION —
PLACING OF NEW A SHARES TO CHINA HUADIAN
AND
CONTINUING CONNECTED TRANSACTIONS**

We have been appointed to form the IBC of Subscription and CCT to consider and advise the Independent Shareholders as to our opinion on, (i) the terms of the A Shares Subscription in accordance with the Hong Kong Listing Rules and (ii) the terms of the Proposed Continuing Connected Transactions Agreements, the Proposed Continuing Connected Transactions contemplated thereunder and the related proposed annual caps, the details of which are set out in the circular issued by the Company to the Shareholders dated 15 November 2013 (the "**Circular**"), of which this letter forms part. Terms used herein shall have the same meanings as defined in the Circular unless the context otherwise requires.

We wish to draw the attention of the Independent Shareholders to the letter from the Board, the letter from the IBC of Subscription and Whitewash Waiver and the letter of advice from China Investment Securities, the Independent Financial Adviser, set out on pages 1 to 27, page 30 to 31 and pages 32 to 59 of the Circular, respectively.

* *For identification purpose only*

LETTER FROM THE IBC OF SUBSCRIPTION AND CCT

Having taken into account the principal factors and reasons considered by China Investment Securities, its conclusion and advice, we concur with the view of China Investment Securities and consider that (i) the terms of the A Shares Subscription in accordance with the Hong Kong Listing Rules and (ii) the terms of the Proposed Continuing Connected Transactions Agreements, the Proposed Continuing Connected Transactions contemplated thereunder and the related proposed annual caps are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favor of the resolutions to be proposed at the EGM to approve the A Shares Subscription and the Proposed Continuing Connected Transactions.

Yours faithfully,

Independent Board Committee of Subscription and CCT

Wang Yuesheng, Wang Jixin, Ning Jiming, Yang Jinguan



華電國際電力股份有限公司

Huadian Power International Corporation Limited*

(A Sino-foreign investment joint stock company limited by shares incorporated in the People's Republic of China (the "PRC"))

(Stock Code: 1071)

15 November 2013

To the Independent Shareholders

Dear Sir or Madam,

**THE A SHARES SUBSCRIPTION,
THE A SHARES SUBSCRIPTION AGREEMENT AND
THE WHITEWASH WAIVER**

We have been appointed to form the IBC of Subscription and Whitewash Waiver to consider and advise the Independent Shareholders as to our opinion on the A Shares Subscription and the Whitewash Waiver in accordance with Rule 2.8 of the Takeovers Code, the details of which are set out in the circular issued by the Company to the Shareholders dated 15 November 2013 (the "**Circular**"), of which this letter forms part. Terms used herein shall have the same meanings as defined in the Circular unless the context otherwise requires.

We wish to draw the attention of the Independent Shareholders to the letter from the Board, the letter from the IBC of Subscription and CCT and the letter of advice from China Investment Securities, the Independent Financial Adviser, set out on pages 1 to 27, pages 28 to 29 and pages 32 to 59 of the Circular, respectively.

* *For identification purpose only*

LETTER FROM THE IBC OF SUBSCRIPTION AND WHITEWASH WAIVER

Having taken into account the factors and reasons considered by China Investment Securities, its conclusion and advice, we concur with the view of China Investment Securities and consider that (i) the terms of the A Shares Subscription are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned and the A Shares Subscription is in the interests of the Company and the Shareholders as a whole; and (ii) the Whitewash Waiver is fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favor of the resolutions to be proposed at the EGM to approve the A Shares Subscription and the Whitewash Waiver.

Yours faithfully,

Independent Board Committee of Subscription and Whitewash Waiver

**Chen Dianlu, Wang Yingli, Wang Yuesheng,
Wang Jixin, Ning Jiming and Yang Jinguan**

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the text of the letter of advice from the Independent Financial Adviser to the IBC of Subscription and CCT, IBC of Subscription and Whitewash Waiver and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.



63th Floor,
Bank of China Tower,
1 Garden Road,
Central,
Hong Kong

15 November 2013

Huadian Power International Corporation Limited

No. 2 Xuanwumennei Street,
Xicheng District
Beijing, PRC

To the IBC of Subscription and CCT, IBC of Subscription and Whitewash Waiver and the Independent Shareholders

Dear Sirs,

**(1) CONNECTED TRANSACTION —
PLACING OF NEW A SHARES TO CHINA HUADIAN
(2) APPLICATION FOR WHITEWASH WAIVER
AND
(3) CONTINUING CONNECTED TRANSACTIONS**

INTRODUCTION

We refer to our appointment as the independent financial adviser to the Company to advise the IBC of Subscription and CCT, IBC of Subscription and Whitewash Waiver and the Independent Shareholders in respect of the entering into the A Shares Subscription Agreement and the Proposed Continuing Connected Transactions Agreements and the application for the Whitewash Waiver, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular dated 15 November 2013 (the “**Circular**”) issued by the Company to the Shareholders, of which this letter forms part. The terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

This letter contains our advice to the IBC of Subscription and CCT, IBC of Subscription and Whitewash Waiver and the Independent Shareholders as to whether or not (i) the terms under the A Shares Subscription Agreement are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole; (ii) the Whitewash Waiver is fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole; (iii) the transactions contemplated under the Proposed Continuing Connected Transactions Agreements are on normal commercial terms, in the ordinary and usual course of business, fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole; (iv) the proposed annual caps in respect of the mutual supply of coal and provision of products and services between China Huadian and the Group under the Proposed Coal, Equipments and Services Purchase (Supply) Framework Agreement for the year ending 31 December 2014 (the “**China Huadian Annual Caps**”), the proposed annual caps in respect of the supply of coal by Yanzhou Coal under the Proposed Coal Purchase Framework Agreement with Yanzhou Coal for the three years ending 31 December 2016 (the “**Yanzhou Coal Annual Caps**”) and the proposed annual caps in respect of the supply of coal by Huainan Mining under the Proposed Coal Purchase Framework Agreement with Huainan Mining for the three years ending 31 December 2016 (the “**Huainan Mining Annual Caps**”) are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole; and (v) the Independent Shareholders should vote in favour of the resolutions to approve the A Shares Subscription, the A Shares Subscription Agreement, the Whitewash Waiver and the Proposed Continuing Connected Transactions Agreements at the EGM.

BASIS OF OUR OPINION

In formulating our advice and recommendations, we have relied on the accuracy of the information and facts supplied, and the opinions expressed by the Company, its Directors and its management to us. We have assumed that all statements of belief and intention made by the Directors and the management of the Company in the Circular were made after due enquiry. We have also assumed that all information, representations and opinion made or referred to in the Circular were true, accurate and complete at the time they were made and continued to be so at the Latest Practicable Date. Should there be any material changes to our opinion after the dispatch of the Circular, the Shareholders would be notified as soon as possible. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Company, its Directors and its management, and have been advised by the Directors and the management of the Company that no material facts have been omitted from the information provided and referred to in the Circular.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In rendering our opinions, we have researched, analysed and relied on information from independent third party sources. We have assumed such information to be accurate and reliable and have not carried out any independent verification on the accuracy of such information. Such relevant information provides us with a basis on which we have been able to formulate our independent opinion.

We consider that we have reviewed sufficient information to reach an informed view, to justify our reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our recommendation. We have not, however, conducted any form of in-depth investigation into the business affairs, financial position or future prospects of the Group or the counterparties of the A Shares Subscription Agreement and the Proposed Continuing Connected Transactions Agreements, nor carried out any independent verification of the information supplied, representations made or opinions expressed by the Company, its Directors and its management.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinions and recommendations, we have taken into consideration the following principal factors and reasons:

I. Background

On 16 October 2013, the Company entered into the A Shares Subscription Agreement with China Huadian, pursuant to which, the Company has conditionally agreed to issue and China Huadian has conditionally agreed to subscribe in cash for an aggregate of 1,150,000,000 new A Shares at the subscription price of RMB3.12 per A Share, with a total subscription price of RMB3,588,000,000.

The Existing Coal, Equipments and Services Purchase (Supply) Framework Agreement, which regulates the mutual supply of coal and provision of certain products and services between China Huadian and the Group, will expire on 31 December 2013. The Company intends to continue and increase the existing transactions contemplated under, and upon the expiry of, the Existing Coal, Equipments and Services Purchase (Supply) Framework Agreement.

The Existing Coal Purchase Framework Agreement with Yanzhou Coal and the Existing Coal Purchase Framework Agreement with Huainan Mining, which regulate the supply of coal by Yanzhou Coal and Huainan Mining to the Company, will expire on 31 December 2013. The Company intends to continue the existing transactions contemplated under, and upon the expiry of, the Existing Coal Purchase Framework Agreement with Yanzhou Coal and the Existing Coal Purchase Framework Agreement with Huainan Mining.

1. Hong Kong Listing Rules and Takeovers Code's implication

The A Shares Subscription

Since China Huadian is the controlling shareholder of the Company, and hence a connected person of the Company, the placing of new A Shares to China Huadian pursuant to the A Shares Subscription Agreement constitutes a connected transaction of the Company and is subject to reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules. The proposal relating to the A Shares Subscription will be proposed by way of a special resolution at the EGM for the Independent Shareholders to approve. As required by the Hong Kong Listing Rules, as at the Latest Practicable Date, China Huadian, which held 3,171,061,853 issued A Shares representing approximately 43.02% of the Company's total issued share capital, and its wholly-owned subsidiary, China Huadian Hong Kong, which held 85,862,000 issued H Shares representing approximately 1.16% of the Company's total issued share capital, will abstain from voting on the resolution(s) to be proposed at the EGM for approving the A Shares Subscription. As at the Latest Practicable Date, other than China Huadian Hong Kong, there is no other associates of China Huadian that held Shares in the Company and therefore is required to abstain from voting on the resolutions to be proposed at the EGM for approving the A Shares Subscription.

As at the Latest Practicable Date, China Huadian and the party acting in concert with it (i.e., China Huadian Hong Kong) owned approximately 44.19% of the total existing issued share capital of the Company. Immediately following completion of the A Shares Subscription, assuming that there is no other change to the issued share capital of the Company, the aggregate shareholding of China Huadian and China Huadian Hong Kong in the Company will increase to approximately 51.72% of the then enlarged total issued share capital of the Company.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Accordingly, assuming that there is no other change to the issued share capital of the Company, upon completion of the A Shares Subscription, pursuant to Rule 26.1 of the Takeovers Code, China Huadian and the party acting in concert with it (i.e., China Huadian Hong Kong) will be required to make a mandatory general offer for all the issued shares in the Company not already owned or agreed to be acquired by China Huadian or China Huadian Hong Kong, unless the Whitewash Waiver from strict compliance with Rule 26.1 of the Takeovers Code is obtained from the Executive.

Completion of the A Shares Subscription is conditional upon, among other things, the Whitewash Waiver being granted by the Executive and approved by the Independent Shareholders. An application has been made to the Executive for the granting of the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver, if granted by the Executive, would be subject to the approval of the Independent Shareholders taken by way of a poll at the EGM. The Executive may or may not grant the Whitewash Waiver. China Huadian and China Huadian Hong Kong (being the party acting in concert with China Huadian) will abstain from voting in respect of the resolution(s) to approve the A Shares Subscription, the A Shares Subscription Agreement and the Whitewash Waiver at the EGM in accordance with the Takeovers Code. As far as the Directors are aware, as of the Latest Practicable Date, save for China Huadian and China Huadian Hong Kong, there were no other Shareholders who are interested or involved in the A Shares Subscription.

The Continuing Connected Transactions

China Huadian is the controlling shareholder of the Company. Yanzhou Coal and Huainan Mining are substantial shareholders of two of the non-wholly owned subsidiaries of the Company respectively. Therefore, China Huadian, Yanzhou Coal and Huainan Mining are connected persons of the Company under the Hong Kong Listing Rules. The transactions under the Proposed Continuing Connected Transactions Agreements will be carried out on a continuing or recurring basis in the ordinary and usual course of businesses of the Group and accordingly constitute continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules. As one or more of the applicable percentage ratios (as defined under Rule 14A.10 of the Hong Kong Listing Rules) in respect of the transactions under the Proposed Continuing Connected Transactions exceed 5%, the transactions contemplated thereunder are subject to the announcement and Independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As required by the Hong Kong Listing Rules, China Huadian, which holds 3,171,061,853 issued A shares of the Company representing approximately 43.02% of the Company's total issued share capital, and its wholly-owned subsidiary, China Huadian Hong Kong, which holds 85,862,000 issued H shares of the Company representing approximately 1.16% of the Company's total issued share capital, will abstain from voting on the resolutions to be proposed at the EGM for approving the Proposed Coal, Equipments and Services Purchase (Supply) Framework Agreement and the related proposed annual caps. As at the Latest Practicable Date, other than China Huadian Hong Kong, there is no other associates of China Huadian that held Shares in the Company and is therefore required to abstain from voting on the resolutions to be proposed at the EGM for approving the Proposed Coal, Equipments and Services Purchase (Supply) Framework Agreement and the related proposed annual caps.

The IBC of Subscription and Whitewash Waiver (comprising all the non-executive Directors, namely Chen Dianlu, Wang Yingli, Wang Yuesheng, Wang Jixin, Ning Jiming and Yang Jinguan) has been formed in accordance with Rule 2.8 of the Takeovers Code to advise the Independent Shareholders on the A Shares Subscription, the A Shares Subscription Agreement and the Whitewash Waiver.

The IBC of Subscription and CCT (comprising all the independent non-executive Directors) has, in accordance with the Hong Kong Listing Rules, been formed to advise the Independent Shareholders on the A Shares Subscription and the A Shares Subscription Agreement, the Proposed Continuing Connected Transactions and the Proposed Continuing Connected Transactions Agreements.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

2. *Background on the Group*

As set out in the Letter from the Board, the Group is one of the largest comprehensive energy companies in 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.

Certain financial information of the Group (prepared in accordance with International Financial Reporting Standards) for the six months ended 30 June 2012 and 30 June 2013 and the two years ended 31 December 2012, as extracted from the interim report of the Company for the six months ended 30 June 2013 (the “**2013 Interim Report**”) and the annual report of the Company for the year ended 31 December 2012 (the “**2012 Annual Report**”) accordingly, are set out below:

	Six months ended 30 June		Year ended 31 December	
	2013	2012	2012	2011
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
	(Unaudited)	(Unaudited)	(Audited)	(Audited)
Turnover	31,419,777	29,437,280	59,079,714	54,178,060
Profit from operation	5,613,805	2,912,964	6,983,415	3,155,316
Profit before taxation	2,992,353	495,588	2,637,279	164,993
Profit attributable to equity Shareholders	1,760,023	284,344	1,446,792	73,814

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As calculated from the above table, the Group's turnover increased by approximately 6.73% for the six months ended 30 June 2013 as compared with that for the six months ended 30 June 2012. The Group's turnover increased by approximately 9.05% for the year ended 31 December 2012 as compared with that for the year ended 31 December 2011.

Set out below is the revenue breakdown of the Group for the six months ended 30 June 2012 and 30 June 2013 and the two years ended 31 December 2012, as extracted from the 2013 Interim Report and the 2012 Annual Report accordingly:

	Six months ended 30 June			
	2013		2012	
	<i>(RMB'000)</i>	<i>% to total revenue</i>	<i>(RMB'000)</i>	<i>% to total revenue</i>
	(Unaudited)		(Unaudited)	
Sale of electricity	28,953,254	92.15%	27,646,607	93.92%
Sale of heat	1,722,278	5.48%	1,576,348	5.35%
Sale of coal	744,245	2.37%	214,325	0.73%
	<hr/>		<hr/>	
Total	<u>31,419,777</u>	<u>100.0%</u>	<u>29,437,280</u>	<u>100.0%</u>

	Year ended 31 December			
	2012		2011	
	<i>(RMB'000)</i>	<i>% to total revenue</i>	<i>(RMB'000)</i>	<i>% to total revenue</i>
	(Audited)		(Audited)	
Sale of electricity	55,346,729	93.68%	51,125,461	94.37%
Sale of heat	2,806,786	4.75%	2,697,878	4.98%
Sale of coal	926,199	1.57%	354,721	0.65%
	<hr/>		<hr/>	
Total	<u>59,079,714</u>	<u>100.0%</u>	<u>54,178,060</u>	<u>100.0%</u>

The Group's revenue derived from sale of electricity sector amounted to approximately RMB27,647 million and approximately RMB28,953 million for the six months ended 30 June 2012 and 30 June 2013 respectively, representing an increase of approximately 4.73%. The Group's revenue derived from sale of electricity sector amounted to approximately RMB51,125 million and approximately RMB55,347 million for the two years ended 31 December 2012 respectively, representing an increase of approximately 8.26%.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Group's revenue derived from sale of heat sector amounted to approximately RMB1,576 million and approximately RMB1,722 million for the six months ended 30 June 2012 and 30 June 2013 respectively, representing an increase of approximately 9.26%. The Group's revenue derived from sale of heat sector amounted to approximately RMB2,698 million and approximately RMB2,807 million for the two years ended 31 December 2012 respectively, representing an increase of approximately 4.04%.

The Group's revenue derived from sale of coal sector amounted to approximately RMB214 million and approximately RMB744 million for the six months ended 30 June 2012 and 30 June 2013 respectively, representing an increase of approximately 247.25%. The Group's revenue derived from sale of coal sector amounted to approximately RMB355 million and approximately RMB926 million for the two years ended 31 December 2012 respectively, representing an increase of approximately 161.11%.

3. *Background on China Huadian*

As set out in the Letter from the Board, China Huadian the controlling shareholder of the Company, holds, directly and indirectly, approximately 44.19% of the total existing issued share capital in the Company. China Huadian is primarily engaged in power generation, heat production and supply, energy development of coal and other resources related to the power generation, and relevant professional technical services.

4. *Background on Yanzhou Coal*

As set out in the Letter from the Board, Yanzhou Coal is the substantial shareholder of a non-wholly owned subsidiary of the Company. Yanzhou Coal is primarily engaged in underground coal mining, and the preparation, processing, sale and railway transportation of coal. Its products are prime quality and low-sulphur coal, suitable for use as steam coal in large-scale power plants, as coal to be used with coking coal in metallurgical production and for use in pulverized coal injection.

5. *Background on Huainan Mining*

As set out in the Letter from the Board, Huainan Mining is the substantial shareholder of a non-wholly owned subsidiary of the Company. Huainan Mining is a large Stated-owned enterprise in Anhui Province in the PRC and primarily engaged in coal mining and production.

II. The A Shares Subscription

I. Reasons for and benefits of the A Shares Subscription

(a) The A Shares Subscription

As set out in the Letter from the Board, the Company entered into the A Shares Subscription Agreement with China Huadian on 16 October 2013, pursuant to which the Company has conditionally agreed to issue and China Huadian has conditionally agreed to subscribe in cash for an aggregate of 1,150,000,000 new A Shares at the subscription price of RMB3.12 per A Share, with a total subscription price of RMB3,588,000,000.

The total proceeds from the A Shares Subscription will be approximately RMB3,588,000,000, which is intended to be used to supplement the working capital of the Company. With the high debt to assets ratio of approximately 82.04% of the Group as at 30 June 2013 as mentioned below, the proceeds from A Shares Subscription can reduce the debt to assets ratio of the Group.

(b) Other means of financing

As advised by the Directors, apart from the A Shares Subscription, they have considered various other means of fund raising, including debt financing and other equity financing alternatives to the Group.

a. Debt financing

As referred to the 2013 Interim Report, the Group's total asset amounted to approximately RMB167,231 million as at 30 June 2013, whilst its total liabilities was approximately RMB137,198 million as at 30 June 2013. Moreover, as disclose in the 2013 Interim Report, the Group had issued approximately RMB11.5 billion debt financing instruments as at 30 June 2013.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Based on the aforesaid, the Group's debt to assets ratio was approximately 82.04% as at 30 June 2013. The Directors consider that the current gearing level of the Group is high and do not prefer to further increase the gearing level and create additional debt liabilities to the Group. If the Company choose to raise fund of RMB3,588 million with debt financing, i.e. the same amount by the A Shares Subscription, would incur additional interest expenses of approximately RMB201.6 million per annum when compared to the A Shares Subscription. To raise fund by equity financing with interest free nature could reduce the debt to assets ratio by approximately 2%. The Directors thus consider that equity financing can reduce the debt ratio of the Group as compare to debt financing.

b. Other equity financing alternatives to the Group

The Directors consider equity financing, such as right issue of H Shares, open offer of H Shares and placement of new H Shares to independent investors, will not be in the interests of the Independent Shareholders, given that (i) the subscription price of RMB3.12 (equivalent to approximately HK\$3.95) per A Share in the A Shares Subscription will be is over and above the average of the closing price of the H Shares of approximately HK\$3.19 during a period from 17 October 2012 (being one year immediately prior to the Last Trading Day) up to and including the Last Trading Day; and (ii) the gross proceeds to be raised from the A Shares Subscription will be approximately RMB3,588 million, which is higher than the gross proceeds that could be raised by placement of new H Shares. If the fund is to be raised by right issue, open offer and placement of new H Shares in Hong Kong to independent investors under general mandate, the number of H Shares could be issued without exceeding 20% of the existing number of H Shares will be approximately 286,000,000 H Shares, whereas the number of A Shares to be issued pursuant to the A Shares Subscription Agreement is 1,150,000,000 A Shares.

Also, according to the 《上市公司證券發行管理辦法》 (Measures for Administration of the Issue of Securities by Listed Company*) issued by CSRC (the “Measures”), public-issuance of A shares is subject to the continuing of Company's profitability for 3 years preceding the right issue or the open offer. The Directors advise that the Company recorded a consolidation net loss after deduction of non-recurring gain and losses for the years ended 31 December 2010 and 2011 and thus the Directors consider both the right issue of A Shares or open offer of A Shares is not attainable.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Having considered the above, we concur with the Directors' view that the A Shares Subscription is the most appropriate fund raising methods currently available for the Group. In light of the above, we are of the view that it is in the interests of the Company and the Shareholders as a whole to raise funds by the A Shares Subscription.

2. *The terms of the A Shares Subscription Agreement*

Subscription price of the new A Shares

As set out in the Letter from the Board, the subscription price for the A Shares Subscription of RMB3.12 per A Share was determined by reference to the average trading price of A Shares, i.e. RMB3.23, during the Price Determination Period. The average trading price of the A Shares during the Price Determination Period was determined by dividing the total turnover of the trading of the A Shares during the 20 trading days immediately preceding the Price Determination Date by the total trading volume of the A Shares during those 20 trading days immediately preceding the Price Determination Date.

The subscription price of RMB3.12 per A Share for the A Shares Subscription (i) represented no less than 90% of such average trading price of the A Shares during the Price Determination Period and was agreed after arm's length negotiations between the parties; and (ii) is equivalent to approximately HK\$3.95, was effectively higher than the benchmarked price of H Shares of HK\$3.21 per H Share determined in accordance with Rule 13.36(5) of the Hong Kong Listing Rules and assuming an exchange rate of HK\$1 = RMB0.79.

The subscription price for the A Shares Subscription is RMB3.12 per A Share, which is equivalent to approximately HK\$3.95, represents:

- (i) a discount of approximately 4.88% to the closing price of RMB3.28 per A Share at the Latest Practicable Date;
- (ii) a discount of approximately 5.17% to the closing price of RMB3.29 per A Share as quoted on Bloomberg on 16 October 2013, being the last trading day of the H Shares on the Hong Kong Stock Exchange prior to the release of the announcement dated 16 October 2013 in relation to the A Shares Subscription (the "**Last Trading Day**");

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (iii) a discount of approximately 0.41% to the average closing price of RMB3.133 per A Share as quoted on Bloomberg for the last 10 trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 2.01% to the average closing price of RMB3.184 per A share as quoted on Bloomberg for the last 20 trading days up to and including the Last Trading Day;
- (v) a discount of approximately 1.20% to the average closing price of HK\$3.158 per A Share as quoted on the Bloomberg for the last 30 trading days up to and including the Last Trading Day;
- (vi) a premium of approximately 15.50% over and above the closing price of HK\$3.42 per H Share as quoted on the Hong Kong Stock Exchange on the Latest Practicable Date;
- (vii) a premium of approximately 23.05% over and above the closing price of HK\$3.2100 per H Share as quoted on the Hong Kong Stock Exchange on Last Trading Day;
- (viii) a premium of approximately 24.06% over and above the average closing price of HK\$3.1840 per H Share as quoted on the Hong Kong Stock Exchange for the last 10 trading days up to and including the Last Trading Day;
- (ix) a premium of approximately 24.74% over and above the average closing price of HK\$3.1665 per H Share as quoted on the Hong Kong Stock Exchange for the last 20 trading days up to and including the Last Trading Day; and
- (x) a premium of approximately 25.84% over and above the average closing price of HK\$3.1390 per H Share as quoted on the Hong Kong Stock Exchange for the last 30 trading days up to and including the Last Trading Day.

The chart below depicts (i) the daily closing prices of the H Shares traded on the Hong Kong Stock Exchange from 17 October 2012 (being one year immediately prior to the Last Trading Day) up to and including the Last Trading Day (the “**Review Period**”);

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

and (ii) the daily closing prices of the A Shares (presented in HK\$ equivalent based on the daily closing RMB and HK\$ exchange rates quoted on Bloomberg) as quoted on Bloomberg during the Review Period, respectively:



Source: the Hong Kong Stock Exchange's website (www.hkex.com.hk); Bloomberg

During the Review Period, the H Shares were traded with closing prices in the range of HK\$1.95 per H Share to HK\$4.60 per H Share (the “**Review Period H Shares Range**”), with an average of closing prices of approximately HK\$3.19 per H Share for the Review Period. In addition, the A Shares were traded with closing prices in the range of RMB2.87 per A Share to RMB4.67 per A Share (the “**Review Period A Shares Range**”), with an average of closing prices of approximately RMB3.70 per A Share for the Review Period.

During the Review Period, although the closing prices of H Shares and A Shares fluctuated violently respectively and the subscription price of RMB3.12 per A Share is lower than average of the closing price of the A Shares of approximately of RMB3.70, the subscription price of RMB3.12 (or approximately of HK\$3.95) per A Share is within the Review Period H Shares Range and within the Review Period A Shares Range, and is over and above the average of the traded closing price of the H Shares of approximately of HK\$3.19 during the Review Period. Thus we consider the subscription price of RMB3.12 per A Share is acceptable.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Conditions precedent to the A Shares Subscription Agreement

The A Shares Subscription Agreement will take effect upon fulfilment of the following conditions:

- (1) the entering of the A Shares Subscription Agreement between the Company and China Huadian;
- (2) the Shareholders approving the A Shares Subscription by way of a special resolution at the EGM;
- (3) the Independent Shareholders approving the A Shares Subscription Agreement and the A Shares Subscription by way of special resolutions and by poll at the EGM, and the Independent Shareholders approving the Whitewash Waiver by way of an ordinary resolution and by poll at the EGM;
- (4) the relevant governmental and regulatory authorities, including but not limited to SASAC and CSRC, approving the A Shares Subscription; and
- (5) the Executive granting (subject to approval of the Independent Shareholders) the Whitewash Waiver.

None of the above conditions is waivable under the A Shares Subscription Agreement.

The Directors advised that condition (1) has been fulfilled as at the Latest Practicable Date.

The A Shares Subscription shall be approved by the CSRC and the SASAC. The application for approval by the SASAC was submitted on 24 October 2013 and the application for approval by the CSRC will be submitted as soon as practicable after the EGM is held.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Lock-up arrangement of the new A Shares

Pursuant to the relevant rules of CSRC, China Huadian has undertaken to the Company that it shall not transfer any of the new A Shares that it will subscribe for pursuant to the A Shares Subscription Agreement within 72 months from the date of completion of the A Shares Subscription. Except for this lock-up arrangement, there is no restriction on the subsequent sale of the new A Shares that China Huadian will subscribe for pursuant to the A Shares Subscription Agreement.

Furthermore, according to the Measures, the non-public issuance of new A shares is generally subject to a lock-up period of not less than (i) 36 months period for (a) the controlling shareholders, their beneficial owners, or their associates; (b) investors who obtain the controlling power upon the completion of the issuance; and (c) strategic investors as introduced by the board of the company; or (ii) 12 months period for the other investors from the date of the completion of the issuance.

Based on the aforesaid, as the lock-up arrangement of the new A Shares pursuant to the A Shares Subscription Agreement is much longer than the requirements stated in the Measures, we consider that the terms of the A Shares Subscription Agreement is fair and reasonable so far as the interest of the Independent Shareholders is concerned.

3. *Potential dilution effect on the shareholding interests of the Independent Shareholders upon completion*

The A Shares Subscription would dilute the interest of the Independent Shareholders in the issued share capital of the Company. Set out below is the shareholding structure of the Company as at the Latest Practicable Date and immediately after completion of the A Shares Subscription (assuming that there is no other change in the issued share capital of the Company save for the issue of new A Shares between the Latest Practicable Date and the date of completion of the A Shares Subscription):

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Name of Shareholder	Class of Shares	As at the Latest Practicable Date		Immediately after completion of the A Shares Subscription	
		<i>Number of Shares</i>	<i>Percentage of total issued share capital</i>	<i>Number of Shares</i>	<i>Percentage of total issued share capital</i>
		<i>Shares</i>	<i>share capital</i>	<i>Shares</i>	<i>share capital</i>
China Huadian	A Shares	3,171,061,853	43.02%	4,321,061,853	50.71%
China Huadian Hong Kong (a wholly-owned subsidiary of China Huadian and a party acting in concert with China Huadian)	H Shares	85,862,000	1.16%	85,862,000	1.01%
Sub-total of shareholding interests held by China Huadian and its concert party		3,256,923,853	44.18%	4,406,923,853	51.72%
Shandong International Trust Corporation	A Shares	800,766,729	10.86%	800,766,729	9.40%
Public	A Shares	1,968,227,618	26.71%	1,968,227,618	23.10%
	H Shares	<u>1,345,166,000</u>	<u>18.25%</u>	<u>1,345,166,000</u>	<u>15.78%</u>
Total		<u><u>7,371,084,200</u></u>	<u><u>100.00%</u></u>	<u><u>8,521,084,200</u></u>	<u><u>100.00%</u></u>

Based on the above, the shareholding interest of the existing Independent Shareholders will be diluted from approximately 55.82% to approximately 48.28% as a result of the A Shares Subscription. Despite there would be a dilution by approximately 7.54% in the existing Independent Shareholders' interests in the Company, we would advise the Independent Shareholders that the advantages to the Group and the Shareholders by being able to secure funding support by way of the A Shares Subscription would outweigh the disadvantages to the existing Independent Shareholders in suffering a dilution in their beneficial interests in the Company.

In addition, as China Huadian will not dispose of its new A Shares within 72 months from the date of its subscription, the downward pressure on the price of H Shares and A Shares arising from dilution in their beneficial interests in the Company would, to a certain extent, be mitigated. Thus, we consider that the dilution in the Independent Shareholders' beneficial interests in the Company is acceptable.

4. *Financial impacts on the Group*

As advised by the Directors, the A Shares Subscription would bring the following financial effects on the Group:

(a) Net assets value

As referred to in the 2013 Interim Report, the unaudited consolidated net asset value of the Group attributable to the Shareholders as at 30 June 2013 were approximately RMB30,032,933 million. The Directors expect that the Group's net assets value would increase immediately after completion of the A Shares Subscription as the net proceeds from the A Shares Subscription will bring in additional funds to the Group and is intended to be used to supplement the working capital of the Company.

(b) Gearing

As mentioned in the paragraph headed "Reasons for and benefits of the A Shares Subscription" above, the Group's debt to assets ratio was approximately 82.04% as at 30 June 2013.

The Directors expect that the Group's debt to assets ratio will be reduced to approximately 80.32% immediately after completion of the A Shares Subscription, in view of the fact that the A Shares Subscription will bring in additional funds to the Group.

(c) Working capital

As the net proceeds from the A Shares Subscription will increase the Group's cash position, the Directors expect that the Group's working capital position would be improved immediately after completion of the A Shares Subscription.

We concur with the Directors' view that the A Shares Subscription would not bring any material adverse impact on the Group's financial position.

It should be noted that the aforementioned analyses are for illustrative purpose only and do not purport to represent how the financial position of the Group will be upon completion of the A Shares Subscription.

III. The Whitewash Waiver

As at the Latest Practicable Date, China Huadian and the party acting in concert with it (i.e., China Huadian Hong Kong) owned approximately 44.19% of the total existing issued share capital of the Company. Immediately following completion of the A Shares Subscription, assuming that there is no other change to the issued share capital of the Company, the aggregate shareholding of China Huadian and China Huadian Hong Kong in the Company will increase to approximately 51.72% of the then enlarged total issued share capital of the Company.

Accordingly, assuming that there is no other change to the issued share capital of the Company, upon completion of the A Shares Subscription, pursuant to Rule 26.1 of the Takeovers Code, as the collective holding of voting rights in the Company of China Huadian and the party acting in concert with it (i.e., China Huadian Hong Kong) will be increased by more than 2%, China Huadian and the party acting in concert with it will be required to make a mandatory general offer for all the issued shares in the Company not already owned or agreed to be acquired by China Huadian or China Huadian Hong Kong, unless the Whitewash Waiver from strict compliance with Rule 26.1 of the Takeovers Code is obtained from the Executive.

Completion of the A Shares Subscription is conditional upon, among other things, the Whitewash Waiver being granted by the Executive and approved by the Independent Shareholders. An application has been made to the Executive for the granting of the Whitewash Waiver pursuant to Note 1 on Dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver, if granted by the Executive, would be subject to the approval of the Independent Shareholders taken by way of a poll at the EGM. The Executive may or may not grant the Whitewash Waiver. China Huadian and China Huadian Hong Kong (being the party acting in concert with China Huadian) will abstain from voting in respect of the resolution(s) to approve the A Shares Subscription, the A Shares Subscription Agreement and the Whitewash Waiver at the EGM in accordance with the Takeovers Code. As far as the Directors are aware, as of the Latest Practicable Date, save for China Huadian and China Huadian Hong Kong, there were no other Shareholders who are interested or involved in the A Shares Subscription.

In view of (i) reasons for and benefits of the A Shares Subscription as set forth under the section headed “Reasons for and benefits of the A Shares Subscription” above; and (ii) the terms of the A Shares Subscription Agreement being fair and reasonable as set forth under the section headed “The terms of the A Shares Subscription Agreement” above so far as the Independent Shareholders are concerned, we are of the opinion that the approval of the Whitewash Waiver, which is a prerequisite for the completion of the A Shares Subscription, is in the interest of the Company and the Shareholders as a whole and is fair and reasonable so far as the Independent Shareholders are concerned.

IV. The Proposed Continuing Connected Transactions Agreements

1. Background of and reasons for entering into the Proposed Continuing Connected Transactions Agreements

(a) The Proposed Coal, Equipments and Services Purchase (Supply) Framework Agreement

On 6 November 2012, the Company entered into the Existing Coal, Equipments and Services Purchase (Supply) Framework Agreement with China Huadian. In accordance with the terms of the Existing Coal, Equipments and Services Purchase (Supply) Framework Agreement, the agreement will expire on 31 December 2013. To continue to regulate the relevant terms of the transactions contemplated thereunder between the Group and China Huadian, on 17 October 2013, the Company has conditionally entered into the Proposed Coal, Equipments and Services Purchase (Supply) Framework Agreement with China Huadian, which will be for another term of one year commencing from 1 January 2014 and expiring on 31 December 2014.

Save for the above term of the contract and the maximum annual transaction amounts (as set out below) agreed by both parties in the agreement, the principal terms of transactions under the Proposed Coal, Equipments and Services Purchase (Supply) Framework Agreement are substantially the same as the above terms of the Existing Coal, Equipments and Services Purchase (Supply) Framework Agreement, details of which are set out in the Letter from the Board.

(b) The Proposed Coal Purchase Framework Agreement with Yanzhou Coal

On 10 September 2010, the Company entered into the Existing Coal Purchase Framework Agreement with Yanzhou Coal. In accordance with the terms of the Existing Coal Purchase Framework Agreement with Yanzhou Coal, the agreement will expire on 31 December 2013. To continue to regulate the relevant terms of the transactions contemplated thereunder between the Group and Yanzhou Coal, on 17 October 2013, the Company has conditionally entered into the Proposed Coal Purchase Framework Agreement with Yanzhou Coal, which will be for another term of three years commencing from 1 January 2014 and expiring on 31 December 2016.

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Save for the above term of the contract agreed by both parties in the agreement, the principal terms of transactions under the Proposed Coal Purchase Framework Agreement with Yanzhou Coal are substantially the same as the above terms of the Existing Coal Purchase Framework Agreement with Yanzhou Coal, details of which are set out in the Letter from the Board.

(c) *The Proposed Coal Purchase Framework Agreement with Huainan Mining*

On 10 September 2010, the Company entered into the Existing Coal Purchase Framework Agreement with Huainan Mining. In accordance with the terms of the Existing Coal Purchase Framework Agreement with Huainan Mining, the agreement will expire on 31 December 2013. To continue to regulate the relevant terms of the transactions contemplated thereunder between the Group and Huainan Mining, on 17 October 2013, the Company has conditionally entered into the Proposed Coal Purchase Framework Agreement with Huainan Mining, which will be for another term of three years commencing from 1 January 2014 and expiring on 31 December 2016.

Save for the above term of the contract agreed by both parties in the agreement, the principal terms of transactions under the Proposed Coal Purchase Framework Agreement with Huainan Mining are substantially the same as the above terms of the Existing Coal Purchase Framework Agreement with Huainan Mining, details of which are set out in the Letter from the Board.

As advised by the Directors, transactions of (i) supply of coal by China Huadian to the Group; (ii) provision by China Huadian to the Group of engineering equipments, systems, products and equipments and construction contracting projects, supplies procurement services and other Miscellaneous and Relevant Services; (iii) supply of coal by Yanzhou Coal to the Group; and (iv) supply of coal by Huainan Mining to the Group have been carried out for many years. As a result of the long-term business relationship with China Huadian, Yanzhou Coal and Huainan Mining, China Huadian, Yanzhou Coal and Huainan Mining are familiar with the Group's business operation and have been able to provide prompt products, equipments and services to meet the Group's requirements. Thus, the above continuing connected transactions can facilitate the business operations of the Group as they will provide the necessary products, equipments and services to the Group.

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As advised by the Directors, transactions of (i) supply of coal by the Group to China Huadian; and (ii) provision of services to China Huadian by the Group such as overhauls and maintenance of generating units of power plants and alternatives power generation and relevant quota services has been carried out for many years. The Directors believe that the continuation of the above continuing connected transactions between the Group and China Huadian enables the Group to capitalize on the well-established relationship with China Huadian to generate additional business and revenue stream to the Group.

Therefore, we are of the view that it is reasonable for the Group to enter into the Proposed Continuing Connected Transactions Agreements which have been entered into the ordinary and usual course of business and are in the interests of the Company and the Shareholders as a whole.

2. *Basis of price determination of the Proposed Continuing Connected Transactions Agreements*

(a) *The Proposed Coal, Equipments and Services Purchase (Supply) Framework Agreement*

According to the Proposed Coal, Equipments and Services Purchase (Supply) Framework Agreement, the price determination principles of the Proposed Coal, Equipments and Services Purchase (Supply) Framework Agreement are: (i) for the mutual provision or sale of coal, engineering equipments, systems, products and engineering and construction contracting projects, and of Miscellaneous and Relevant Services, the price is subject to mutual consent and confirmation by the parties to the agreement, as well as determinations after arm's length negotiation with reference to the then market price and prevailing market conditions, and on transaction terms no less favourable than those with independent third parties; and (ii) for provision of engineering equipments, systems, products and engineering and construction contracting projects, the price will be determined by reference to the successful bidding price under the bidding process as required by the relevant PRC laws and regulations, and is subject to adjustment upon further arm's length negotiation with the successful bidder. As advised by the management of the Company, the then market price of coal is generally determined by the local spot market price as at the time of the purchase order. The local spot market price is usually determined with reference to (i) the purchase prices of local large-scale coal enterprises, which are published on various coal industry websites (if available); and (ii) quotation from a number of coal enterprises. The price of the coal purchased or supplied under the Existing Coal, Equipments and Services Purchase (Supply) Framework Agreement will be negotiated by the Company and China Huadian after arm's length negotiation.

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(b) *The Proposed Coal Purchase Framework Agreement with Yanzhou Coal*

According to the Proposed Coal Purchase Framework Agreement with Yanzhou Coal, the Group and Yanzhou Coal agreed that the coal will be supplied at the prevailing market price and the prevailing market price shall be with reference to the price of coal (of the same category or same type and quality) Yanzhou Coal supplies to other independent third parties under normal business circumstances. As advised by the management of the Company, the prevailing market price of coal is generally determined by the local spot market price as at the time of the purchase order. The local spot market price is usually determined with reference to (i) the purchase prices of local large-scale coal enterprises, which are published on various coal industry websites (if available); and (ii) quotation from a number of coal enterprises. The price of the coal purchased under the Existing Coal Purchase Framework Agreement with Yanzhou Coal will be negotiated by the Company and Yanzhou Coal after arm's length negotiation with reference to the then market price and prevailing market conditions, and on transaction terms no less favourable than those with independent third parties.

(c) *The Proposed Coal Purchase Framework Agreement with Huainan Mining*

According to the Proposed Coal Purchase Framework Agreement with Huainan Mining, the Group and Huainan Mining agreed that the coal will be supplied at the prevailing market price and the prevailing market price shall be determined with reference to the price of coal (of the same category or same type and quality) Huainan Mining supplies to other independent third parties under normal business circumstances. As advised by the management of the Company, the prevailing market price of coal is generally determined by the local spot market price as at the time of the purchase order. The local spot market price is usually determined with reference to (i) the purchase prices of local large-scale coal enterprises, which are published on various coal industry websites (if available); and (ii) quotation from a number of coal enterprises. The price of the coal purchased under the Existing Coal Purchase Framework Agreement with Huainan Mining will be negotiated by the Company and Huainan Mining after arm's length negotiation with reference to the then market price and prevailing market conditions, and on transaction terms no less favourable than those with independent third parties.

Having understood the internal procedure on coal purchase of the Company from the management of the Company and reviewed relevant documents and information, such as approval forms of coal purchase and coal industry website, and based on the above, we are of the view that the pricing mechanism of the coal purchase with China Huadian, Yanzhou Coal and Huainan Mining is in line with other independent coal suppliers and the price basis under the Proposed Continuing Connected Transactions Agreements is on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned.

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3. *Proposed annual caps*

The China Huadian Annual Caps are as follows:

Transactions	Proposed annual caps for the financial year ending 31 December 2014 (RMB millions)
Expenditure	
Purchase of coal from China Huadian	6,000
Provision of engineering equipments, systems, products and engineering and construction contracting projects, supplies procurement services and other Miscellaneous and Relevant Services by China Huadian (<i>Note 1</i>)	<u>3,000</u>
Total:	<u><u>9,000</u></u>
Revenue	
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 (<i>Note 2</i>)	<u>2,000</u>
Total:	<u><u>2,000</u></u>

Note 1: Of the estimated annual cap of RMB3 billion, it is estimated that based on the historical amounts and the needs of existing projects of the Company, approximately 85% is for provision of engineering equipments, systems, products and engineering and construction contracting projects, approximately 5% provision of is for the supplies procurement services and approximately 10% is for provision of other Miscellaneous and Relevant Services.

Note 2: Of the estimated annual cap of RMB2.0 billion, approximately 80% is for sale of coal, approximately 10% is for provision of overhauls and maintenance services and alternative power generation and approximately 10% is for provision of relevant quota services.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Yanzhou Coal Annual Caps and the Huainan Mining Annual Caps are as follows:

Transactions	Proposed annual cap for the financial year ending 31 December		
	2014 <i>(RMB millions)</i>	2015 <i>(RMB millions)</i>	2016 <i>(RMB millions)</i>
Expenditure			
Proposed Coal Purchase Framework Agreement with Yanzhou Coal	8,000	8,000	8,000
Proposed Coal Purchase Framework Agreement with Huainan Mining	4,000	4,000	4,000

4. *Basis of proposed annual caps*

(a) *The Proposed Coal, Equipments and Services Purchase (Supply) Framework Agreement*

The annual caps for the (i) purchase of coal from China Huadian; and (ii) 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 remain the same.

The Group made coal purchase decisions based on the price and quality of coal offered by the suppliers including China Huadian. The Directors consider the annual caps of the Proposed Coal, Equipments and Services Purchase (Supply) Framework Agreement remaining the same could sustain the flexibility and stability in the Group's purchase of coal after comparing the market price with that of connected person.

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The annual cap for the provision of engineering equipments, systems, products and engineering and construction contracting projects, supplies procurement services and other Miscellaneous and Relevant Services by China Huadian has been revised from RMB1.5 billion to RMB3.0 billion. The annual cap for this category of transactions has been determined with reference to, among other things, (i) the commencement of construction of the Group's new generating units; (ii) the recent increased environmental requirements by the Chinese government, pursuant to which that, 1) coal-fired generating units are required to be further equipped with denitration equipments; and 2) the original desulphurization and dust removal equipments are required to be upgraded; and (iii) China Huadian is a leading supplier of relevant technological transformation projects, the Group intends to increase amount of provision of engineering equipments, systems, products and engineering and construction contracting projects, supplies procurement services and other Miscellaneous and Relevant Services by China Huadian so as to meet the demand for its routine operations.

(b) *The Proposed Coal Purchase Framework Agreement with Yanzhou Coal and the Proposed Coal Purchase Framework Agreement with Huainan Mining*

The annual caps for (i) the Proposed Coal Purchase Framework Agreement with Yanzhou Coal; and (ii) the Proposed Coal Purchase Framework Agreement with Huainan Mining remain the same.

The Group made coal purchase decisions based on the price and quality of coal offered by the suppliers including Yanzhou Coal and Huainan Mining. The Directors considered that in keeping the Yanzhou Coal Annual Caps and Huainan Mining Annual Caps remain the same could sustain the flexibility and stability in the Group's purchase of coal after comparing the market price with that of connected person.

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As mentioned in the Letter from the Board, the actual purchase amount of coal from China Huadian, Yanzhou Coal and Huainan Mining in the nine months ended 30 September 2013 were approximately RMB1,606 million, approximately RMB2,540 million and nil respectively and were below the respective cap for the year ending 31 December 2013 of RMB6,000 million, RMB8,000 million and RMB4,000 million. We understand from the management of the Company that there had been an over supply of coal in the market for the nine months ended 30 September 2013, leading to a decline in market price of coal. Thus the Group had a wide range of choices of coal suppliers for that period and had chosen to purchase coal from suppliers which offered coal at a lower price than that offered by China Huadian, Yanzhou Coal and Huainan Mining. The Directors advise that it is uncertain as to whether such situation would continue to exist in the future. If there is a substantial change in the market and the supply of coal becomes tight, the Group would need to increase purchase of coal from China Huadian, Yanzhou Coal and Huainan Mining. We concur with the Directors' view that the annual caps for the purchase of coal from China Huadian, Yanzhou Coal and Huainan Mining remaining the same could sustain the flexibility and stability in the Group's purchase of coal.

Based on the above, we are of the view that the basis and the underlying assumption of setting the China Huadian Annual Caps, the Yanzhou Coal Annual Caps and the Huainan Mining Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

5. *Other Term*

Both parties to each of the Proposed Continuing Connected Transactions Agreements have agreed that contracts will be made from time to time with reference to the prevailing market practice and in accordance with the terms and conditions of the relevant Proposed Continuing Connected Transactions Agreements. We are of the view that the above term is on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned.

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RECOMMENDATION AND CONCLUSION

Having considered the above principal factors and reasons, we are of the opinion that (i) the terms under the A Shares Subscription Agreement are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole; (ii) the Whitewash Waiver is fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole; (iii) the transactions contemplated under the Proposed Continuing Connected Transactions Agreements are on normal commercial terms, in the ordinary and usual course of business, fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole; and (iv) the China Huadian Annual Caps, the Yanzhou Coal Annual Caps and the Huainan Mining Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. We therefore advise (a) the IBC of Subscription and CCT to recommend the Independent Shareholders to vote in favour of the resolutions to approve the A Shares Subscription, the A Shares Subscription Agreement and the Proposed Continuing Connected Transactions Agreements; and (b) IBC of Subscription and Whitewash Waiver to recommend the Independent Shareholders to vote in favour of the resolutions to approve the Whitewash Waiver at the EGM. We also advise the Independent Shareholders to vote in favour of the proposed resolution to approve the A Shares Subscription, the A Shares Subscription Agreement, the Whitewash Waiver and the Proposed Continuing Connected Transactions Agreements at the EGM.

Yours faithfully,

For and on behalf of

China Investment Securities International Capital Limited

Tony Wu

Managing Director and

Head of Investment Banking Department

* *In this letter, the English names of the PRC laws and entities are translations of their Chinese names and included herein for identification purpose only. In the event of any inconsistency, the Chinese names shall prevail.*

1. SUMMARY OF THE FINANCIAL INFORMATION

The following is a summary of: (i) the audited financial results of the Group for each of the three financial years ended 31 December 2010, 2011 and 2012; (ii) the unaudited financial results of the Group for the nine months ended 30 September 2013 and the unaudited financial results of the Group for the six months ended 30 June 2013; (iii) the audited assets and liabilities of the Group as at 31 December 2010, 2011 and 2012; and (iv) the unaudited assets and liabilities of the Group as at 30 September 2013 and 30 June 2013, as extracted from the published financial statements of the Group for the relevant years/period.

The auditors of the Company did not issue any qualified opinion on the financial statements of the Group for each of the three financial years ended 31 December 2010, 2011 and 2012. The Company had no items which were exceptional or extraordinary because of size, nature or incidence for the three financial years ended 31 December 2012.

The amounts absorbed by dividends and dividends per share of the Company for the three financial years ended 31 December 2012, the six months ended 30 June 2013 and the nine months ended 30 September 2013 are as follows:

	For nine months period ended 30 Sep 2013	For six months period ended 30 June 2013	For financial year ended 31 December		
			2012	2011	2010
Final dividend proposed after the balance sheet date:					
Amount absorbed by dividends (RMB'000)	—	—	479,120	—	—
Dividends per share (RMB per share)	—	—	0.065	—	—
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

CONSOLIDATED BALANCE SHEET*As at 31 December 2010, 2011, 2012, 30 June 2013 and 30 September 2013**(EXPRESSED IN RENMINBI'000)*

Item	30 Sep 2013	30 June 2013	31 Dec 2012	31 Dec 2011	31 Dec 2010
	unaudited	unaudited	audited	audited	audited
Current assets					
Cash at bank and on hand	4,845,767	4,597,031	3,102,559	2,482,816	1,270,767
Bills receivable	548,799	609,363	634,417	315,651	118,623
Trade receivables	6,411,639	5,663,246	6,613,709	4,925,610	3,862,051
Prepayments	1,159,991	716,400	928,111	965,444	859,688
Other receivables	527,931	546,498	1,401,057	777,665	600,880
Inventories	2,826,250	3,234,112	3,383,132	2,777,508	1,760,239
Dividends receivable	1,093	2,986	66,940	—	—
Non-current assets due					
within one year	37,677	37,677	42,094	—	—
Other current assets	810,525	872,329	986,754	765,862	1,136,987
Total current assets	17,169,672	16,279,642	17,158,773	13,010,556	9,609,235
Non-current assets					
Available-for-sale financial assets	33,910	32,096	38,958	39,506	42,906
Long-term receivables	121,896	123,066	144,880	176,365	68,393
Long-term equity investments	10,757,213	10,673,471	10,304,950	10,726,075	9,512,944
Fixed assets	105,281,037	104,420,316	106,881,257	89,252,428	74,558,292
Construction in progress	14,168,537	13,843,178	11,670,930	14,164,759	14,688,888
Construction materials	435,751	150,988	13,631	160,856	879,631
Construction and construction					
material prepayments	4,018,428	3,410,159	1,741,454	5,126,817	7,657,751
Intangible assets	14,941,903	14,937,364	13,427,253	13,287,396	9,543,341
Goodwill	864,063	873,186	873,186	790,157	790,552
Deferred tax assets	310,463	332,447	363,770	444,484	322,269
Other non-current assets	1,591,782	1,530,164	1,952,107	1,366,952	270,810
Total non-current assets	152,524,983	150,326,435	147,412,376	135,535,795	118,335,777
Total assets	169,694,655	166,606,077	164,571,149	148,546,351	127,945,012

CONSOLIDATED BALANCE SHEET (CONTINUED)

As at 31 December 2010, 2011, 2012, 30 June 2013 and 30 September 2013

(EXPRESSED IN RENMINBI'000)

Item	30 Sep 2013 unaudited	30 June 2013 unaudited	31 Dec 2012 audited	31 Dec 2011 audited	31 Dec 2010 audited
Current liabilities					
Short-term loans	15,408,000	17,508,370	19,491,832	26,719,139	24,299,330
Bills payable	728,912	299,001	449,120	1,265,832	2,208,011
Trade payables	11,511,277	10,895,054	8,844,820	5,418,714	5,532,965
Receipts in advances	589,179	228,905	925,907	791,135	569,327
Wages payable	585,017	297,865	109,538	116,262	134,919
Taxes payable	954,241	489,394	689,469	446,633	270,339
Interest payable	496,872	427,637	602,853	421,332	293,739
Dividends payable	78,200	613,198	14,319	11,744	7,664
Other payables	3,599,670	3,747,523	2,853,502	5,069,988	3,000,778
Short-term debentures payable	14,624,172	12,176,508	11,664,380	3,551,384	3,008,983
Non-current liabilities due within one year	11,549,488	13,054,477	10,766,787	10,362,977	7,408,832
Total current liabilities	60,125,028	59,737,932	56,412,527	54,175,140	46,734,887
Non-current liabilities					
Long-term loans	59,213,897	59,044,577	64,173,923	61,734,471	50,159,994
Debentures payable	11,857,321	11,848,324	10,352,593	3,863,579	5,346,441
Long-term payables	1,878,173	1,285,954	1,319,670	1,224,301	1,234,710
Special payables	10,839	10,839	12,223	6,500	8,020
Deferred tax liabilities	2,670,824	2,648,481	2,652,423	2,376,916	1,960,728
Other non-current liabilities	2,208,586	2,086,754	2,002,894	1,523,562	903,034
Total non-current liabilities	77,839,640	76,924,929	80,513,726	70,729,329	59,612,927
Total liabilities	137,964,668	136,662,861	136,926,253	124,904,469	106,347,814

CONSOLIDATED BALANCE SHEET (CONTINUED)*As at 31 December 2010, 2011, 2012, 30 June 2013 and 30 September 2013**(EXPRESSED IN RENMINBI'000)*

Item	30 Sep 2013	30 June 2013	31 Dec 2012	31 Dec 2011	31 Dec 2010
	unaudited	unaudited	audited	audited	audited
Shareholders' equity					
Share capital	7,371,084	7,371,084	7,371,084	6,771,084	6,771,084
Capital reserve	5,742,521	5,742,003	5,749,735	4,603,133	4,522,428
Specific reserve	95,983	98,625	40,876	3,268	–
Surplus reserve	1,554,113	1,554,113	1,554,113	1,547,510	1,533,554
Retained earnings	6,986,319	5,759,687	4,586,124	3,175,032	3,109,795
Total equity attributable to equity shareholders of the Company	21,750,020	20,525,512	19,301,932	16,100,027	15,936,861
Minority interests	9,979,967	9,417,704	8,342,964	7,541,855	5,660,337
Total shareholders' equity	31,729,987	29,943,216	27,644,896	23,641,882	21,597,198
Total liabilities and shareholders' equity	169,694,655	166,606,077	164,571,149	148,546,351	127,945,012

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2010, 2011 and 2012, for the six months ended 30 June 2013 and for the nine months ended 30 September 2013

(EXPRESSED IN RENMINBI'000)

Item	For nine months	For six months		For period ended 31 Dec	
	period ended 30 Sep 2013 unaudited	period ended 30 June 2013 unaudited	2012 audited	2011 audited	2010 audited
Operating income	49,302,480	31,599,702	59,489,973	54,490,807	45,448,778
Less: Operating costs	38,033,619	24,726,608	49,968,358	49,464,893	42,121,006
Sales taxes and surcharges	340,858	212,595	268,459	209,380	186,436
Administrative expenses	1,399,365	938,092	1,843,128	1,519,748	1,324,430
Finance expenses	4,518,468	3,020,403	6,222,704	4,925,259	3,288,889
Impairment loss provision/(reversal)	(8,594)	0	224,807	(13,025)	(14,539)
Add: Investment income	330,912	202,002	1,104,134	1,281,786	846,211
Including: income from investment in associates	328,749	200,105	613,037	556,872	328,230
Operating profit/(loss)	5,349,676	2,904,006	2,066,651	(333,662)	(611,233)
Add: Non-operating income	197,967	96,283	756,519	531,000	853,390
Less: Non-operating expenses	339,353	68,304	207,863	20,550	9,428
Including: losses on disposal of non-current assets	210,905	4,803	8,543	3,137	2,549
Total profit	5,208,290	2,931,985	2,615,307	176,788	232,729
Less: Income tax expenses	1,180,573	655,059	698,335	32,065	126,517
Net profit	4,027,717	2,276,926	1,916,972	144,723	106,212

CONSOLIDATED INCOME STATEMENT (CONTINUED)

For the year ended 31 December 2010, 2011 and 2012, for the six months ended 30 June 2013 and for the nine months ended 30 September 2013

(EXPRESSED IN RENMINBI'000)

Item	For nine months	For six months	For period ended 31 Dec		
	period ended 30 Sep 2013 unaudited	period ended 30 June 2013 unaudited	2012 audited	2011 audited	2010 audited
Attributable to:					
Equity shareholders of the Company	2,922,996	1,694,576	1,417,695	79,193	207,844
Minority interests	1,104,721	582,350	499,277	65,530	(101,632)
Earnings per share (RMB):					
Basic earnings per share	0.397	0.230	0.201	0.012	0.031
Diluted earnings per share	0.397	0.230	0.201	0.012	0.031
Add: Other comprehensive					
income/(loss)	(3,785)	(5,147)	8,932	(8,112)	(16,725)
Total comprehensive income	4,023,932	2,271,779	1,925,904	136,611	89,487
Attributable to:					
Equity shareholders of the Company	2,919,211	1,689,429	1,426,753	71,201	191,196
Minority interests	1,104,721	582,350	499,151	65,410	(101,709)

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS

The following is the full text of the audited financial statements of the Group and the Company for the year ended 31 December 2012:

CONSOLIDATED BALANCE SHEET AND BALANCE SHEET

As at 31 December 2012

(Expressed in Renminbi'000)

Item	Note	The Group		The Company	
		2012	2011 (restated)	2012	2011
Current assets:					
Cash at bank and on hand	V. 1	3,102,559	2,482,816	747,136	421,704
Bills receivable	V. 2	634,417	315,651	—	100
Trade receivables	V. 3; X. 1	6,613,709	4,925,610	801,032	858,753
Prepayments	V. 5	928,111	965,444	148,651	167,407
Other receivables	V. 4; X. 2	1,401,057	777,665	7,162,580	3,009,424
Inventories	V. 6	3,383,132	2,777,508	295,418	434,782
Dividends receivable		66,940	—	78,431	15,108
Non-current assets due within one year	V. 9	42,094	—	—	—
Other current assets	V. 7	986,754	765,862	139,304	139,705
Total current assets		17,158,773	13,010,556	9,372,552	5,046,983

CONSOLIDATED BALANCE SHEET AND BALANCE SHEET (CONTINUED)

As at 31 December 2012

(Expressed in Renminbi'000)

Item	Note	The Group		The Company	
		2012	2011 (restated)	2012	2011
Non-current assets:					
Available-for-sale financial assets	V. 8	38,958	39,506	—	—
Long-term receivables	V. 9; X. 3	144,880	176,365	414,947	361,018
Long-term equity investments	V. 10; X. 4	10,304,950	10,726,075	36,501,622	32,796,233
Fixed assets	V. 11	106,881,257	89,252,428	8,070,992	8,022,590
Construction in progress	V. 12	11,670,930	14,164,759	800,635	684,102
Construction materials	V. 13	13,631	160,856	—	—
Construction and construction material prepayments		1,741,454	5,126,817	291,570	123,028
Intangible assets	V. 14	13,427,253	13,287,396	123,309	131,512
Goodwill	V. 15	873,186	790,157	12,111	12,111
Deferred tax assets	V. 16	363,770	444,484	—	—
Other non-current assets	V. 17	1,952,107	1,366,952	385,174	604,253
Total non-current assets		147,412,376	135,535,795	46,600,360	42,734,847
Total assets		164,571,149	148,546,351	55,972,912	47,781,830
Current liabilities:					
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
Total current liabilities		56,412,527	54,175,140	23,419,715	23,283,478

CONSOLIDATED BALANCE SHEET AND BALANCE SHEET (CONTINUED)

As at 31 December 2012

(Expressed in Renminbi'000)

Item	Note	The Group		The Company	
		2012	2011 (restated)	2012	2011
Non-current liabilities:					
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
Total non-current liabilities		80,513,726	70,729,329	15,155,098	8,854,273
Total liabilities		136,926,253	124,904,469	38,574,813	32,137,751
Shareholders' equity:					
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	—	—
Total shareholders' equity		27,644,896	23,641,882	17,398,099	15,644,079
Total liabilities and shareholders' equity		164,571,149	148,546,351	55,972,912	47,781,830

CONSOLIDATED INCOME STATEMENT AND INCOME STATEMENT

For the year ended 31 December 2012

(Expressed in Renminbi'000)

Item	Note	The Group		The Company	
		2012	2011	2012	2011
Operating income	V. 39; X. 5	59,489,973	54,490,807	9,091,605	8,899,020
Less: Operating costs	V. 39; X. 5	49,968,358	49,464,893	7,920,299	8,375,163
Sales taxes and surcharges	V. 40	268,459	209,380	61,299	45,309
Administrative expenses	V. 41	1,843,128	1,519,748	451,457	405,386
Finance expenses	V. 42	6,222,704	4,925,259	1,756,714	1,342,264
Impairment loss/(reversal)	V. 44	224,807	(13,025)	35,083	(378)
Add: Investment income	V. 43; X. 6	1,104,134	1,281,786	1,184,831	1,398,841
Including: income from investment in associates		613,037	556,872	384,735	443,763
Operating profit / (loss)		2,066,651	(333,662)	51,584	130,117
Add: Non-operating income	V. 45	756,519	531,000	15,405	10,295
Less: Non-operating expenses	V. 46	207,863	20,550	1,630	1,304
Including: losses on disposal of non-current assets		8,543	3,137	599	—
Total profit		2,615,307	176,788	65,359	139,108
Less: Income tax expenses	V. 47	698,335	32,065	(670)	(455)
Net profit		1,916,972	144,723	66,029	139,563

CONSOLIDATED INCOME STATEMENT AND INCOME STATEMENT (CONTINUED)

For the year ended 31 December 2012

(Expressed in Renminbi'000)

Item	Note	The Group		The Company	
		2012	2011	2012	2011
Attributable to:					
Equity shareholders of the Company		1,417,695	79,193	66,029	139,563
Minority interests		499,277	65,530	—	—
Earnings per share (RMB):					
Basic earnings per share	V. 48	<u>0.201</u>	<u>0.012</u>	<u>N/A</u>	<u>N/A</u>
Diluted earnings per share	V. 48	<u>0.201</u>	<u>0.012</u>	<u>N/A</u>	<u>N/A</u>
Add: Other comprehensive income	V. 49	8,932	(8,112)	8,093	(5,045)
Total comprehensive income		<u>1,925,904</u>	<u>136,611</u>	<u>74,122</u>	<u>134,518</u>
Attributable to:					
Equity shareholders of the Company		1,426,753	71,201	74,122	134,518
Minority interests		499,151	65,410	—	—

CONSOLIDATED CASH FLOW STATEMENT AND CASH FLOW STATEMENT

For the year ended 31 December 2012

(Expressed in Renminbi'000)

Item	Note	The Group		The Company	
		2012	2011 (restated)	2012	2011
I. Cash flow from operating activities:					
Cash received from sale of goods and rendering of services		68,117,499	62,747,252	10,588,185	10,109,635
Refund of taxes		11,356	15,022	53	—
Cash received relating to other operating activities	V. 50(1)	1,021,234	772,283	321,166	496,983
Sub-total of cash inflow from operating activities		69,150,089	63,534,557	10,909,404	10,606,618
Cash paid for goods and services		(48,665,045)	(50,336,509)	(7,493,539)	(8,422,806)
Cash paid to and for employees		(2,902,545)	(2,535,822)	(713,194)	(627,970)
Cash paid for all types of taxes		(3,120,899)	(2,242,952)	(549,958)	(399,956)
Cash paid relating to other operating activities	V. 50(2)	(2,178,995)	(1,686,632)	(870,192)	(389,731)
Sub-total of cash outflow from operating activities		(56,867,484)	(56,801,915)	(9,626,883)	(9,840,463)
Net cash inflow from operating activities	V. 51(1); X. 7	12,282,605	6,732,642	1,282,521	766,155

CONSOLIDATED CASH FLOW STATEMENT AND CASH FLOW STATEMENT (CONTINUED)

For the year ended 31 December 2012

(Expressed in Renminbi'000)

Item	Note	The Group		The Company	
		2012	2011 (restated)	2012	2011
II. Cash flow from investing activities:					
Cash received from disposal of investments		612,912	105,656	917,945	102,400
Cash received for the upfront connection and installation fees for heating networks		564,848	679,522	—	—
Cash received from return on investments		129,861	283,624	353,957	464,423
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		270,100	10,631	5,454	328
Cash received relating to other investing activities	V. 50(3)	202,142	166,218	66,180	73,136
Sub-total of cash inflow from investing activities		1,779,863	1,245,651	1,343,536	640,287
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		(16,176,889)	(12,410,920)	(894,545)	(602,108)
Cash paid for acquisition of investments		(300,315)	(497,023)	(7,511,887)	(1,653,399)
Cash paid for acquisition of subsidiaries	V. 51(2)	(1,660,911)	(1,553,756)	(1,719,165)	(2,186,654)
Cash paid relating to other investing activities	V. 50(4)	(49,830)	(52,142)	(15)	(22,566)
Sub-total of cash outflow from investing activities		(18,187,945)	(14,513,841)	(10,125,612)	(4,464,727)
Net cash outflow from investing activities		(16,408,082)	(13,268,190)	(8,782,076)	(3,824,440)

CONSOLIDATED CASH FLOW STATEMENT AND CASH FLOW STATEMENT (CONTINUED)

For the year ended 31 December 2012

(Expressed in Renminbi'000)

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2012

(Expressed in Renminbi'000)

Item	Note	2012						
		Attributable to shareholders' equity of the Company					Minority interests	Total equity
		Share capital	Capital reserve	Specific reserve	Surplus reserve	Retained profits		
I. Balance at the end of previous year		6,771,084	4,607,401	3,268	1,547,510	3,175,032	7,541,855	23,646,150
Add: Adjustment of business combination involving an entity under common control		—	(4,268)	—	—	—	—	(4,268)
II. Balance at the beginning of the year (restated)		6,771,084	4,603,133	3,268	1,547,510	3,175,032	7,541,855	23,641,882
III. Changes in equity for the year								
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
IV. Balance at the end of the year		7,371,084	5,749,735	40,876	1,554,113	4,586,124	8,342,964	27,644,896

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the year ended 31 December 2012

(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		
I. Balance at the end of previous year	6,771,084	4,512,428	—	1,533,554	3,109,795	5,660,337	21,587,198
Add: Adjustment of business combination involving an entity under common control	—	10,000	—	—	—	—	10,000
II. Balance at the beginning of the year (restated)	6,771,084	4,522,428	—	1,533,554	3,109,795	5,660,337	21,597,198
III. Changes in equity for the year							
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
IV. Balance at the end of the year (restated)	6,771,084	4,603,133	3,268	1,547,510	3,175,032	7,541,855	23,641,882

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2012

(Expressed in Renminbi'000)

Item	2012					Total equity
	Share capital	Capital reserve	Specific reserve	Surplus reserve	Retained profits	
I. Balance at the end of previous year and the beginning of the year	6,771,084	4,400,536	—	1,547,510	2,924,949	15,644,079
II. Changes in equity for the year						
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
III. Balance at the end of the year	7,371,084	5,488,119	408	1,554,113	2,984,375	17,398,099

STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the year ended 31 December 2012

(Expressed in Renminbi'000)

Item	2011				
	Share capital	Capital reserve	Surplus reserve	Retained profits	Total equity
I. Balance at the end of previous year and the beginning of the year	6,771,084	4,393,875	1,533,554	2,799,342	15,497,855
II. Changes in equity for the year					
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
III. Balance at the end of the year	6,771,084	4,400,536	1,547,510	2,924,949	15,644,079

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2012

(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 RMB3,825,056,200, divided into 3,825,056,200 ordinary shares of RMB1 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 RMB1 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

As at 31 December 2012

(Expressed in Renminbi'000 unless otherwise indicated)

I. COMPANY STATUS (CONTINUED)

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 RMB1 each. As a result, the registered capital of the Company was increased to RMB6,021,084,200. 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

As at 31 December 2012

(Expressed in Renminbi'000 unless otherwise indicated)

I. COMPANY STATUS (CONTINUED)

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 RMB1 each. The registered capital of the Company was increased to RMB6,771,084,200. 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 RMB1 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 RMB7,371,084,200, 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

As at 31 December 2012

(Expressed in Renminbi'000 unless otherwise indicated)

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.

3 Accounting period

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

4 Functional currency

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

As at 31 December 2012

(Expressed in Renminbi'000 unless otherwise indicated)

**II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES
(CONTINUED)****5 Accounting treatments for a business combination involving entities under and those not under common control***(1) Business combinations involving enterprises under common control*

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

As at 31 December 2012

(Expressed in Renminbi'000 unless otherwise indicated)

**II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES
(CONTINUED)****6 Preparation of consolidated financial statements**

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

As at 31 December 2012

(Expressed in Renminbi'000 unless otherwise indicated)

**II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES
(CONTINUED)****6 Preparation of consolidated financial statements (continued)**

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.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

As at 31 December 2012

(Expressed in Renminbi'000 unless otherwise indicated)

**II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES
(CONTINUED)****7 Cash and Cash equivalents**

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

8 Translation of foreign currency transactions

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

As at 31 December 2012

(Expressed in Renminbi'000 unless otherwise indicated)

**II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES
(CONTINUED)****9 Financial instruments**

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

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

As at 31 December 2012

(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)*

— 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)

As at 31 December 2012

(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)).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

As at 31 December 2012

(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)*

— Other financial liabilities

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

As at 31 December 2012

(Expressed in Renminbi'000 unless otherwise indicated)

**II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES
(CONTINUED)****9 Financial instruments (continued)****(2) Presentation of financial assets and financial liabilities**

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

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

(3) Determination of fair values

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

As at 31 December 2012

(Expressed in Renminbi'000 unless otherwise indicated)

**II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES
(CONTINUED)****9 Financial instruments (continued)***(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)

As at 31 December 2012

(Expressed in Renminbi'000 unless otherwise indicated)

**II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES
(CONTINUED)****9 Financial instruments (continued)***(5) Impairment of financial assets*

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

As at 31 December 2012

(Expressed in Renminbi'000 unless otherwise indicated)

**II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES
(CONTINUED)****9 Financial instruments (continued)****(5) Impairment of financial assets (continued)**

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

— Held-to-maturity investments

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

As at 31 December 2012

(Expressed in Renminbi'000 unless otherwise indicated)

**II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES
(CONTINUED)****9 Financial instruments (continued)***(5) Impairment of financial assets (continued)*

— Available-for-sale financial assets

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

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

(6) Equity instrument

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

As at 31 December 2012

(Expressed in Renminbi'000 unless otherwise indicated)

**II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES
(CONTINUED)****10 Impairment of receivables**

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

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

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

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

11 Inventories*(1) Classification*

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

(2) Cost of inventories

Cost of inventories is calculated using the weighted average method.

NOTES TO THE FINANCIAL STATEMENTS (*CONTINUED*)

As at 31 December 2012

(Expressed in Renminbi'000 unless otherwise indicated)

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES
(*CONTINUED*)**11 Inventories** (*continued*)

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

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

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

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

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

- (4) *Inventory system*

The Group maintains a perpetual inventory system.

- (5) *Amortisation of low-value consumables*

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

NOTES TO THE FINANCIAL STATEMENTS (*CONTINUED*)

As at 31 December 2012

(Expressed in Renminbi'000 unless otherwise indicated)

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES
(*CONTINUED*)**12 Long-term equity investments***(1) Investment cost***(a) Long-term equity investments acquired through a business combination**

- The initial investment cost of a long-term equity investment obtained through a business combination involving enterprises under common control is the Company's share of the carrying amount of the subsidiary's equity at the combination date. The difference between the initial investment cost and the carrying amount of the consideration given is adjusted to share premium in capital reserve. If the balance of the share premium is insufficient, any excess is adjusted to retained earnings.
- For a long-term equity investment obtained through a business combination not involving enterprises under common control, the initial investment cost comprises the aggregate of the fair value of assets transferred and liabilities incurred or assumed by the Company, in exchange for control of the acquiree. For a long-term equity investment obtained through a business combination not involving enterprises under common control and achieved in stages, the initial cost comprises the carrying value of previously-held equity investment in the acquiree immediately before the acquisition date, and additional investment cost at the acquisition date.

(b) Long-term equity investments acquired 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

As at 31 December 2012

(Expressed in Renminbi'000 unless otherwise indicated)

**II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES
(CONTINUED)****12 Long-term equity investments (continued)****(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.

(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.

NOTES TO THE FINANCIAL STATEMENTS (*CONTINUED*)

As at 31 December 2012

(Expressed in Renminbi'000 unless otherwise indicated)

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES
(*CONTINUED*)**12 Long-term equity investments** (*continued*)(2) *Subsequent measurement* (*continued*)(b) Investment in associates (*continued*)

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (*CONTINUED*)

As at 31 December 2012

(Expressed in Renminbi'000 unless otherwise indicated)

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES
(*CONTINUED*)**12 Long-term equity investments** (*continued*)(2) *Subsequent measurement* (*continued*)(b) Investment in associates (*continued*)

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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**II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES
(CONTINUED)****12 Long-term equity investments (continued)****(2) Subsequent measurement (continued)****(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.

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**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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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**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 (continued)*

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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**II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES
(CONTINUED)****12 Long-term equity investments (continued)****(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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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(Expressed in Renminbi'000 unless otherwise indicated)

**II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES
(CONTINUED)****13 Fixed assets***(1) Recognition*

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

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

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)

As at 31 December 2012

*(Expressed in Renminbi'000 unless otherwise indicated)*II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES
(CONTINUED)

13 Fixed assets (continued)

(2) Depreciation

Other than mining structures which are depreciated on a units-of-production method, fixed assets are depreciated using the straight-line method over their estimated useful lives 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	Residual	Depreciation rate
	useful life	value rate	
	(years)	(%)	(%)
Plants and buildings	20-45	3-5	2.1-4.9
Generators	5-20	3-5	4.8-19.4
Others	5-10	3-5	9.5-19.4

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

(3) *For the method of impairment testing and measuring, refer to Note II. 18.*

(4) *Recognition and measurement of fixed assets acquired under finance leases*

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

As at 31 December 2012

(Expressed in Renminbi'000 unless otherwise indicated)

**II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES
(CONTINUED)****13 Fixed assets (continued)***(5) Disposal*

The carrying amount of a fixed asset shall be derecognised:

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

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

14 Construction in progress

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

As at 31 December 2012

(Expressed in Renminbi'000 unless otherwise indicated)

**II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES
(CONTINUED)****15 Borrowing costs**

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

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

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

- Where funds are borrowed specifically for the acquisition, construction of a qualifying asset, the amount of interest to be capitalised is the interest expense calculated using effective interest rates during the 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.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

As at 31 December 2012

(Expressed in Renminbi'000 unless otherwise indicated)

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

15 Borrowing costs (continued)

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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(Expressed in Renminbi'000 unless otherwise indicated)

**II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES
(CONTINUED)****16 Intangible assets (continued)**

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

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

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

17 Goodwill

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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(Expressed in Renminbi'000 unless otherwise indicated)

**II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES
(CONTINUED)****18 Impairment of assets other than inventories, financial assets and other long-term investments**

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

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

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

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

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*)

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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**II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES
(CONTINUED)****20 Revenue recognition (continued)***(5) Dividend income*

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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**II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES
(CONTINUED)****21 Employee benefits (continued)****(2) Termination benefits**

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

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

22 Government grants

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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**II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES
(CONTINUED)****22 Government grants (continued)**

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 recognized as expense in profit or loss and separately recorded as a specific reserve. On utilisation of the specific reserve for expense expenditure in accordance with the stipulated scope, the amount utilised would be reversed from the specific reserve. On utilisation of the specific reserve for fixed assets incremental in accordance with the stipulated scope, the amount utilised would be reversed from the specific reserve and full amount of depreciation is recognised at the same time when the cost of the relevant assets is recorded. And no depreciation will be provided after the initial recognition of the related fixed assets.

24 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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**II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES
(CONTINUED)****24 Income tax (continued)**

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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**II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES
(CONTINUED)****24 Income tax (continued)**

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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(Expressed in Renminbi'000 unless otherwise indicated)

**II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES
(CONTINUED)****25 Operating leases and finance leases (continued)****(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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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**II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES
(CONTINUED)****25 Operating leases and finance leases (continued)****(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.

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;

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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**II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES
(CONTINUED)****27 Related parties (continued)**

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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**II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES
(CONTINUED)****27 Related parties (continued)**

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

As at 31 December 2012

(Expressed in Renminbi'000 unless otherwise indicated)

**II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES
(CONTINUED)****28 Segment reporting**

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

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

Two or more operating segments may be aggregated into a single operating segment if the segments have 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)

As at 31 December 2012

(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.

NOTES TO THE FINANCIAL STATEMENTS (*CONTINUED*)

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(Expressed in Renminbi'000 unless otherwise indicated)

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES
(*CONTINUED*)**29 Significant accounting estimates and judgments** (*continued*)

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

As at 31 December 2012

(Expressed in Renminbi'000 unless otherwise indicated)

**II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES
(CONTINUED)****29 Significant accounting estimates and judgments (continued)****(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)

As at 31 December 2012

(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.	
— Sales of electricity and coal		17%
— Sales of heat		13%
City maintenance and construction tax	Based on VAT payable	1-7%
Education surcharge	Based on VAT payable	3-5%
Enterprise income tax ("EIT") (Note)	Based on taxable profits	0-25%

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)) Major public infrastructure project supported by the State (Note (2))

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

As at 31 December 2012

(Expressed in Renminbi'000 unless otherwise indicated)

III. TAXATION (CONTINUED)

1 Main types of taxes and corresponding rates (continued)

Note: (continued)

Company name	Preferential tax rate	Reasons for preferential tax treatments
Ningdong Branch Phase II	—	Enterprise income tax preferential policies on the development of the Western Region (Note (1)) 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)) Major public infrastructure project supported by the State (Note (2))
Huadian International Ningxia New Energy Power Company Limited, Yueliang shan 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 Kezuozhongqi Wind Power Company Limited (“Kezuozhongqi 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)) Major public infrastructure project supported by the State (Note (2))
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 Company Limited (“Yuzhou Wind Company”)	—	Major public infrastructure project supported by the State (Note (2))

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

As at 31 December 2012

(Expressed in Renminbi'000 unless otherwise indicated)

III. TAXATION (CONTINUED)**1 Main types of taxes and corresponding rates (continued)**

Note: (continued)

- (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 be exempted from EIT for the first two 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 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)

As at 31 December 2012

(Expressed in Renminbi'000 unless otherwise indicated)

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

As at 31 December 2012

(Expressed in Renminbi'000 unless otherwise indicated)

IV. BUSINESS COMBINATIONS AND THE CONSOLIDATED FINANCIAL STATEMENTS

1 Background of major subsidiaries

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

Name of subsidiary	Type	Registration place	Legal representative	Organisation code	Business Nature and operation scope	Registered capital	Closing amount of investment	Percentage of equity interest held by the Company	Percentage of voting rights held by the Company	Included in consolidated financial statements (Y/N)	Closing amount of minority interests	Amount in
												Current year's minority interests used to offset the profit/(loss) attributable to minority shareholders
		<i>Note 1</i>				RMB'000	RMB'000	(%)	(%)		RMB'000	RMB'000
Lingwu Company	Limited company	Lingwu	Wang Wenqi	77492869-7	Generation and sale of electricity	1,300,000	1,332,655	65	65	Y	546,245	—
Luding Hydropower Company	Limited company	Luding	Luo Xiaojian	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 Daixin	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	76000563-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 Zouxian Power Generation Company Limited ("Zouxian Company")	Limited company	Zoucheng	Bai Hua	66930776-8	Generation and sale of electricity	3,000,000	2,070,000	69	69	Y	1,118,269	—
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	Tongfiao	Xie Wei	67438152-4	Generation and sale of electricity	797,128	797,128	100	100	Y	—	—
Huadian Luohe Power Generation Company Limited ("Luohe Company")	Limited company	Luohe	Wang Fengjiao	68076402-X	Generation and sale of electricity and heat	502,000	475,300	75	75	Y	(22,279)	10,762
Tengzhou Xinyuan Heat Company Limited ("Tengzhou Heat Company")	Limited company	Tengzhou	Ge Lijun	68170352-8	Sale of heat	30,000	—	65.28	70	Y	4,938	2,439

(Note 2)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

As at 31 December 2012

(Expressed in Renminbi'000 unless otherwise indicated)

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

1 Background of major subsidiaries (continued)

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

Name of subsidiary	Type	Registration place <i>Note 1</i>	Legal representative	Organisation code	Business Nature and operation scope	Registered capital <i>RMB'000</i>	Closing amount of investment <i>RMB'000</i>	Percentage of equity interest held by the Company (%)	Percentage of voting rights held by the Company (%)	Included in consolidated financial statements (Y/N)	Closing amount of minority interests <i>RMB'000</i>	Amount in
												Current year's minority interests used to offset the profit/loss attributable to minority shareholders <i>RMB'000</i>
Shanxi Maohua Energy Investment Company Limited ("Maohua Company")	Limited company	Taiyuan	Liu Xianqun	68806502-9	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 Jimzhu	67418073-0	Generation and sale of electricity	386,100	386,100	100	100	Y	—	—
Kezuozhongyi Wind Power Company	Limited company	Kezuozhong Qi	Xie Wei	69590532-3	Generation and sale of electricity	80,000	80,000	100	100	Y	—	—
Huadian Qudong Power Generation Company Limited ("Qudong Company")	Limited company	Xinxiang	Xing Shibang	69599741-6	Generation and sale of electricity (under construction)	562,000	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 Shangle Company	Limited company	Lingwu	Ji Jun	69432340-1	Generation and sale of electricity	38,000	22,800	60	60	Y	14,824	588
Kanghuo Wind Power Company	Limited company	Kanghuo	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 Jingxiu	55994339-5	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 Power 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	—	—
Weifang Taibe Heat Company Limited ("Taibe Heat Company") (Note 5)	Limited company	Weifang	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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

As at 31 December 2012

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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 <i>Note 1</i>	Legal representative	Organisation code	Business Nature and operation scope	Registered capital <i>RMB'000</i>	Closing amount of investment <i>RMB'000</i>	Percentage of equity interest	Percentage of voting rights	Included in consolidated financial statements	Closing amount of minority interests <i>RMB'000</i>	Amount in Current year's minority interests used to offset the profit/loss attributable to minority shareholders <i>RMB'000</i>
								Company	Company	(Y/N)		<i>RMB'000</i>
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 Gaoquan	55630753-4	Research, Development, promotion and sales of new product (under construction)	50,000	283,315	51	51	Y	272,428	—
Anhui Huailin International Energy Company Limited ("Huailin Company")	Limited company	Hefei	Peng Gaoquan	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 Xiaojian	78911593-9	Investment on hydropower resources	263,750	894,420	100	100	Y	—	—
Sichuan Xiexing Investment Company Limited ("Xiexing Company")	Limited company	Chengdu	Luo Xiaojian	78814754-1	Investment on hydropower resources	300,000	933,930	100	100	Y	—	—
Sichuan Lingshan Shuiluobe Hydropower Development Company Limited ("Shuiluobe Company") (Note 6)	Limited company	Xichang	Luo Xiaojian	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 Falou	59670778-6	Coal storage and sale of mining product	10,000	7,000	70	70	Y	3,004	—
Shanti Shaoyou Pinglu Maohu Bailu Coal Company Limited ("Bailu Coal Company") (Note 7)	Limited company	Shaoyou	Yang Zhi	05628626-3	Resource integration improvement and expansion services	20,000	—	100	100	Y	—	—
Hangzhou Huadian Xiasha Thermal Power Company Limited ("Xiasha 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	—

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

As at 31 December 2012

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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 RMB21,000,000.

Note 3: Xinxiang Heat Company is a wholly-owned subsidiary of Qudong Company, a subsidiary of the Company. The closing amount of investment is RMB24,570,000.

Note 4: Yuzhou Wind Company is a wholly-owned subsidiary of Hebei Huarui Energy Group Corporation Limited (“Huarui Group Company”), a subsidiary of the Company. The closing amount of investment is RMB120,000,000.

Note 5: Taihe Heat Company is the subsidiary of Huadian Weifang Power Generation Company Limited (“Weifang Company”), a subsidiary of the Company. Weifang Company owns 80% equity interest of Taihe Heat. The closing amount of investment is RMB40,000,000.

Note 6: Shuiluohe Company is the subsidiary of Huoxing Company and Xiexing Company, subsidiaries of the Company. Huoxing Company and Xiexing Company own 57% equity interests of Shuiluohe Company. The closing amount of the investment is RMB276,354,600.

Note 7: Bailu Coal Company is a wholly-owned subsidiary of Maohua Company, a subsidiary of the Company. The closing amount of investment is RMB20,000,000.

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)

(2) Subsidiaries acquired through business combinations under common control

Name of subsidiary	Type	Registration place <i>Note 1</i>	Legal representative	Organisation code	Business Nature and operation scope	Registered capital RMB'000	Closing amount of investment RMB'000	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	
											Closing amount of minority interests RMB'000	Current year's minority interests used to offset the profit(loss) attributable to minority shareholders 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)	—
Anhui Huadian Suzhou Power Generation Company Limited ("Suzhou Company")	Limited company	Suzhou	Xu Xu	75299721-0	Generation and sale of electricity	854,912	839,267	97	97	Y	26,689	—
Anhui Huadian Wuhu Power Generation Company Limited ("Wuhu Company")	Limited company	Wuhu	Xu Xu	76277372-0	Generation and sale of electricity	1,000,000	644,046	65	65	Y	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 Power Company Limited	Limited company	Luqian	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") <i>(Note 8)</i>	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	—
Shouzhou Huadian Thermal Power Company Limited ("Shouzhou Thermal Power Company")	Limited company	Shouzhou	Xing Shibang	67448145-3	Generation and sale of electricity and heat (under construction)	40,000	40,000	100	100	Y	—	—

Note 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)

As at 31 December 2012

(Expressed in Renminbi'000 unless otherwise indicated)

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

1 Background of major subsidiaries (continued)

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

Name of subsidiary	Type	Registration place <i>Note 1</i>	Legal representative	Organisation code	Business Nature and operation scope	Registered capital RMB'000	Closing amount of investment RMB'000	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	
											Closing amount of minority interests RMB'000	Current year's minority interests used to offset the profit(loss) attributable to minority shareholders 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 (<i>Note 9</i>)	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	—
Zaguan Hydroelectric Company	Limited company	Lixian	Luo Xiaojian	75472823-3	Generation and sale of electricity	200,000	788,362	64	64	Y	202,312	29,660
Huanri Group Company (<i>Note 10</i>)	Limited company	Shijiazhuang	Gou Wei	75243920-0	Generation and sale of electricity and heat	938,000	1,366,895	100	100	Y	—	—
Huafei Investment Company (<i>Note 10</i>)	Limited company	Shijiazhuang	Wang Li	75026749-2	Energy projects investment	977,300	—	100	100	Y	—	—
Hebei Fengyuan Industrial Company Limited ("Fengyuan Company") (<i>Note 10</i>)	Limited company	Shijiazhuang	Wang Li	73024734-7	Sale of coal and chemical products	502,000	—	100	100	Y	—	—
Shanxi Shaozhou Pinglu Maohua Dongyi Coal Company Limited ("Dongyi Coal Company") (<i>Note 11</i>)	Limited company	Shaozhou	Diao Youfeng	X0243004-7	Resources consolidation, improvement and expansion services	12,180	—	70	70	Y	162,884	—
Shanxi Shaozhou Maohua Pinglu Wantongyuan Coal Company Limited ("Wantongyuan Coal Company") (<i>Note 11</i>)	Limited company	Shaozhou	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") (<i>Note 12</i>)	Corporation Limited	Lengzhou	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 Ruidong	61745169-6	Generation and sale of electricity	989,000	784,706	100	100	Y	—	—
Shijiazhuang Headan Heat Company Limited ("Shijiazhuang Heat Company") (<i>Note 13</i>)	Limited company	Shijiazhuang	Kang Jinzhu	71836417-X	Sale of heat	332,370	237,374	100	100	Y	—	—
Ningxia Zhongming Power Generation Company Limited ("Zhongming Company")	Limited company	Zhongning	Ji Jun	73597054-2	Generation and sale of electricity	285,600	142,800	50	50	Y	264,498	—
Inner Mongolia Alta League Shunge Mining Industry Corporation Company Limited ("Shunge Company")	Limited company	Alta League	Yang Shaoguo	75256317-2	Coal mine improvement and sales of mining equipment	30,000	672,078	100	100	Y	—	—

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

As at 31 December 2012

(Expressed in Renminbi'000 unless otherwise indicated)

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

1 Background of major subsidiaries (continued)

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

Name of subsidiary	Type	Registration place <i>Note 1</i>	Legal representative	Organisation code	Business Nature and operation scope	Registered capital RMB'000	Closing amount of investment RMB'000	Percentage of equity interest held by the Company	Percentage of voting rights held by the Company	Included in consolidated financial statements (Y/N)	Closing amount of minority interests RMB'000	Amount in Current year's minority interests used to offset the profit/loss attributable to minority shareholders RMB'000
								(%)	(%)			RMB'000
Inner Mongolia Haoyuan Coal Company Limited ("Haoyuan Company")	Limited company	Ordos	Peng Gaoquan	66409258-5	Sale of mining equipment and components	3,000	691,777	85	85	Y	122,821	3,226
Shenzhen Haoyu Star River Investment Company Limited ("Haoyu 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 RMB919,987,912, RMB171,146,267, RMB5,140,800, RMB50,300,000 and RMB5,734,000 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 RMB397,600,000 and RMB362,600,000 respectively.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

As at 31 December 2012

(Expressed in Renminbi'000 unless otherwise indicated)

IV. BUSINESS COMBINATIONS AND THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**1 Background of major subsidiaries (continued)**

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

Note 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 RMB6,000,000, RMB6,000,000 and RMB51,120,000 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 RMB136,787,500, RMB79,461,746, RMB13,100,000, RMB31,900,000 and RMB688,000 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 RMB50,000,000.

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.**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

As at 31 December 2012

(Expressed in Renminbi'000 unless otherwise indicated)

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

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	2012 Net profit/
		31 December 2012	(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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

As at 31 December 2012

(Expressed in Renminbi'000 unless otherwise indicated)

IV. BUSINESS COMBINATIONS AND THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**5 Business combinations involving entities under common control during the 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 RMB14.268 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

As at 31 December 2012

(Expressed in Renminbi'000 unless otherwise indicated)

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

5 Business combinations involving entities under common control during the year
(continued)

(1) Acquisition of Shuozhou Thermal Power Company (continued)

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	<u>(171,462)</u>
Net assets	<u><u>10,000</u></u>

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)

As at 31 December 2012

(Expressed in Renminbi'000 unless otherwise indicated)

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

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

(1) Acquisition of Huanyu Company

At 8 October 2011, the company entered into a 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 RMB483 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	Net profit from	Net cash inflow
	income from	acquisition date	from
	Acquisition date	acquisition date	operating
	to 31	to 31	activities from
	December 2012	December 2012	acquisition date
	RMB'000	RMB'000	to 31
			December 2012
			RMB'000
Huanyu Company	58,010	25,928	29,817

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

As at 31 December 2012

(Expressed in Renminbi'000 unless otherwise indicated)

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

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

(1) Acquisition of Huanyu Company (continued)

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

Item	Date of purchase (28 May 2012)		31 December 2011
	Carrying Amount RMB'000	Fair value RMB'000	Carrying Amount RMB'000
Cash at bank and on hand	287	287	1,479
Receivables	600	600	159,909
Inventories	2,217	2,217	828
Other current assets	192	192	996
Fixed assets	209,528	590,707	213,195
Intangible assets	32,189	22,699	32,100
Payables	(129,367)	(129,945)	(291,265)
Deferred tax liabilities	—	(92,777)	—
Acquiree's identifiable assets and liabilities	<u>115,646</u>	<u>393,980</u>	<u>117,242</u>
Add: Goodwill		<u>89,184</u>	
Consideration		<u>483,164</u>	

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)

As at 31 December 2012

(Expressed in Renminbi'000 unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 Cash at bank and on hand

Item	2012			2011 (restated)		
	Foreign currency amount '000	Exchange rate	RMB '000	Foreign currency amount '000	Exchange rate	RMB '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
Total			<u>3,102,559</u>			<u>2,482,816</u>

As at 31 December 2012, the balance of cash at bank amounting to RMB11,651,000 (2011: RMB65,000,000), mainly represent frozen bank accounts for bank deposits and enterprise production development fund for mining company.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

As at 31 December 2012

(Expressed in Renminbi'000 unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2 Bills receivable

(1) Classification of bills receivable

Category	2012	2011
	<i>RMB'000</i>	<i>RMB'000</i>
Bank acceptance bills	599,417	308,651
Commercial acceptance bills	<u>35,000</u>	<u>7,000</u>
Total	<u><u>634,417</u></u>	<u><u>315,651</u></u>

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: RMB7,000,000).
- (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
	<i>RMB'000</i>	<i>RMB'000</i>
Bank acceptance bill discounted and endorsed	<u><u>1,206,877</u></u>	<u><u>3,576</u></u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

As at 31 December 2012

(Expressed in Renminbi'000 unless otherwise indicated)

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 RMB'000	2011 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>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

As at 31 December 2012

(Expressed in Renminbi'000 unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3 Trade receivables (continued)

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

Ageing	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	6,613,709	4,925,610

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		6,636,938	100.00	23,229	0.35	4,932,360	100.00	6,750	0.14

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

As at 31 December 2012

(Expressed in Renminbi'000 unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3 Trade receivables (continued)

(4) Provision for bad and doubtful debts for individually significant trade receivables at year end

Content of trade receivables	Gross carrying amount RMB'000	Provision for bad and doubtful debts RMB'000	Percentage (%)	Reason
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 RMB'000	Provision for bad and doubtful debts RMB'000	Percentage (%)	Reason
Sale of heat	820	820	100	Long ageing
Sale of coal	3,170	3,170	100	Long ageing
Total	3,990	3,990	100	

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

As at 31 December 2012

(Expressed in Renminbi'000 unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3 Trade receivables (continued)

(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 RMB'000	Amount reversed or recovery RMB'000
Sale of electricity	Long ageing	6,361	6,361
Sale of heat	Long ageing	289	289
Total		<u>6,650</u>	<u>6,650</u>

(7) The Group does not actually write-off any trade receivables during the year.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

As at 31 December 2012

(Expressed in Renminbi'000 unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3 Trade receivables (continued)

(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 RMB'000	Ageing	Percentage of total trade receivables (%)
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		<u>4,852,706</u>		<u>73.12</u>

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 RMB22,788,000, RMB37,092,000 and RMB82,538,000 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)

As at 31 December 2012

(Expressed in Renminbi'000 unless otherwise indicated)

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 RMB'000	Losses related to derecognition 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 RMB'000	2011 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

As at 31 December 2012

(Expressed in Renminbi'000 unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4 Other receivables (continued)

(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	<u>1,543,364</u>	<u>100.00</u>	<u>142,307</u>	<u>9.22</u>	<u>780,891</u>	<u>100.00</u>	<u>3,226</u>	<u>0.41</u>

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
	<u>140,066</u>	<u>140,066</u>		

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

As at 31 December 2012

(Expressed in Renminbi'000 unless otherwise indicated)

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 RMB'000	Amount recovery RMB'000
Technical service fee	Long ageing	20	20

(5) The Group does not actually write-off any other receivables during the year.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

As at 31 December 2012

(Expressed in Renminbi'000 unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4 Other receivables (continued)

(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 RMB'000	Ageing	Percentage of total other receivables (%)
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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

As at 31 December 2012

(Expressed in Renminbi'000 unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5 Prepayments

(1) Prepayments by category:

Item	2012 RMB'000	2011 RMB'000 (restated)
Prepayments for purchase of fuel	717,998	827,966
Prepayments for purchase of materials	<u>210,113</u>	<u>137,478</u>
Total	<u><u>928,111</u></u>	<u><u>965,444</u></u>

(2) Prepayments by ageing

Ageing	2012		2011(restated)	
	Amount RMB'000	Percentage (%)	Amount RMB'000	Percentage (%)
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	<u>3,597</u>	<u>0.39</u>	<u>774</u>	<u>0.08</u>
Total	<u><u>928,111</u></u>	<u><u>100.00</u></u>	<u><u>965,444</u></u>	<u><u>100.00</u></u>

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

As at 31 December 2012

(Expressed in Renminbi'000 unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6 Inventories

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

Item	Opening balance RMB'000	Increase for the year RMB'000	Decrease for the year RMB'000	Closing balance 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	<u>2,777,508</u>	<u>46,230,108</u>	<u>(45,624,484)</u>	<u>3,383,132</u>

(2) Provision for diminution in value of inventories

Category of inventories	Opening balance RMB'000	Increase for the year RMB'000	Decrease for the year		Closing balance RMB'000
			Reversal RMB'000	Write-off RMB'000	
Materials, components and spare parts	<u>74,802</u>	<u>342</u>	<u>(300)</u>	<u>—</u>	<u>74,844</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

As at 31 December 2012

(Expressed in Renminbi'000 unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7 Other current assets

Item	2012 RMB'000	2011 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	<u>986,754</u>	<u>765,862</u>

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 RMB6,787,000 in 2012. Change in fair value of available-for-sale financial assets is referred to Note IX. 3.

9 Long-term receivables

Item	2012 RMB'000	2011 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	<u>144,880</u>	<u>176,365</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

As at 31 December 2012

(Expressed in Renminbi'000 unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9 Long-term receivables (continued)

As at 31 December 2012, Long-term loan receivables represent loan principle and interest amounting to RMB54,268,238 (2011: RMB66,364,738) 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 RMB22,094,000 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 RMB20,000,000 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 RMB'000	2011 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	<u>10,304,950</u>	<u>10,726,075</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

As at 31 December 2012

(Expressed in Renminbi'000 unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

10 Long-term equity investments (continued)

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

Investee name	Investment cost RMB'000	Opening balance RMB'000	Adjustments under equity method				Closing balance RMB'000	Shareholding percentage (%)	Voting rights (%)
			Movement of additions and reductions RMB'000	Gains/ (losses) in investment RMB'000	Transfer of capital reserve RMB'000	Cash dividends for the year 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	
Sichuan Luzhou Chuannan Power Generation Company Limited ("Luzhou Company")	344,000	64,064	—	(64,064)	—	—	—	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	
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	
Huadian Jinshajiang Upstream Hydropower Development Co. Ltd. ("Jinshajiang Hydropower")	74,990	46,990	28,000	—	—	—	74,990	20	
Hengshui Hengxing Power Generation Company Limited ("Hengshui Hengxing")	189,604	180,860	—	20,454	—	(6,747)	194,567	30	
Hebei Jiantou Yuzhou Wind Power Company Limited ("Yuzhou Wind Company")	165,819	177,862	—	24,683	—	(11,342)	191,203	44.08	
Xingtai Guotai Power Generation Company Limited ("Xingtai Guotai")	208,842	180,837	—	10,628	—	—	191,465	35	
Hebei Xibaipo Second Power Generation Company Limited ("Xibaipo Company")	435,996	438,987	—	50,595	—	(36,330)	453,252	35	
Guodian Inner Mongolia Dongsheng Thermal Power Company Limited ("Dongsheng Thermal Company")	112,812	147,527	—	39,487	—	(32,635)	154,379	20	
Guodian Huaian Thermal Power Company Limited ("Huaian Thermal Company")	143,682	198,210	—	27,267	—	—	225,477	35	
Otog Front Banner Changcheng Mine Company Limited ("Changcheng Mine Company")	452,612	526,679	—	112,322	—	—	639,001	35	
Inner Mongolia Fucheng Mining Company Limited ("Fucheng Mining Company")	498,042	605,997	—	51,232	—	—	657,229	35	
Ningxia Ningdong Railway Corporation Limited ("Ningdong Railway Company") (Note 1)	300,000	345,546	—	31,097	4,316	—	380,959	8.49	
Otog Front Banner Quanhui Trading Company Limited ("Quanhui Trading")	938,834	938,834	—	—	—	—	938,834	35	

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

As at 31 December 2012

(Expressed in Renminbi'000 unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

10 Long-term equity investments (continued)

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

Investee name	Investment cost RMB'000	Opening balance RMB'000	Adjustments under equity method				Closing balance RMB'000	Shareholding percentage (%)	Voting rights (%)
			Movement of additions and reductions RMB'000	Gains/(losses) in investment RMB'000	Transfer of capital reserve RMB'000	Cash dividends for the year RMB'000			
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		
Total	9,137,315	10,428,371	(919,507)	613,037	52,094	(189,940)	9,984,055		

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

As at 31 December 2012

(Expressed in Renminbi'000 unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

10 Long-term equity investments (continued)

- (2) *An analysis of the movements of Long-term equity investments for the year is as follows: (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 RMB1,361,525,400 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 RMB1,068,059,000, including an amount of RMB182,657,200 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 RMB476,123,600 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 RMB2,016,400 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 RMB10,986,000 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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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)

Investee name	Investment cost	Opening balance	Movement of additions and reductions	Closing balance	Shareholding percentage	Voting rights	Cash dividends for the year
	RMB'000	RMB'000	RMB'000	RMB'000	(%)	(%)	RMB'000
Cost method							
Shandong Luneng Heze Coal Power Development Company Limited ("Luneng Heze Company")	103,609	103,609	—	103,609	12.27	12.27	—
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
Total	384,098	297,704	23,191	320,895			5,529

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 RMB39,317,600 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 RMB5,000,000 calculated base on the asset appraisal report on the equity interest.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

As at 31 December 2012

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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	Closing	Closing	Operating
						capital	balance of total assets	balance of net assets	income for the year
						RMB'000	RMB'000	RMB'000	RMB'000
Huadian Property	Limited company	Beijing	Cao Yinchang	77545281-1	Property development	1,747,500	4,062,538	2,234,872	413,182
Luzhou Company	Limited company	Luzhou	Guo Yong	76728573-4	Generation and sale of electricity	860,000	4,084,256	265,573	1,859,133
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
Qanhui 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	—

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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 (continued)

Investee name	Type	Place of registration	Legal representative	Organisation code	Principal operation	Registered	Closing	Closing	Operating
						capital	balance of total assets	balance of net assets	income for the year
						RMB'000	RMB'000	RMB'000	RMB'000
Baihui Trading	Limited company	Inner Mongolia	Fan Xilong	78300454-1	Building material, hardware & electrical & products, agriculture livestock products and electric products wholesale and retail (under construction)	5,000	2,023,094	1,627,783	—
Zhengtai Trading	Limited company	Inner Mongolia	Wang Tao	76106842-1	Hardware & electro- mechanical products, diary commodities, agriculture & livestock products wholesale and retail (under construction)	6,770	1,843,883	1,842,529	—
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
Erpu 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	—

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

As at 31 December 2012

(Expressed in Renminbi'000 unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

11 Fixed assets

(1) Fixed assets

Item	Plants and buildings RMB'000	Generators and related machinery and equipment RMB'000	Mining structures and mining rights RMB'000	Others RMB'000	Total RMB'000
Cost					
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
Accumulated depreciation					

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

As at 31 December 2012

(Expressed in Renminbi'000 unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

11 Fixed assets (continued)

(1) Fixed assets (continued)

Item	Plants and buildings RMB'000	Generators and related machinery and equipment RMB'000	Mining structures and mining rights RMB'000	Others RMB'000	Total RMB'000
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)
Impairment loss					
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)
Carrying amounts					
At the end of the year	<u>34,210,234</u>	<u>70,452,274</u>	<u>893,639</u>	<u>1,325,110</u>	<u>106,881,257</u>
At the beginning of the year (restated)	<u>28,172,745</u>	<u>59,828,250</u>	<u>385,355</u>	<u>866,078</u>	<u>89,252,428</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

As at 31 December 2012

(Expressed in Renminbi'000 unless otherwise indicated)

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
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Increase/(decrease) in depreciation	<u>135,240</u>	<u>99,503</u>	<u>(10,246)</u>	<u>(224,497)</u>

(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 RMB10,564,000 and RMB6,155,000, 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

As at 31 December 2012

(Expressed in Renminbi'000 unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

11 Fixed assets (continued)

(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	<u>1,056,792</u>	<u>(52,997)</u>	<u>1,003,795</u>	<u>405,609</u>	<u>(6,425)</u>	<u>399,184</u>

(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)

As at 31 December 2012

(Expressed in Renminbi'000 unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

12 Construction in progress

(1) Changes in major construction projects in the year

Project	Budget amount RMB'000	Opening balance RMB'000	Additions for the year RMB'000	Transfer to fixed assets RMB'000	Closing balance RMB'000	Impairment Loss RMB'000	Carrying amount RMB'000	Percent-age of input to budget (%)	Accumulated capitalised interest RMB'000	Including: capitalised interest for the year RMB'000	Source of funds
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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

As at 31 December 2012

(Expressed in Renminbi'000 unless otherwise indicated)

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

As at 31 December 2012

(Expressed in Renminbi'000 unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

14 Intangible assets

Item	Land use	Mining rights	Concession	Development	Others	Total
	rights and sea	and mineral		right of		
	use right	exploration	assets	hydropower		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost						
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
Accumulated amortisation						
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)
Carrying amounts						
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

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

As at 31 December 2012

(Expressed in Renminbi'000 unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**14 Intangible assets (continued)**

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 RMB299,002,000 (2011: RMB315,927,000).

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 RMB459,077,000 (2011: RMB459,077,000). 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

As at 31 December 2012

(Expressed in Renminbi'000 unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

15 Goodwill

Investee name	Note	Opening balance RMB'000	Addition for the year RMB'000	Decrease for the year RMB'000	Provision for impairment RMB'000	Closing balance 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
Total		<u>790,157</u>	<u>89,184</u>	<u>—</u>	<u>(6,155)</u>	<u>873,186</u>

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

As at 31 December 2012

(Expressed in Renminbi'000 unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**15 Goodwill (continued)**

As mentioned in V.11(1), As at 31 December 2012, the Group recognized impairment loss on goodwill allocated to Guanghai Thermal Power Company, a subsidiary of Huarui Group Company, amounting to RMB6,155,000. 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.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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(Expressed in Renminbi'000 unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16 Deferred tax assets /deferred tax liabilities

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

Item	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	<u>(9,205,534)</u>	<u>(2,288,653)</u>	<u>(7,827,117)</u>	<u>(1,932,432)</u>
Offsetting amount		<u>300,472</u>		<u>387,598</u>
Amounts after offsetting presented in balance sheet				
Deferred tax assets		363,770		444,484
Deferred tax liabilities		<u>(2,652,423)</u>		<u>(2,376,916)</u>
Total		<u>(2,288,653)</u>		<u>(1,932,432)</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

As at 31 December 2012

(Expressed in Renminbi'000 unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16 Deferred tax assets /deferred tax liabilities (continued)

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

The movements of deferred tax assets and liabilities for the year

	Deferred tax assets/(liabilities)				
	Opening balance <i>RMB'000</i>	Movement charged to capital reserve <i>RMB'000</i>	Movement charged to income statement <i>RMB'000</i>	Acquisition of subsidiaries <i>RMB'000</i>	Closing balance <i>RMB'000</i>
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	<u>(1,932,432)</u>	<u>(3)</u>	<u>(263,441)</u>	<u>(92,777)</u>	<u>(2,288,653)</u>

(2) *Details of unrecognised deferred tax assets*

Item	2012 <i>RMB'000</i>	2011 <i>RMB'000</i>
Deductible tax losses	<u>5,542,876</u>	<u>4,640,006</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

As at 31 December 2012

(Expressed in Renminbi'000 unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16 Deferred tax assets /deferred tax liabilities (continued)

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

Year	2012 RMB'000	2011 RMB'000
2012	—	20,391
2013	1,753,986	1,426,541
2014	61,344	23,923
2015	760,705	1,153,805
2016	2,073,814	2,015,346
2017	893,027	—
Total	<u>5,542,876</u>	<u>4,640,006</u>

(4) Unrecognised deferred tax liabilities

As at 31 December 2012, temporary differences relating to the undistributed profits of subsidiaries amounted to RMB3,956,112,000 (2011: RMB2,557,685,000). No deferred tax liability was recognised in respect of these taxable temporary differences as dividends from subsidiaries are not subject to PRC income tax, the Group controls the dividend policy of these subsidiaries and has no plan to dispose of these subsidiaries in the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

As at 31 December 2012

(Expressed in Renminbi'000 unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

17 Other non-current assets

Item	2012 RMB'000	2011 RMB'000 (restated)
Prepayments for investment	436,854	589,985
VAT recoverable and other prepaid taxes	865,054	776,967
Deferred difference arising from a sales and leaseback arrangement	454,199	—
Prepayment on mining rights acquisition	196,000	—
	<u>1,952,107</u>	<u>1,366,952</u>

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)

As at 31 December 2012

(Expressed in Renminbi'000 unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

18 Details of provisions for impairment

Item	Note	Opening balance RMB'000	Charge for the year RMB'000	Decrease for the year		Closing balance RMB'000
				Reversal RMB'000	Write-off 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
Total		<u>84,778</u>	<u>231,777</u>	<u>(6,970)</u>	<u>—</u>	<u>309,585</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

As at 31 December 2012

(Expressed in Renminbi'000 unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

19 Restricted assets

As at 31 December 2012, the assets with restrictions placed on their ownership were as follows:

Category	Note	Opening balance RMB'000	Additions for the year RMB'000	Decrease for the year RMB'000	Closing balance RMB'000
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
Total		<u>3,810,324</u>	<u>3,588,931</u>	<u>(3,765,662)</u>	<u>3,633,593</u>

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

As at 31 December 2012

(Expressed in Renminbi'000 unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

20 Short-term loans

(1) Short-term loans by category

Item	2012 RMB'000	2011 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
Total	<u>19,491,832</u>	<u>26,719,139</u>

(2) As at 31 December 2012, the Group do not have any past due short-term loans.

21 Bills payable

Category	2012 RMB'000	2011 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	<u>449,120</u>	<u>1,265,832</u>

The bills payable above are due within one year.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

As at 31 December 2012

(Expressed in Renminbi'000 unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

22 Trade payables

(1) Details of trade payables are as follows:

Item	2012 RMB'000	2011 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	<u>8,478</u>	<u>6,433</u>
Total	<u><u>8,844,820</u></u>	<u><u>5,418,714</u></u>

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

As at 31 December 2012

(Expressed in Renminbi'000 unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

23 Advances from customers

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

Item	2012 RMB'000	2011 RMB'000 (restated)
Sales of heat	798,721	664,339
Sales of coal	63,424	65,756
Others	63,762	61,040
Total	<u>925,907</u>	<u>791,135</u>

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 RMB'000 (restated)	Additions for the year RMB'000	Payments for the year RMB'000	Closing balance 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
Total	<u>116,262</u>	<u>3,198,355</u>	<u>3,205,079</u>	<u>109,538</u>

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

25 Taxes payable

Item	2012 RMB'000	2011 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
Total	<u>689,469</u>	<u>446,633</u>

26 Interests payable

Item	2012 RMB'000	2011 RMB'000
Interests payable for loans	282,139	304,887
Interests payable for debentures	320,714	116,445
Total	<u>602,853</u>	<u>421,332</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

As at 31 December 2012

(Expressed in Renminbi'000 unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

27 Other payables

(1) *Details of other payables are as follows:*

Item	2012 RMB'000	2011 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	<u>2,549,564</u>	<u>4,737,213</u>
Total	<u><u>2,853,502</u></u>	<u><u>5,069,988</u></u>

(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.*

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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(Expressed in Renminbi'000 unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

28 Short-term debenture payables

Item	Opening balance RMB'000	Addition for the year RMB'000	Decrease for the year RMB'000	Closing balance 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 RMB	Date of issuance	Maturity period Days	Interest rate (%)	Issuance amount RMB'000	Opening balance RMB'000	Additions for the year RMB'000	Discount amortisation RMB'000	Interest	Interest	Principle	Closing balance RMB'000
									accrued for the year RMB'000	paid for the year RMB'000	paid for the year 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	(89,700)	(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 RMB184,862,000 (2011: RMB61,099,000).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

As at 31 December 2012

(Expressed in Renminbi'000 unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

29 Non-current liabilities due within one year

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

Item	Note	2012 RMB'000	2011 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		<u>10,766,787</u>	<u>10,362,977</u>

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 RMB'000	2011 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	<u>9,647,074</u>	<u>8,589,344</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

As at 31 December 2012

(Expressed in Renminbi'000 unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

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

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 RMB'000	2011 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					<u>1,300,000</u>	<u>402,000</u>

(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 RMB311,480,000 (Total amount of RMB323,419,000, net of unrecognised finance charges amounting to RMB11,939,000).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

As at 31 December 2012

(Expressed in Renminbi'000 unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

(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 RMB732,803,000 (2011: RMB54,600,000), payables for central heating construction amounting to RMB20,000,000 (2011: RMB76,862,000) and payables to local governments on mining rights of RMB55,430,000 (2011: RMB nil).

30 Long-term loans

(1) Long-term loans by category

Item	2012 RMB'000	2011 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	<u>9,647,074</u>	<u>8,589,344</u>
Total	<u><u>64,173,923</u></u>	<u><u>61,734,471</u></u>

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

As at 31 December 2012

(Expressed in Renminbi'000 unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 Long-term loans (continued)

(2) As at 31 December 2012, the top five largest long-term loans

Debtor	Loan starting date	Loan ending date	Currency	Interest	31 December	31 December
				rate	2012	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					<u>9,215,600</u>	<u>8,100,160</u>

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

As at 31 December 2012

(Expressed in Renminbi'000 unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 Debentures payable

Item	Opening balance RMB'000	Addition for the year RMB'000	Decrease for the year RMB'000	Closing balance 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)	—
Total	<u>3,863,579</u>	<u>6,489,014</u>	<u>—</u>	<u>10,352,593</u>

The analysis of debentures payable is set out as follows:

Debenture	Face value RMB	Date of issuance	Maturity year	Interest rate (%)	Issuance amount RMB'000	Opening balance RMB'000	Additions for the year RMB'000	Discount amortisation RMB'000	Decrease for the year RMB'000	Closing balance 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
Total						<u>5,362,631</u>	<u>6,462,500</u>	<u>27,462</u>	<u>(1,500,000)</u>	<u>10,352,593</u>

Interests on the above debentures are paid annually and principals are repaid on maturity.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

As at 31 December 2012

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V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

32 Long-term payables

Item	Note	2012 RMB'000	2011 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		<u>1,119,713</u>	<u>274,581</u>
Total		<u><u>1,319,670</u></u>	<u><u>1,224,301</u></u>

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, RMB55,430,000 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 RMB20,000,000 is due in 31 December 2013.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

As at 31 December 2012

(Expressed in Renminbi'000 unless otherwise indicated)

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 <i>RMB'000</i>	2011 <i>RMB'000</i>
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	<u>184,563</u>	<u>267,028</u>
Sub-total	1,069,231	741,054
Less: Finance expenses not recognized	<u>112,966</u>	<u>110,757</u>
Total	<u><u>956,265</u></u>	<u><u>630,297</u></u>

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 RMB1 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 RMB1,003,795,000 and RMB299,002,000 (2011: RMB399,184,000 and RMB315,927,000), 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

As at 31 December 2012

(Expressed in Renminbi'000 unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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 RMB1,683,839,000 (2011: RMB1,190,240,000) and deferred government grants amounting to RMB319,055,000 (2011: RMB333,322,000). 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
	<i>RMB'000</i>	<i>RMB'000</i>
Share capital	<u>7,371,084</u>	<u>6,771,084</u>

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 RMB1 each to target subscribers. The Company completed the non-public issue on July 2012. Total net proceeds of the shares issued was RMB1,829,084,377, of which RMB600,000,000 was credited to share capital and the balance of RMB1,229,084,377 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 RMB600,000,000, and shares without restriction on disposals amounting to RMB6,771,084,000.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

35 Capital reserve

Item	Opening balance <i>RMB'000</i> (restated)	Additions for the year <i>RMB'000</i>	Decrease for the year <i>RMB'000</i>	Closing balance <i>RMB'000</i>
Share premiums	3,914,680	1,229,084	—	5,143,764
Other capital reserves	688,453	88,837	(171,319)	605,971
Total	<u>4,603,133</u>	<u>1,317,921</u>	<u>(171,319)</u>	<u>5,749,735</u>

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

36 Specific reserve

Specific reserve is the provisions for production maintenance, production safety and other similar funds based on coal production volume according to the related regulations.

37 Surplus reserve

Item	Opening balance <i>RMB'000</i>	Additions for the year <i>RMB'000</i>	Closing balance <i>RMB'000</i>
Statutory surplus reserve	1,479,421	6,603	1,486,024
Discretionary surplus reserve	68,089	—	68,089
Total	<u>1,547,510</u>	<u>6,603</u>	<u>1,554,113</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

As at 31 December 2012

(Expressed in Renminbi'000 unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

38 Retained profits

Item	Note	Amount RMB'000	Extraction or distribution ratio (%)
Opening balance retained profits		3,175,032	
Add: Net profit attributable to equity shareholders of the Company		1,417,695	
Less: statutory surplus reserve		<u>6,603</u>	10%
Closing balance retained profits	(1)	<u><u>4,586,124</u></u>	

(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 RMB0.065 per share, totalling RMB479,120,473 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 RMB142,940,000 to surplus reserve made by the subsidiaries for the year (2011: RMB86,612,000).

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").

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

39 Operating income and Operating costs

(1) Operating income and Operating costs

Item	2012 RMB'000	2011 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

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

Industry/product name	2012		2011	
	Operating income RMB'000	Operating costs RMB'000	Operating income RMB'000	Operating costs 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	<u>59,079,714</u>	<u>49,753,859</u>	<u>54,178,060</u>	<u>49,292,418</u>

(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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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(Expressed in Renminbi'000 unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

39 Operating income and Operating costs (continued)

(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 RMB'000	Percentage of total operating income (%)
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	<u>44,837,013</u>	<u>75.37</u>

40 Sales taxes and surcharges

Item	2012 RMB'000	2011 RMB'000	Taxation basis and rates
City maintenance and construction tax	<u>149,413</u>	116,921	1-7% of VAT payable
Education surcharge	<u>119,046</u>	<u>92,459</u>	3-5% of VAT payable
Total	<u>268,459</u>	<u>209,380</u>	

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

As at 31 December 2012

(Expressed in Renminbi'000 unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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 RMB'000	2011 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
	<u>6,222,704</u>	<u>4,925,259</u>
Total	<u>6,222,704</u>	<u>4,925,259</u>

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)

As at 31 December 2012

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V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

43 Investment income

(1) Investment income by item

Item	Note	2012 RMB'000	2011 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		<u>1,104,134</u>	<u>1,281,786</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

As at 31 December 2012

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V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

43 Investment income (continued)

- (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 RMB'000	2011 RMB'000	Reason for movements for the year
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.*

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

As at 31 December 2012

(Expressed in Renminbi'000 unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

44 Assets impairment loss/(reversal)

Item	Note	2012 RMB'000	2011 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		<u>224,807</u>	<u>(13,025)</u>

45 Non-operating income

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

Item	Note	2012 RMB'000	2011 RMB'000	Amount recognized in extraordinary gain and loss 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		<u>756,519</u>	<u>531,000</u>	<u>743,886</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

As at 31 December 2012

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V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

45 Non-operating income (continued)

(2) Details of government grants

Item	2012 RMB'000	2011 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	<u>535,300</u>	<u>327,280</u>

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

As at 31 December 2012

(Expressed in Renminbi'000 unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

46 Non-operating expenses

Item	2012	2011	Amount recognized in extraordinary gain and loss
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
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	<u>207,863</u>	<u>20,550</u>	<u>202,405</u>

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.

47 Income tax

Item	Note	2012	2011
		<i>RMB'000</i>	<i>RMB'000</i>
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		<u>698,335</u>	<u>32,065</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

As at 31 December 2012

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V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

47 Income tax (continued)

(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	<u>263,441</u>	<u>(133,884)</u>

(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	<u>698,335</u>	<u>32,065</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

As at 31 December 2012

(Expressed in Renminbi'000 unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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	<u>7,070,262</u>	<u>6,771,084</u>

(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)

As at 31 December 2012

(Expressed in Renminbi'000 unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

49 Other comprehensive income

Item	2012 RMB'000	2011 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	<u>6,227</u>	<u>—</u>
Sub-total	----- <u>9</u> -----	----- (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	<u>1,637</u>	<u>(2,831)</u>
Sub-total	----- <u>8,923</u> -----	----- (5,562) -----
Total	<u><u>8,932</u></u>	<u><u>(8,112)</u></u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

As at 31 December 2012

(Expressed in Renminbi'000 unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

50 Notes to cash flow statement

(1) Other cash received relating to operating activities

Item	Amount <i>RMB'000</i>
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
	<hr/>
Total	<u>1,021,234</u>

(2) Other cash paid relating to operating activities

Item	Amount <i>RMB'000</i>
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
	<hr/>
Total	<u>2,178,995</u>

(3) Other cash received relating to investing activities

Item	Amount <i>RMB'000</i>
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
	<hr/>
Total	<u>202,142</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

As at 31 December 2012

(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 <i>RMB'000</i>
Cash repaid relating to guarantee for bidding	49,830
Total	<u>49,830</u>

(5) Other cash received relating to financing activities

Item	Amount <i>RMB'000</i>
Cash received relating to bills financing	1,108,730
Government grants received relating to assets	142,281
Total	<u>1,251,011</u>

(6) Other cash paid relating to financing activities

Item	Amount <i>RMB'000</i>
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	<u>1,145,696</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

As at 31 December 2012

(Expressed in Renminbi'000 unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

51 Information of cash flow statement

(1) Supplement to cash flow statement

Supplement	2012 RMB'000	2011 RMB'000 (restated)
1. Reconciliation of net profit to cash flow from operating activities:		
Net profit	1,916,972	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	<u>12,282,605</u>	<u>6,732,642</u>
2. Change in cash and cash equivalents:		
Cash at the end of the year	3,060,074	2,120,281
Less: Cash at the beginning of the year	<u>2,120,281</u>	<u>1,240,089</u>
Net increase in cash and cash equivalents	<u>939,793</u>	<u>880,192</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

As at 31 December 2012

(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 RMB'000	2011 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 RMB'000	2011 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
	<u>3,060,074</u>	<u>2,120,281</u>
2. Closing balance of cash and cash equivalents	<u>3,060,074</u>	<u>2,120,281</u>

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

As at 31 December 2012

(Expressed in Renminbi'000 unless otherwise indicated)

VI. RELATED PARTY AND RELATED PARTY TRANSACTIONS

1 Parent of the Company

Company name	Related party relationship	Type	Registered place	Legal representative	Business nature	Registered capital RMB'000	Percentage of equity interest to the Company (%)	Percentage of voting right to the Company (%)	Organisation code
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)

As at 31 December 2012

(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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

As at 31 December 2012

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VI. RELATED PARTY AND RELATED PARTY TRANSACTIONS (CONTINUED)

5 Transactions with related parties

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

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

The Group

Related party	Content of transaction <i>Note 1</i>	2012		2011	
		Amount RMB'000	Percentage of the same type of transaction (%)	Amount RMB'000	Percentage of the same type of transaction (%)
Huadian Engineering and its subsidiaries	Construction expenses and Equipment expenses	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 Xibaipo Company	Maintenance fee	43,010	4.52	—	—
Baoding Huacheng Residual Thermal Power Generation Company Limited ("Huacheng Comany")	Purchase of electricity	—	—	150,651	39.92
Anhui Lu'an Power	Sale of electricity rights	—	—	125,267	27.01
CHD Operation	Power generation substitution income	40,929	11.23	—	—
Huadian Hubei Power	Operation service income	1,030	1.97	1,604	21.08
Huadian Shanxi Energy	Provision of Maintenance fee	4,934	9.45	3,069	40.31
Huadian Kemen Phase II Company	Purchase of quota service	174,030	57.49	100,000	100.00
Key management personnel	Sale of quota service	50,000	100.00	—	—
	Payment of remuneration	7,939	0.25	8,124	0.30

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

As at 31 December 2012

(Expressed in Renminbi'000 unless otherwise indicated)

VI. RELATED PARTY AND RELATED PARTY TRANSACTIONS (CONTINUED)

5 Transactions with related parties (continued)

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

The Company

Related party	Content of transaction <i>Note 1</i>	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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

As at 31 December 2012

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VI. RELATED PARTY AND RELATED PARTY TRANSACTIONS (CONTINUED)

5 Transactions with related parties (continued)

(2) Related party lease

Table of transactions concerning leasing in:

The Group and the Company

Lessor name	Lessee name	Type of assets leased	Inception date of lease	Maturity date of lease	Basis for determining lease expense	Lease expenses recognized in the 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)
Providing guaranty					
Guang'an Company	Longtan Coal Company	163,577	9 January 2006	14 April 2022	N
Guaranty secured					
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 RMB25,110,000 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)

As at 31 December 2012

(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 RMB'000	Inception date of guaranty	Maturity date of guaranty	Guaranty completed (Y/N)
Providing guaranty					
The Company	Suzhou Biomass Energy Company	148,200	29 July 2008	29 July 2025	N
The Company	Ningdong Wind Power Company	30,000	13 March 2009	12 February 2023	N
The Company	Kailu Wind Power Company	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
Guaranty secured					
China Huadian	The Company	700,000	6 September 2012	6 September 2019	N

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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VI. RELATED PARTY AND RELATED PARTY TRANSACTIONS (CONTINUED)

5 Transactions with related parties (continued)

(4) Related party borrowing and refunding

The Group

	Borrowing Amount RMB'000	Refunding Amount RMB'000	Interest income recognised for the year ended 31 December 2012 RMB'000
Related party Funds provided			
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 RMB1,329,000 and RMB1,760,000, respectively.

	2012 RMB'000	2011 RMB'000	Interest income recognised for the year ended 31 December 2012 RMB'000
Related party Deposit			
China Huadian Finance	2,028,275	1,077,982	33,529

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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(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	Borrowing Amount RMB'000	Refunding Amount RMB'000	Interest expense
			recognised for the year ended 31 December 2012 RMB'000
Funds received			
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	<u>5,882,706</u>	<u>(6,038,720)</u>	<u>624,664</u>
Related party		Cash received	Lease payment
Obligation under sales and leaseback arrangements		RMB'000	RMB'000
China Huadian Finance		<u>250,000</u>	<u>30,173</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

As at 31 December 2012

(Expressed in Renminbi'000 unless otherwise indicated)

VI. RELATED PARTY AND RELATED PARTY TRANSACTIONS (CONTINUED)

5 Transactions with related parties (continued)

(4) Related party borrowing and refunding (continued)

The Company

Related party Funds provided	Borrowing Amount RMB'000	Refunding Amount RMB'000	Interest income recognised for the year ended 31 December 2012 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 compamny	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	<u>3,461,000</u>	<u>(332,000)</u>	<u>121,430</u>
			Interest income recognised for the year ended 31 December 2012 RMB'000
Related party Deposit	2012 RMB'000	2011 RMB'000	2012 RMB'000
China Huadian Finance	<u>47,694</u>	48,049	<u>3,487</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

As at 31 December 2012

(Expressed in Renminbi'000 unless otherwise indicated)

VI. RELATED PARTY AND RELATED PARTY TRANSACTIONS (CONTINUED)

5 Transactions with related parties (continued)

(4) Related party borrowing and refunding (continued)

The Company (continued)

Related party Funds provided	Borrowing Amount RMB'000	Refunding Amount RMB'000	Interest income recognised for the year ended 31 December 2012 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	<u>1,982,648</u>	<u>(2,313,000)</u>	<u>84,994</u>

(5) Equity investments in related parties

The Group and the Company

Related party Capital investment	Content of transaction	2012 RMB'000	2011 RMB'000
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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

As at 31 December 2012

(Expressed in Renminbi'000 unless otherwise indicated)

VI. RELATED PARTY AND RELATED PARTY TRANSACTIONS (CONTINUED)

5 Transactions with related parties (continued)

(6) Related party transferring of equity interests

The Company

Related party	Content of transaction	2012		2011	
		Amount RMB'000	Percentage of the same type of transaction (%)	Amount RMB'000	Percentage of the same type of transaction (%)
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 RMB78,000,000. 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 RMB'000	2011 RMB'000
Capital commitment	225,789	368,215
Commitment on properties rental and management fees	115,376	156,076
Total	341,165	524,291

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

As at 31 December 2012

(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 RMB'000	2011 RMB'000 (restated)
Receivables from related party			
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
Payables to related party			
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)	—

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

As at 31 December 2012

(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 (continued)

The Company

Item	Related party	2012 RMB'000	2011 RMB'000
Receivables from related party			
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
Payables to related party			
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)

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

As at 31 December 2012

(Expressed in Renminbi'000 unless otherwise indicated)

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	<u>29,224,678</u>	<u>23,662,289</u>
Total	<u><u>42,715,848</u></u>	<u><u>40,411,770</u></u>

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	<u>334,025</u>	<u>362,014</u>
Total	<u><u>539,375</u></u>	<u><u>606,890</u></u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

As at 31 December 2012

(Expressed in Renminbi'000 unless otherwise indicated)

IX. OTHER SIGNIFICANT ITEMS**1 Segment reporting**

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (*CONTINUED*)

As at 31 December 2012

(Expressed in Renminbi'000 unless otherwise indicated)

IX. OTHER SIGNIFICANT ITEMS (*CONTINUED*)2 Risk analysis, sensitivity analysis, and fair values for financial instruments (*continued*)

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

(1) Credit risk

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

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

In respect of receivables, the Group has established a credit policy. All the customers of the Group have long-term business relationship with it, of which are mainly grid companies, thermal companies, coal-fired power companies and coal transportation and sales companies that rarely have credit loss. For monitoring the credit risk, the Group analysed its customers' information through ageing and other factors. Receivables from grid companies, coal-fired power companies and coal 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

As at 31 December 2012

(Expressed in Renminbi'000 unless otherwise indicated)

IX. OTHER SIGNIFICANT ITEMS (CONTINUED)

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

(1) Credit risk (continued)

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

Ageing	2012 <i>RMB'000</i>	2011 <i>RMB'000</i>
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	<u>160,130</u>	<u>87,556</u>
Total	<u><u>640,331</u></u>	<u><u>295,310</u></u>

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).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

As at 31 December 2012

(Expressed in Renminbi'000 unless otherwise indicated)

IX. OTHER SIGNIFICANT ITEMS (CONTINUED)

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

(2) Liquidity risk

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

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

Item	2012 Contractual undiscounted cash flow					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	Total RMB'000	
Financial assets						
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
Financial liabilities						
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)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

As at 31 December 2012

(Expressed in Renminbi'000 unless otherwise indicated)

IX. OTHER SIGNIFICANT ITEMS (CONTINUED)

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

(2) Liquidity risk (continued)

In order to resolve the liquid risk arising from the maturity of short term loan contract, the group will continually communicate and cooperate with bank and other financial institutes to acquire more financing. As at 31 December 2012, the Group has unused bank credit limits and non-public debts financing facilities of RMB80.783 billion.

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		
Financial assets						
Cash at bank and on hand	2,482,816	—	—	—	2,482,816	2,482,816
Receivables	6,029,877	—	—	—	6,029,877	6,018,926
Available-for-sale financial assets	39,506	—	—	—	39,506	39,506
Long-term receivables	5,272	90,861	98,961	—	195,094	176,365
Sub-total	8,557,471	90,861	98,961	—	8,747,293	8,717,613
Financial liabilities						
Short-term loans	(27,489,753)	—	—	—	(27,489,753)	(26,719,139)
Short-term 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)

As at 31 December 2012

(Expressed in Renminbi'000 unless otherwise indicated)

IX. OTHER SIGNIFICANT ITEMS (CONTINUED)

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

(3) Interest rate risk

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

(a) At the 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
Fixed rate instruments				
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		<u>(35,575,558)</u>		<u>(22,076,613)</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

As at 31 December 2012

(Expressed in Renminbi'000 unless otherwise indicated)

IX. OTHER SIGNIFICANT ITEMS (CONTINUED)

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

(3) Interest rate risk (continued)

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

Item	2012		2011 (restated)	
	Annual interest rate (%)	Amount RMB'000	Annual interest rate (%)	Amount RMB'000
Variable rate instruments				
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		<u>(76,484,083)</u>		<u>(81,338,862)</u>

(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 RMB614,971,000 (2011: RMB655,494,000).

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)

As at 31 December 2012

(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)	—
Total	<u>(1,969,716)</u>	<u>(214,588)</u>	<u>(2,166,338)</u>	<u>(192,210)</u>

- (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
EUR	8.1052	9.0003	8.3176	8.1625

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

As at 31 December 2012

(Expressed in Renminbi'000 unless otherwise indicated)

IX. OTHER SIGNIFICANT ITEMS (CONTINUED)

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

(4) Foreign currency risk (continued)

(c) Sensitivity analysis

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 RMB'000	Net profit RMB'000
31 December 2012		
USD	153,952	153,952
EUR	16,094	16,094
	<u>170,046</u>	<u>170,046</u>
Total	<u><u>170,046</u></u>	<u><u>170,046</u></u>
31 December 2011		
USD	162,475	162,475
EUR	14,416	14,416
	<u>176,891</u>	<u>176,891</u>
Total	<u><u>176,891</u></u>	<u><u>176,891</u></u>

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)

As at 31 December 2012

(Expressed in Renminbi'000 unless otherwise indicated)

IX. OTHER SIGNIFICANT ITEMS (CONTINUED)

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

(5) Fair values

(a) Financial instruments carried at fair value

The following table presents the carrying value of financial instruments measured at fair value as at 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	<u>38,958</u>	<u>—</u>	<u>—</u>	<u>38,958</u>
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	<u>39,506</u>	<u>—</u>	<u>—</u>	<u>39,506</u>

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

As at 31 December 2012

(Expressed in Renminbi'000 unless otherwise indicated)

IX. OTHER SIGNIFICANT ITEMS (CONTINUED)

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

(5) Fair values (continued)

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

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

Item	2012		2011	
	Carrying amount RMB'000	Fair value RMB'000	Carrying amount RMB'000	Fair value RMB'000
Debentures payable	10,673,307	10,653,996	5,479,076	5,497,190
Long-term loans	4,093,041	4,106,430	3,196,285	3,169,398
Total	<u>14,766,348</u>	<u>14,760,426</u>	<u>8,675,361</u>	<u>8,666,588</u>

(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)

As at 31 December 2012

(Expressed in Renminbi'000 unless otherwise indicated)

IX. OTHER SIGNIFICANT ITEMS (CONTINUED)

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

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

(d) Financial guarantees

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

(e) Interest rates used for determining fair value

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

Item	2012 Interest rate adopted (%)	2011 Interest rate adopted (%)
Long-term receivables	6.40	6.90
Long-term loans (including due within one year)	6.36-6.76	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 RMB'000	Additions from acquisition RMB'000	Increase for the year RMB'000	Changes in fair value for the year RMB'000	Decrease for the year RMB'000	Balance at the end of the year RMB'000
Available-for-sale financial assets	39,506	—	—	6,239	(6,787)	38,958

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

As at 31 December 2012

(Expressed in Renminbi'000 unless otherwise indicated)

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

1 Trade receivables

(1) Trade receivables by customer type:

Item	2012 RMB'000	2011 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	<u>801,032</u>	<u>858,753</u>

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

Item	2012 RMB'000	2011 RMB'000
Within one year (inclusive)	<u>801,032</u>	<u>858,753</u>

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

As at 31 December 2012

(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		<u>801,032</u>	<u>100.00</u>	<u>—</u>	<u>—</u>	<u>858,753</u>	<u>100.00</u>	<u>—</u>	<u>—</u>

(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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

As at 31 December 2012

(Expressed in Renminbi'000 unless otherwise indicated)

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

1 Trade receivables (continued)

(6) The analysis of significant trade receivables is as follows:

Name of enterprise	Relationship with the Company	Amount RMB'000	Ageing	Percentage of total trade receivables (%)
1. SEPCO	Third party	768,061	Within one year	95.88
2. Zaozhuang Heat Corporation	Third party	<u>31,691</u>	Within one year	<u>3.96</u>
Total		<u><u>799,752</u></u>		<u><u>99.84</u></u>

(7) No amount due from shareholders who hold 5% or more of the voting rights or other related parties of the Company is included in the closing balance of trade receivables.

(8) As at 31 December 2012, derecognition of bills receivable due to transfer of financial assets

Item	Amount derecognised RMB'000	Losses related to derecognition RMB'000
Factored trade receivables without recourse	<u><u>200,000</u></u>	<u><u>120</u></u>

(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)

As at 31 December 2012

(Expressed in Renminbi'000 unless otherwise indicated)

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 RMB'000	2011 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	<u>7,162,580</u>	<u>3,009,424</u>

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 RMB'000	Percentage (%)	Amount RMB'000	Percentage (%)	Amount RMB'000	Percentage (%)	Amount RMB'000	Percentage (%)
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	<u>7,165,087</u>	<u>100.00</u>	<u>2,507</u>	0.03	<u>3,011,948</u>	<u>100.00</u>	<u>2,524</u>	0.08

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

As at 31 December 2012

(Expressed in Renminbi'000 unless otherwise indicated)

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

2 Other receivables (continued)

- (3) The Group does not receive or recover any provision for bad and doubtful debts made in full or in significant portion on individually significant other receivables in previous 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 RMB'000	Ageing	Percentage of total other receivables (%)
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		<u>7,134,192</u>		<u>99.57</u>

- (6) No amount due from shareholders who hold 5% or more of the voting rights of the Company is included in the closing balance of other receivables.
- (7) Except amounts due from subsidiaries mentioned above in (5), there was no amount due from related parties of the Company in the closing balance of other receivables.
- (8) The Company does not derecognize of any other receivables due to transfer of financial assets during the 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)

As at 31 December 2012

(Expressed in Renminbi'000 unless otherwise indicated)

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 RMB'000	2011 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	<u>36,501,622</u>	<u>32,796,233</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

As at 31 December 2012

(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:

Investee name	Investment costs	Movement of			Shareholding percentage	Voting rights	Cash dividends for the year
		Opening balance	additions and deductions	Closing balance			
	RMB'000	RMB'000	RMB'000	RMB'000	(%)	(%)	RMB'000
Cost method-subidiaries							
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	—

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

As at 31 December 2012

(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	Movement of			Shareholding percentage	Voting rights	Cash dividends for the year
		Opening balance	additions and deductions	Closing balance			
	RMB'000	RMB'000	RMB'000	RMB'000	(%)	(%)	RMB'000
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
Kezuozhongqi 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)

As at 31 December 2012

(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	Movement of		Closing balance	Shareholding percentage	Voting rights percentage	Cash dividends for the year
		Opening balance	additions and deductions				
	RMB'000	RMB'000	RMB'000	RMB'000	(%)	(%)	RMB'000
Cost method-subidiaries							
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			—
Total	29,294,823	24,732,209	4,387,051	29,119,260			320,213

Note 1: For information on subsidiaries of The Company, see Note IV.1.

Note 2: According to the pledge contract signed between China Agriculture Bank Foshan Branch and the Company as at 18 May 2010, the Company pledged 75% of its investment in Pingshi Power Company for the payables assumed by the Company as bank loans guarantors.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

As at 31 December 2012

(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	Adjustments under equity method		Cash dividends for the year	Closing balance
				Gains/(losses) in investment	Transfer of capital reserve		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Equity method-associates							
Ningxia Power Company	630,000	1,055,192	(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
Total	6,660,767	7,897,715	(964,190)	384,735	30,305	(93,312)	7,255,253
Cost method-other long-term equity investments							
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
Luneng Heze Company	103,609	103,609	—	103,609	12.27	12.27	—
Jinzhongnan Coal Company	39,200	39,200	(39,200)	—	—	—	3,754
Daduhe Hydropower Company	23,500	23,500	—	23,500	5	5	—
Total	166,309	166,309	(39,200)	127,109			3,754

(3) For information on associates of the Company, see Note V. 10.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

As at 31 December 2012

(Expressed in Renminbi'000 unless otherwise indicated)

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

5 Operating income and Operating costs

(1) Operating income and Operating costs

Item	2012 RMB'000	2011 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 RMB'000	Operating costs RMB'000	Operating income RMB'000	Operating costs 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	<u>9,002,311</u>	<u>7,904,320</u>	<u>8,808,513</u>	<u>8,356,894</u>

(3) Principal activities (by geographical area)

The Company's principal activities are the generation and sale of electricity in the PRC.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

As at 31 December 2012

(Expressed in Renminbi'000 unless otherwise indicated)

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

5 Operating income and Operating costs (continued)

(4) Operating income from the top five customers

Customer name	Operating income RMB'000	Percentage of total operating income (%)
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	<u>9,049,271</u>	<u>99.54</u>

6 Investment income

(1) Investment income by item

Item	Note	2012 RMB'000	2011 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		<u>1,184,831</u>	<u>1,398,841</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

As at 31 December 2012

(Expressed in Renminbi'000 unless otherwise indicated)

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

6 Investment income (continued)

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

Investee	2012 RMB'000	2011 RMB'000	Reason for movements for the year
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)

As at 31 December 2012

(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 RMB'000	2011 RMB'000	Reason for movements for the year
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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

As at 31 December 2012

(Expressed in Renminbi'000 unless otherwise indicated)

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

7 Supplement to cash flow statement

Supplement	2012 RMB'000	2011 RMB'000
1. Reconciliation of net profit to cash flows from operating activities:		
Net profit	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
	<u>1,282,521</u>	<u>766,155</u>
2. Change in cash and cash equivalents:		
Cash at the end of the year	747,136	421,704
Less: Cash at the beginning of the year	421,704	156,819
	<u>325,432</u>	<u>264,885</u>

SUPPLEMENTS

1 Details of extraordinary gains and losses at 31 December 2012.

Item	Amount <i>RMB'000</i>
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.

SUPPLEMENTS (CONTINUED)

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:

	<i>Note</i>	Net profit		Net assets	
		2012 <i>RMB'000</i>	2011 <i>RMB'000</i>	2012 <i>RMB'000</i>	2011 <i>RMB'000</i> (restated)
Amount under PRC GAAP		1,916,972	144,723	27,644,896	23,641,882
Adjustments under IFRSs:					
Business combination involving entities under common control	(1)	(29,410)	(29,118)	685,014	713,357
Government grants	(2)	25,247	13,478	(442,257)	(412,567)
Maintenance, production and other similar fund Adjustment	(3)	26,135	3,845	(22,199)	—
Taxation impact of the adjustments		8,804	2,146	(134,898)	(142,635)
Amount under IFRSs		<u>1,947,748</u>	<u>135,074</u>	<u>27,730,556</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.

SUPPLEMENTS (CONTINUED)

3 Return on net assets and earnings per share

In accordance with “Regulation on the Preparation of Information Disclosures of Companies Issuing Public Shares No.9-Calculation and Disclosure of the Return on Net Assets and Earnings Per Share” (2010 revised) issued by the CSRC, the Group’s return on net assets and earnings per share are calculated as follows:

	Inclusive of extraordinary gains and losses	Net of extraordinary gains and losses
Weighted average return on net assets (%)	7.98%	4.76%
Consolidated net profit attributable to the Company’s ordinary equity shareholders (RMB’000)	1,417,695	845,617
Weighted average net assets attributable to the Company’s ordinary equity shareholders (RMB’000)	17,760,049	17,760,049
Fully diluted return on net assets (%)	7.34%	4.38%
Consolidated net profit attributable to the Company’s ordinary equity shareholders (RMB’000)	1,417,695	845,617
Weighted average net assets attributable to the Company’s ordinary equity shareholders (RMB’000)	19,301,932	19,301,932
Basic earnings per share (RMB)	0.201	0.120
Consolidated net profit attributable to the Company’s ordinary equity shareholders (RMB’000)	1,417,695	845,617
Weighted average number of ordinary shares (’000 shares)	7,070,262	7,070,262

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.

3. UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

The following is the unaudited financial statements of the Group and the Company for the six months ended 30 June 2013 and the unaudited financial statements of the Group and the Company for the nine months ended 30 Sep 2013:

CONSOLIDATED BALANCE SHEET AND BALANCE SHEET (UNAUDITED)

At 30 June 2013

(Expressed In Renminbi'000)

Item	Note	The Group		The Company	
		30 June 2013	31 December 2012	30 June 2013	31 December 2012
Current assets					
Cash at bank and on hand	V. 1	4,597,031	3,102,559	937,889	747,136
Bills receivable	V. 2	609,363	634,417	—	—
Trade receivables	V. 3; X. 1	5,663,246	6,613,709	715,127	801,032
Prepayments	V. 5	716,400	928,111	291,148	148,651
Other receivables	V. 4; X. 2	546,498	1,401,057	8,217,812	7,162,580
Inventories	V. 6	3,234,112	3,383,132	453,178	295,418
Dividends receivable		2,986	66,940	148,886	78,431
Non-current assets due within one year	V. 9	37,677	42,094	—	—
Other current assets	V. 7	872,329	986,754	162,911	139,304
Total current assets		16,279,642	17,158,773	10,926,951	9,372,552

CONSOLIDATED BALANCE SHEET AND BALANCE SHEET (UNAUDITED)

(CONTINUED)

At 30 June 2013

(Expressed In Renminbi'000)

Item	Note	The Group		The Company	
		30 June 2013	31 December 2012	30 June 2013	31 December 2012
Non-current assets					
Available-for-sale financial assets	V. 8	32,096	38,958	—	—
Long-term receivables	V. 9; X. 3	123,066	144,880	433,728	414,947
Long-term equity investments	V. 10; X. 4	10,673,471	10,304,950	38,793,304	36,501,622
Fixed assets	V. 11	104,420,316	106,881,257	7,644,147	8,070,992
Construction in progress	V. 12	13,843,178	11,670,930	1,014,634	800,635
Construction materials	V. 13	150,988	13,631	609	—
Construction and construction material prepayments		3,410,159	1,741,454	474,924	291,570
Intangible assets	V. 14	14,937,364	13,427,253	118,914	123,309
Goodwill	V. 15	873,186	873,186	12,111	12,111
Deferred tax assets	V. 16	332,447	363,770	—	—
Other non-current assets	V. 17	1,530,164	1,952,107	788	385,174
Total non-current assets		150,326,435	147,412,376	48,493,159	46,600,360
Total assets		166,606,077	164,571,149	59,420,110	55,972,912
Current liabilities					
Short-term loans	V. 20	17,508,370	19,491,832	8,462,870	9,190,790
Bills payable	V. 21	299,001	449,120	—	—
Trade payables	V. 22	10,895,054	8,844,820	733,879	253,778
Receipts in advances	V. 23	228,905	925,907	2,100	20,888
Wages payable	V. 24	297,865	109,538	71,596	23,340
Taxes payable	V. 25	489,394	689,469	23,426	87,325
Interest payable	V. 26	427,637	602,853	214,039	350,931
Dividends payable		613,198	14,319	479,120	—
Other payables	V. 27	3,747,523	2,853,502	1,339,508	879,844
Short-term debentures payable	V. 28	12,176,508	11,664,380	12,176,508	11,664,380
Non-current liabilities due within one year	V. 29	13,054,477	10,766,787	2,914,185	948,439
Total current liabilities		59,737,932	56,412,527	26,417,231	23,419,715

CONSOLIDATED BALANCE SHEET AND BALANCE SHEET (UNAUDITED)

(CONTINUED)

At 30 June 2013

(Expressed In Renminbi'000)

Item	Note	The Group		The Company	
		30 June 2013	31 December 2012	30 June 2013	31 December 2012
Non-current liabilities:					
Long-term loans	V. 30	59,044,577	64,173,923	3,989,420	4,729,414
Debentures payable	V. 31	11,848,324	10,352,593	11,848,324	10,352,593
Long-term payables	V. 32	1,285,954	1,319,670	—	—
Special payables		10,839	12,223	5,656	5,656
Deferred tax liabilities	V. 16	2,648,481	2,652,423	46,121	46,121
Other non-current liabilities	V. 33	2,086,754	2,002,894	21,040	21,314
Total non-current liabilities		76,924,929	80,513,726	15,910,561	15,155,098
Total liabilities		136,662,861	136,926,253	42,327,792	38,574,813
Shareholders' equity:					
Share capital	V. 34	7,371,084	7,371,084	7,371,084	7,371,084
Capital reserve	V. 35	5,742,003	5,749,735	5,487,469	5,488,119
Specific reserve	V. 36	98,625	40,876	35,236	408
Surplus reserve	V. 37	1,554,113	1,554,113	1,554,113	1,554,113
Retained earnings	V. 38	5,759,687	4,586,124	2,644,416	2,984,375
Total equity attributable to equity shareholders of the Company		20,525,512	19,301,932	17,092,318	17,398,099
Minority interests		9,417,704	8,342,964	—	—
Total shareholders' equity		29,943,216	27,644,896	17,092,318	17,398,099
Total liabilities and shareholders' equity		166,606,077	164,571,149	59,420,110	55,972,912

CONSOLIDATED INCOME STATEMENT AND INCOME STATEMENT (UNAUDITED)

For the six months ended 30 June 2013

(Expressed In Renminbi'000)

Item	Note	The Group		The Company	
		For six months ended 30 June 2013	2012	For six months ended 30 June 2013	2012
Operating income	V. 39; X. 5	31,599,702	29,557,919	4,200,628	4,669,356
Less: Operating costs	V. 39; X. 5	24,726,608	25,728,448	3,567,601	4,139,815
Sales taxes and surcharges	V. 40	212,595	111,504	44,263	25,907
Administrative expenses	V. 41	938,092	756,197	214,703	197,298
Finance expenses	V. 42	3,020,403	3,150,766	754,368	939,250
Add: Investment income	V. 43; X. 6	202,002	404,782	514,899	325,415
Including: income from investment in associates		200,105	400,475	73,076	312,555
Operating profit / (loss)		2,904,006	215,786	134,592	(307,499)
Add: Non-operating income	V. 44	96,283	271,796	4,635	8,374
Less: Non-operating expenses	V. 45	68,304	7,182	66	220
Including: losses on disposal of non-current assets		4,803	266	12	189
Total profit/(loss)		2,931,985	480,400	139,161	(299,345)
Less: Income tax expenses	V. 46	655,059	99,267	—	—
Net profit/(loss)		2,276,926	381,133	139,161	(299,345)

CONSOLIDATED INCOME STATEMENT AND INCOME STATEMENT (UNAUDITED)

(CONTINUED)

For the six months ended 30 June 2013

(Expressed In Renminbi'000)

Item	Note	The Group For six months ended 30 June		The Company For six months ended 30 June	
		2013	2012	2013	2012
Attributable to:					
Equity shareholders of					
the Company		1,694,576	269,940	139,161	(299,345)
Minority interests		582,350	111,193	—	—
Earnings per share (RMB):					
Basic earnings per share	V. 47	<u>0.230</u>	<u>0.040</u>	<u>n/a</u>	<u>n/a</u>
Diluted earnings per share	V. 47	<u>0.230</u>	<u>0.040</u>	<u>n/a</u>	<u>n/a</u>
Add: Other comprehensive income/(loss)	V. 48	<u>(5,147)</u>	<u>1,028</u>	<u>—</u>	<u>610</u>
Total comprehensive income		<u>2,271,779</u>	<u>382,161</u>	<u>139,161</u>	<u>(298,735)</u>
Attributable to:					
Equity shareholders					
of the Company		1,689,429	270,945	139,161	(298,735)
Minority interests		582,350	111,216	—	—

**CONSOLIDATED CASH FLOW STATEMENT AND CASH FLOW STATEMENT
(UNAUDITED)**

For the six months ended 30 June 2013

(Expressed In Renminbi'000)

Item	Note	The Group		The Company	
		For six months ended 30 June 2013	2012	For six months ended 30 June 2013	2012
I. Cash flow from operating activities					
Cash received from sale of goods and rendering of services		37,048,278	34,279,053	4,916,918	5,507,442
Refund of taxes		5,948	778	—	—
Cash received relating to other operating activities	V. 49(1)	466,158	196,366	98,577	46,196
Sub-total of cash inflow from operating activities		37,520,384	34,476,197	5,015,495	5,553,638
Cash paid for goods and services		(19,876,556)	(25,051,461)	(2,982,278)	(4,508,650)
Cash paid to and for employees		(1,452,157)	(1,168,234)	(336,559)	(275,195)
Cash paid for all types of taxes		(2,957,270)	(1,624,803)	(427,139)	(300,526)
Cash paid relating to other operating activities	V. 49(2)	(945,106)	(1,327,997)	(188,565)	(602,246)
Sub-total of cash outflow from operating activities		(25,231,089)	(29,172,495)	(3,934,541)	(5,686,617)
Net cash flow from operating activities	V. 50(1); X. 7	12,289,295	5,303,702	1,080,954	(132,979)

**CONSOLIDATED CASH FLOW STATEMENT AND CASH FLOW STATEMENT
(UNAUDITED) (CONTINUED)**

For the six months ended 30 June 2013

(Expressed In Renminbi'000)

Item	Note	The Group		The Company	
		For six months ended 30 June 2013	2012	For six months ended 30 June 2013	2012
II. Cash flow from investing activities					
Cash received from disposal of investments		820,915	49,746	2,227,915	41,334
Cash received for the upfront connection and installation fees for heating networks		96,542	67,576	—	—
Cash received from return on investments		94,183	70,540	397,067	42,848
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		17,627	228,558	49	3,953
Cash received relating to other investing activities	V. 49(3)	235,088	155,378	138,709	17,527
Sub-total of cash inflow from investing activities		1,264,355	571,798	2,763,740	105,662
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		(5,825,039)	(7,795,495)	(586,042)	(421,380)
Cash paid for acquisition of investments		(273,144)	(122,783)	(4,079,661)	(3,310,282)
Cash paid for acquisition of subsidiaries	V. 50(2)	(427,810)	(1,454,229)	(436,053)	(1,454,516)
Cash paid relating to other investing activities	V. 49(4)	(36,030)	(1,996)	—	—
Sub-total of cash outflow from investing activities		(6,562,023)	(9,374,503)	(5,101,756)	(5,186,178)
Net cash flow from investing activities		(5,297,668)	(8,802,705)	(2,338,016)	(5,080,516)

**CONSOLIDATED CASH FLOW STATEMENT AND CASH FLOW STATEMENT
(UNAUDITED) (CONTINUED)**

For the six months ended 30 June 2013

(Expressed In Renminbi'000)

Item	Note	The Group		The Company	
		For six months ended 30 June 2013	2012	For six months ended 30 June 2013	2012
III. Cash flow from financing activities					
Cash received from investors		540,610	1,932,463	—	1,835,873
Including: cash received from minority shareholders of subsidiaries		540,610	96,590	—	—
Cash received from borrowings		27,449,502	43,545,904	17,666,500	25,272,072
Cash received relating to other financing activities	V. 49(5)	45,214	667,221	400	500
Sub-total of cash inflow from financing activities		28,035,326	46,145,588	17,666,900	27,108,445
Cash repayments of borrowings		(29,948,161)	(36,547,881)	(15,194,322)	(19,563,878)
Cash paid for dividends, profits distribution or interest		(3,562,551)	(3,425,073)	(1,020,593)	(786,770)
Including: dividends and profits paid to minority shareholders of subsidiaries		(79,214)	(6,473)	—	—
Cash paid relating to other financing activities	V. 49(6)	(17,324)	(225,558)	(4,170)	(15,882)
Sub-total of cash outflow from financing activities		(33,528,036)	(40,198,512)	(16,219,085)	(20,366,530)
Net cash flow from financing activities		(5,492,710)	5,947,076	1,447,815	6,741,915
IV. Net increase in cash and cash equivalents	V. 50(1); X. 7	1,498,917	2,448,073	190,753	1,528,420
Add: Cash and cash equivalents at the beginning of the period		3,060,074	2,111,725	747,136	421,704
V. Cash and cash equivalents at the end of the period		4,558,991	4,559,798	937,889	1,950,124

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 30 June 2013

(Expressed In Renminbi'000)

Item	Note	For six months ended 30 June 2013						
		Attributable to shareholders' equity of the Company						
		Share capital	Capital reserve	Specific reserve	Surplus reserve	Retained profits	Minority interests	Total equity
I. Balance at the end of preceding year and the beginning of the period		7,371,084	5,749,735	40,876	1,554,113	4,586,124	8,342,964	27,644,896
II. Changes in equity for the period								
1. Net profit		—	—	—	—	1,694,576	582,350	2,276,926
2. Other comprehensive expenses		—	(5,147)	—	—	—	—	(5,147)
Sub-total of 1&2		—	(5,147)	—	—	1,694,576	582,350	2,271,779
3. Acquisition of a subsidiary		—	—	—	—	—	146,702	146,702
4. Capital injection from minority shareholders to subsidiaries		—	—	—	—	—	540,610	540,610
5. Acquisition of minority interests		—	(2,585)	—	—	(41,893)	(474)	(44,952)
6. Dividends recognised as distribution		—	—	—	—	(479,120)	—	(479,120)
7. Dividends declared to minority shareholders of subsidiaries		—	—	—	—	—	(198,973)	(198,973)
8. Appropriation for specific reserve	V. 36	—	—	69,459	—	—	6,177	75,636
9. Utilisation of specific reserve		—	—	(11,710)	—	—	(1,652)	(13,362)
III. Balance at the end of the period		<u>7,371,084</u>	<u>5,742,003</u>	<u>98,625</u>	<u>1,554,113</u>	<u>5,759,687</u>	<u>9,417,704</u>	<u>29,943,216</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
(CONTINUED)

For the six months ended 30 June 2013

(Expressed In Renminbi'000)

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

STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 30 June 2013

(Expressed In Renminbi'000)

Item	For six months ended 30 June 2013					
	Share capital	Capital reserve	Specific reserve	Surplus reserve	Retained profits	Total equity
I. Balance at the end of preceding year and the beginning of the period	7,371,084	5,488,119	408	1,554,113	2,984,375	17,398,099
II. Changes in equity for the period						
1. Net profit	—	—	—	—	139,161	139,161
2. Other comprehensive income	—	—	—	—	—	—
Sub-total of 1&2	—	—	—	—	139,161	139,161
3. Appropriation for specific reserve	—	—	34,828	—	—	34,828
4. Dividends recognised as distribution	—	—	—	—	(479,120)	(479,120)
5. Others	—	(650)	—	—	—	(650)
III. Balance at the end of the period	7,371,084	5,487,469	35,236	1,554,113	2,644,416	17,092,318

STATEMENT OF CHANGES IN EQUITY (UNAUDITED) (CONTINUED)

For the six months ended 30 June 2013

(Expressed In Renminbi'000)

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

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)

As at 30 June 2013

(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 RMB3,825,056,200, divided into 3,825,056,200 ordinary shares of RMB1 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 RMB1 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).

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

As at 30 June 2013

(Expressed In Renminbi'000 Unless Otherwise Indicated)

I. COMPANY STATUS (CONTINUED)

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 RMB1 each. As a result, the registered capital of the Company was increased to RMB6,021,084,200. 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 November 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 RMB1 each. The registered capital of the Company was increased to RMB6,771,084,200. The Company completed the non-public issue on 1 December 2009.

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 RMB1 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 36 months from the date of completion of the non-public issue, while the rest 540,000,000 shares shall not be transferred within 12 months from the date of completion. As at 30 June 2013, the Company has obtained new business licence with the updated register capital of RMB7,371,084,200.

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, as well as technical and information consulting services related to power businesses. Electricity generated is mainly transmitted to power grid companies of provinces in which the power plants are located.

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

As at 30 June 2013

(Expressed In Renminbi'000 Unless Otherwise Indicated)

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES**1. Basis of preparation of financial statements**

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 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 Company’s and the consolidated financial position as at 30 June 2013, and the Company’s and the consolidated financial result of operation and the Company’s and consolidated cash flows for the six months ended 30 June 2013.

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.

Basis of accounting and principle of measurement

The Group has adopted the accrual basis of accounting. Except for certain financial instruments which are measured at fair value, the Group adopts the historical cost as the principle of measurement in the financial statements. Where assets are impaired, provisions for asset impairment are made in accordance with relevant requirements.

3. Accounting period

The accounting year of the Group is from 1 January to 31 December. The financial statement is the six months period from 1 January 2013 to 30 June 2013.

4. Functional currency

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

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

As at 30 June 2013

(Expressed In Renminbi'000 Unless Otherwise Indicated)

**II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES
(CONTINUED)****5. Accounting treatments for a business combination involving enterprises 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 not involving enterprises 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.

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

As at 30 June 2013

(Expressed In Renminbi'000 Unless Otherwise Indicated)

**II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES
(CONTINUED)****6. Preparation of consolidated financial statements**

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

As at 30 June 2013

(Expressed In Renminbi'000 Unless Otherwise Indicated)

**II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES
(CONTINUED)****6. Preparation of consolidated financial statements (continued)**

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.

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

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

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

As at 30 June 2013

(Expressed In Renminbi'000 Unless Otherwise Indicated)

**II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES
(CONTINUED)****7. Recognition criteria of cash and Cash equivalents**

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

8. Translation of foreign currency transactions

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

As at 30 June 2013

(Expressed In Renminbi'000 Unless Otherwise Indicated)

**II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES
(CONTINUED)****9. Financial instruments**

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

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

As at 30 June 2013

(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)*

— Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Financial assets classified as receivables by the Group include bills receivables, trade receivables, interest receivable, dividends receivable, and other receivables.

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

— Held-to-maturity investments

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

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

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

As at 30 June 2013

(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 exchange differences related to amortised cost of monetary financial assets denominated in foreign currencies are recognised in profit or loss, are recognised as other comprehensive income in capital reserve. When an investment is derecognised, the cumulative gain or loss is reclassified from equity to profit or loss. Dividend income from the available-for-sale equity instruments is recognised in profit or loss when the investee declares the dividends. Interest on available-for-sale financial assets calculated using the effective interest method is recognised in profit or loss (see Note II. 20(4)).

— Other financial liabilities

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

As at 30 June 2013

(Expressed In Renminbi'000 Unless Otherwise Indicated)

**II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES
(CONTINUED)****9. Financial instruments (continued)****(2) Presentation of financial assets and financial liabilities**

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

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

(3) Determination of fair values

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

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

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

As at 30 June 2013

(Expressed In Renminbi'000 Unless Otherwise Indicated)

**II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES
(CONTINUED)****9. Financial instruments (continued)***(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.

When the Group derecognises a financial liability (or part of it), it recognises the difference between the carrying amount of the financial liability (or part of the financial liability) derecognised and the consideration paid (including any non-cash assets transferred or new financial liabilities assumed) in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

As at 30 June 2013

(Expressed In Renminbi'000 Unless Otherwise Indicated)

**II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES
(CONTINUED)****9. Financial instruments (continued)***(5) Impairment of financial assets*

The carrying amounts of financial assets (other than those at fair value through profit or loss) are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such evidence exists, impairment loss is provided. Objective evidence that a financial asset is impaired is evidence that, arising from one or more events that occurred after the initial recognition of the asset, the estimated future cash flows of the financial asset, which can be reliably measured, have been affected.

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.

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

As at 30 June 2013

(Expressed In Renminbi'000 Unless Otherwise Indicated)

**II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES
(CONTINUED)****9. Financial instruments (continued)****(5) Impairment of financial assets (continued)**

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.

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

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

As at 30 June 2013

(Expressed In Renminbi'000 Unless Otherwise Indicated)

**II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES
(CONTINUED)****9. Financial instruments (continued)****(5) Impairment of financial assets (continued)**

— Available-for-sale financial assets

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

If, after an impairment loss has been recognised on an available-for-sale debt instrument, the fair value of the debt instrument increases in a subsequent period and the increase can be objectively related to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. The amount of reversal of impairment loss on available-for-sale equity instruments is recognised as other comprehensive income and included in the capital reserve.

(6) Equity instruments

An equity instruments 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.

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

As at 30 June 2013

(Expressed In Renminbi'000 Unless Otherwise Indicated)

**II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES
(CONTINUED)****10. Impairment of receivables**

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

As at 30 June 2013

(Expressed In Renminbi'000 Unless Otherwise Indicated)

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)**11. Inventories***(1) Categories of inventories*

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

(2) Valuation method of inventories upon delivery

The actual cost of inventories upon delivery 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 count system

The perpetual inventory system is maintained for stock system.

(5) Amortisation method for low cost and short-lived consumable items

Low cost and short-lived consumable items is amortised in full when received for use. The amounts of the amortisation are included in the cost of the related assets or profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

As at 30 June 2013

(Expressed In Renminbi'000 Unless Otherwise Indicated)

**II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES
(CONTINUED)****12. Long-term equity investments***(1) Determination of 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.

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

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**II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES
(CONTINUED)****12. Long-term equity investments (continued)****(2) Subsequent measurement and recognition of profit or loss****(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.

(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.

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

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**II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES
(CONTINUED)****12. Long-term equity investments (continued)****(2) Subsequent measurement and recognition of profit or loss (continued)****(b) Investment in associates (continued)**

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

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

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**II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES
(CONTINUED)****12. Long-term equity investments (continued)****(2) Subsequent measurement and recognition of profit or loss (continued)****(b) Investment in associates (continued)**

- The Group discontinues recognising its share of net losses of the investee after the carrying amount of the long-term equity investment and any long-term interest that in substance forms part of the Group's net investment in the associate is reduced to zero, except to the extent that the Group has an obligation to assume additional losses. Where net profits are subsequently made by the associate, the Group resumes recognising its share of those profits only after its share of the profits exceeds 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.

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

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(Expressed In Renminbi'000 Unless Otherwise Indicated)

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)**12. Long-term equity investments (continued)***(2) Subsequent measurement and recognition of profit or loss (continued)**(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.

(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.

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

As at 30 June 2013

(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 (continued)*

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) *Methods of impairment assessment and determining the provision for impairment loss*

For the method of assessment and determining the provision for impairment loss for subsidiaries and associates, refer to Note II. 18.

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

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

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

As at 30 June 2013

(Expressed In Renminbi'000 Unless Otherwise Indicated)

**II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES
(CONTINUED)****13. Fixed assets***(1) Recognition criteria for fixed assets*

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 (UNAUDITED) (CONTINUED)

As at 30 June 2013

(Expressed In Renminbi'000 Unless Otherwise Indicated)

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES
(CONTINUED)

13. Fixed assets (continued)

(2) Depreciation of each category of fixed assets

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 methods of impairment assessment and determining the provision for impairment losses of fixed assets, refer to Note II. 18.
- (4) Identification basis and valuation methods for fixed assets acquired under finance leases

For identification basis and valuation methods for fixed assets acquired under finance leases, refer to the accounting policy set out in Note II.25 (2).

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

As at 30 June 2013

(Expressed In Renminbi'000 Unless Otherwise Indicated)

**II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES
(CONTINUED)****13. Fixed assets (continued)***(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.

(6) Other explanations

The Group reviews the useful life and estimated net residual value of a fixed asset and the depreciation method applied at least once at each financial year-end, and account for any change as a change in an accounting estimate.

If a fixed asset is upon disposal or no future economic benefits are expected to be generated from its use or disposal, the fixed asset is derecognised. When a fixed asset is sold, transferred, retired or damaged, the amount of any proceeds on disposal of the asset net of the carrying amount and related taxes is recognised in profit or loss for the period.

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

As at 30 June 2013

(Expressed In Renminbi'000 Unless Otherwise Indicated)

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

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

As at 30 June 2013

(Expressed In Renminbi'000 Unless Otherwise Indicated)

**II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES
(CONTINUED)****15. Borrowing costs (continued)**

- Where funds are borrowed generally and used for the acquisition, construction of a qualifying asset, the amount of interest to be capitalised on such borrowings is determined by applying a capitalisation rate to the weighted average of the excess amounts of cumulative expenditures on the asset over the above amounts of specific borrowings. The capitalisation rate is the weighted average of the interest rates applicable to the general-purpose borrowings.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)*As at 30 June 2013**(Expressed In Renminbi'000 Unless Otherwise Indicated)***II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)****16. Intangible assets**

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

Classes	Amortisation 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.

For an intangible asset with a finite useful life, the Group reviews the useful life and amortisation method at the end of the period, and makes adjustments when necessary

The Group's expenditures on the internal research are recognised as an expense in the period in which it is incurred.

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

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(Expressed In Renminbi'000 Unless Otherwise Indicated)

**II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES
(CONTINUED)****17. Goodwill**

The initial cost of goodwill represents the excess of cost of acquisition over the acquirer's interest in the fair value of the identifiable net assets of the acquiree under the business combination not involving enterprises 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 (UNAUDITED) (CONTINUED)

As at 30 June 2013

(Expressed In Renminbi'000 Unless Otherwise Indicated)

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)**18. Impairment of assets other than inventories, financial assets and other long-term investments (continued)**

If 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.

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

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(Expressed In Renminbi'000 Unless Otherwise Indicated)

**II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES
(CONTINUED)****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. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account factors pertaining to a contingency such as the risks, uncertainties and time value of money. Where the effect of time value of money is material, provisions are determined by discounting the expected future cash flows.

20. Revenue

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

(1) *Sale of electricity*

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

(2) *Sale of heat*

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

(3) *Sale of coal*

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

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

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(Expressed In Renminbi'000 Unless Otherwise Indicated)

**II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES
(CONTINUED)****20. Revenue (continued)****(4) Interest income**

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

(5) Dividend income

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

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

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

- 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; and
- relevant electricity has been generated.

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

As at 30 June 2013

(Expressed In Renminbi'000 Unless Otherwise Indicated)

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

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

As at 30 June 2013

(Expressed In Renminbi'000 Unless Otherwise Indicated)

**II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES
(CONTINUED)****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 recognized as expense in profit or loss and separately recorded as a specific reserve. On utilisation of the specific reserve for expense expenditure in accordance with the stipulated scope, the amount utilised would be reversed from the specific reserve. On utilisation of the specific reserve for fixed assets incremental in accordance with the stipulated scope, the amount utilised would be reversed from the specific reserve and full amount of depreciation is recognised at the same time when the cost of the relevant assets is recorded. And no depreciation will be provided after the initial recognition of the related fixed assets.

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

As at 30 June 2013

(Expressed In Renminbi'000 Unless Otherwise Indicated)

**II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES
(CONTINUED)****24. Income tax**

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

As at 30 June 2013

(Expressed In Renminbi'000 Unless Otherwise Indicated)

**II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES
(CONTINUED)****24. Income tax (continued)**

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.

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

As at 30 June 2013

(Expressed In Renminbi'000 Unless Otherwise Indicated)

**II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES
(CONTINUED)****25. Operating leases and finance leases (continued)****(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.

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

As at 30 June 2013

(Expressed In Renminbi'000 Unless Otherwise Indicated)

**II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES
(CONTINUED)****26. Dividends appropriated to investors**

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

27. Related parties

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

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

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

As at 30 June 2013

(Expressed In Renminbi'000 Unless Otherwise Indicated)

**II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES
(CONTINUED)****27. Related parties (continued)**

- (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.

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

As at 30 June 2013

(Expressed In Renminbi'000 Unless Otherwise Indicated)

**II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES
(CONTINUED)****28. Segment reporting**

Reportable segments are identified based on operating segments which are determined based on the structure of the Group's internal organisation structure, 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; and
- its financial information regarding financial position, results of operation 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; or
- 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 (UNAUDITED) (CONTINUED)

As at 30 June 2013

(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.

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

As at 30 June 2013

(Expressed In Renminbi'000 Unless Otherwise Indicated)

**II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES
(CONTINUED)****29. Significant accounting estimates and judgments (continued)**

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

As at 30 June 2013

(Expressed In Renminbi'000 Unless Otherwise Indicated)

**II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES
(CONTINUED)****29. Significant accounting estimates and judgments (continued)****(4) Deferred tax assets**

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

(5) Intangible assets with indefinite useful lives

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

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

As at 30 June 2013

(Expressed In Renminbi'000 Unless Otherwise Indicated)

III. TAXATION

1. Main types of taxes and corresponding rates

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

Note:

Except for 17 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% (2012: 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))

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

As at 30 June 2013

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III. TAXATION (CONTINUED)

1. Main types of taxes and corresponding rates (continued)

Company name	Preferential tax rate %	Reasons for preferential tax treatments
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))
Hebei Huadian Guyuan Wind Power Generation Company Limited ("Guyuan Wind Power Company") Phase I	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 and II	7.5	Enterprise income tax preferential policies on the development of the Western Region (Note (1)) Major public infrastructure project supported by the State (Note (2))
Huadian Ningxia Ningdong Shangde Solar Energy Company Limited ("Ningdong Shangde Company")	7.5	Enterprise income tax preferential policies on the development of the Western Region (Note (1)) Major public infrastructure project supported by the State (Note (2))
Huadian Inner Mongolia Kailu Wind Power Company Limited ("Kailu Company")	7.5	Enterprise income tax preferential policies on the development of the Western Region (Note (1)) 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)) Major public infrastructure project supported by the State (Note (2))
Huadian International Ningxia New Energy Power Company Limited, Yueliangshan Branch ("Yueliangshan Branch") Phase I and II	—	Enterprise income tax preferential policies on the development of the Western Region (Note (1)) 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))

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

As at 30 June 2013

(Expressed In Renminbi'000 Unless Otherwise Indicated)

III. TAXATION (CONTINUED)

1. Main types of taxes and corresponding rates (continued)

Company name	Preferential tax rate %	Reasons for preferential tax treatments
Huadian Kezuozhongqi Wind Power Company Limited (“Kezuozhongqi 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 Power Company”)	—	Major public infrastructure project supported by the State (Note (2))
Hebei Huadian Yuzhou Wind Power Company Limited (“Yuzhou Wind Power Company”)	—	Major public infrastructure project supported by the State (Note (2))
Guyuan Wind Power Company Phase II and III	—	Major public infrastructure project supported by the State (Note (2))
Huadian Laizhou Port Company Limited (“Laizhou Port Company”)	—	Major public infrastructure project supported by the State (Note (2))

Note:

- (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 revenues of their major business exceed 70 percent of their total revenues; after application and confirmation by local tax authorities, enterprises may enjoy a reduced EIT rate of 15%. As at 30 June 2013, Lingwu Company, Zagunao Hydroelectric Company, Star River Hydropower Company and Ganbao Hydropower Company, Ningdong Branch, Yueliangshan Branch, Ningdong Shangde Company, Luding Hydropower Company and Shuiluohe Company's EIT rate for the period ended 30 June 2013 is still 15%, of which, Shuiluohe Company continuously entitled with the tax exemption policy before its expiry date which allow it be exempted from EIT for the first two 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 third to the fifth years. Kailu Company has applied for preferential tax treatments, but it is yet up to approval by local taxation bureau. However, Kailu Company is allowed to pay tax at the preferential tax rate mentioned above in the period for the time being.

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

As at 30 June 2013

(Expressed In Renminbi'000 Unless Otherwise Indicated)

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 Branch Phase I	2008-2010	2011-2013	Lingwu State Administration of Taxation of the Ningxia Hui Nationality Autonomous Region
Ningdong Branch 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 Phase I	2010-2012	2013-2015	Guyuan State Administration of Taxation of Hebei Province
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 Power Company	2012-2014	2015-2017	Kangbao State Administration of Taxation of Hebei Province
Yuzhou Wind Power 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 I and II	2012-2014	2015-2017	Yinchuan State Administration of Taxation of Ningxia Hui Nationality Autonomous Region
Laizhou Port Company	2013-2015	2016-2018	Laizhou State Administration of Taxation of Shandong Province
Guyuan Wind Power Company Phase II and III	2013-2015	2016-2018	Guyuan State Administration of Taxation of Hebei Province

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

As at 30 June 2013

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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	Place of registration	Legal representative	Organisation code	Business nature and operation scope	Registered capital	Actual capital contribution at the end of the period		Proportion of ownership interest	Proportion of voting power	Consolidated or not consolidated	minority interests	Amount of the minority interests used to absorb profits or losses attributable to minority interests
							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	891,459	—	
Luding Hydropower Company	Limited company	Ganzi Tibetan Autonomous Region	Luo Xiaoqian	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 Daixin	66293432-0	Generation and sale of electricity	52,480	43,680	78	78	Y	(8,056)	(1,763)	
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	115,269	(8,153)	
Huadian International Project Company Limited ("Project Company")	Limited company	Jinan	Xieyun	76000563-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	410,000	100	100	Y	—	—	
Huadian Zouxian Power Generation Company Limited ("Zouxian Company")	Limited company	Zoucheng	Bai Hua	66930776-8	Generation and sale of electricity	3,000,000	2,070,000	69	69	Y	1,114,553	—	
Laizhou Wind Power Company	Limited company	Laizhou	Dong Fengliang	67452399-1	Generation and sale of electricity	146,060	80,333	55	55	Y	80,600	—	

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

As at 30 June 2013

(Expressed In Renminbi'000 Unless Otherwise Indicated)

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

1. Background of major subsidiaries (continued)

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

Name of subsidiary	Type	Place of registration <i>Note 1</i>	Legal representative	Organisation code	Business nature and operation scope	Registered capital	Actual capital contribution at the end of the period	Proportion of ownership interest	Proportion of voting power	Consolidated or not consolidated	minority interests	Amount of the minority interests used to absorb profits or losses attributable to minority interests
						RMB'000	RMB'000	(%)	(%)	Y	RMB'000	RMB'000
Kailu Wind Power Company	Limited company	Tongliao	Xie Wei	67438152-4	Generation and sale of electricity	797,128	797,128	100	100	Y	—	—
Huadian Luohe Power Generation Company Limited ("Luohe Company")	Limited company	Luohe	Wang Fengjiao	68076402-X	Generation and sale of electricity and heat	502,000	475,300	75	75	Y	(15,761)	—
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	(980)	(5,918)
Shanxi Maohua Energy Investment Company Limited ("Maohua Company")	Limited company	Taiyuan	Liu Xiankun	68806562-9	Investment and management in coal, electricity and heat industry	1,547,000	1,547,000	100	100	Y	—	—
Guyuan Wind Power Company	Limited company	Zhangjiakou	Kang Jinzhu	67418073-0	Generation and sale of electricity	386,100	386,100	100	100	Y	—	—
Kezuo Zhongqi Wind Power Company	Limited company	Kezuo Zhong Qi	Xie Wei	69590532-3	Generation and sale of electricity	80,000	80,000	100	100	Y	—	—
Huadian Qudong Power Generation Company Limited ("Qudong Company")	Limited company	Xinxiang	Xing Shibang	69599741-6	Generation and sale of electricity	562,000	505,802	90	90	Y	53,807	—
Xinxiang Huadian Heat Company Limited ("Xinxiang Heat Company") (Note 3)	Limited company	Xinxiang	Zheng Gang	56249931-7	Sale of heat	24,570	—	90	100	Y	2,570	—
Ningdong Shangde Company	Limited company	Lingwu	Ji Jun	69432340-1	Generation and sale of electricity	38,000	22,800	60	60	Y	14,863	—
Kangbao Wind Power Company	Limited company	Zhangjiakou	Kang Jinzhu	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	259,180	95	95	Y	5,260	(207)

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (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	Place of registration <i>Note 1</i>	Legal representative	Organisation code	Business nature and operation scope	Registered capital	Actual capital contribution at the end of the period	Proportion of ownership interest	Proportion of voting power	Consolidated or not consolidated	minority interests	Amount of the minority interests used to absorb profits or losses attributable to minority interests
						RMB'000	RMB'000	(%)	(%)	Y	RMB'000	RMB'000
Huadian Zoucheng Heat Company Limited ("Zoucheng Heat Company")	Limited company	Zoucheng	Li Jingxiu	55994359-5	Sale of heat	80,000	56,000	70	70	Y	21,186	(1,511)
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")	Limited company	Laizhou	Xing Shibang	55992021-1	Generation and sale of electricity	1,440,000	1,080,000	75	75	Y	439,000	—
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	40,000	100	100	Y	—	—
Yuzhou Wind Power Company (Note 4)	Limited company	Yuxian	Wang Li	56618950-0	Generation and sale of electricity	120,000	—	100	100	Y	—	—
Weifang Taihe Heat Company Limited ("Taihe Heat Company") (Note 5)	Limited company	Weifang	Xiong Zhuoyuan	57547412-7	Sale of heat	50,000	—	36	80	Y	9,926	(86)
Huadian Laizhou Port Company Limited ("Laizhou Port Company")	Limited company	Laizhou	Bai Hua	57046634-7	Port construction and operation	215,130	139,833	65	65	Y	81,494	—
Laizhou Wind Company	Limited company	Laizhou	Dong Fengjiang	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	Shi Ting	55630753-4	Research, Development, promotion and sales of new product (under construction)	50,000	283,315	51	51	Y	272,428	—

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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	Place of registration <i>Note 1</i>	Legal representative	Organisation code	Business nature and operation scope	Registered capital	Actual capital contribution at the end of the period	Proportion of ownership interest	Proportion of voting power	Consolidated or not consolidated	minority interests	Amount of the minority interests used to absorb profits or losses attributable to minority interests
						RMB'000	RMB'000	(%)	(%)	Y	RMB'000	RMB'000
Anhui Hualin International Energy Company Limited ("Hualin 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	914,420	100	100	Y	—	—
Sichuan Xiexing Investment Company Limited ("Xiexing Company")	Limited company	Chengdu	Luo Xiaoqian	78814754-1	Investment on hydropower resources and consulting	300,000	953,930	100	100	Y	—	—
Shuiluohu Company (<i>Note 6</i>)	Limited company	Xichang	Luo Xiaoqian	78470603-5	Generation and sale of electricity	400,000	—	57	57	Y	967,814	—
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	102,000	100,000	98	98	Y	(23)	(23)
Ningxia Yingling Coal Transportation and Sales Company Limited ("Yingling Coal Company")	Limited company	Yinchuan	Liu Jianhui	59622111-0	Sale of coal	10,000	10,000	100	100	Y	—	—
Chongqing Mingyang Coal Sales Company Limited ("Mingyang Coal Company")	Limited company	Fengjie	Wang Fulou	59670778-6	Coal storage and sale of mining product	10,000	7,000	70	70	Y	2,934	(70)
Shanxi Shuozhou Pinglu Maohua Bailu Coal Company Limited ("Bailu Coal Company") (<i>Note 7</i>)	Limited company	Shuozhou	Yang Zhi	05628626-3	Resource integration improvement and expansion services	20,000	—	100	100	Y	—	—

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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	Place of registration <i>Note 1</i>	Legal representative	Organisation code	Business nature and operation scope	Registered capital	Actual capital contribution at the end of the period	Proportion of ownership interest	Proportion of voting power	Consolidated or not consolidated	minority interests	Amount of the minority interests used to absorb profits or losses attributable to minority interests
						RMB'000	RMB'000	(%)	(%)		RMB'000	RMB'000
Hangzhou Huadian Xiasha Thermal Power Company Limited ("Xiasha Thermal Power Company")	Limited company	Hangzhou	Xing Shibang	59955524-7	Generation and sale of electricity and heat	288,000	139,600	56	56	Y	109,661	(19)
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 Ximan	05672105-0	Generation and sale of electricity and heat (under construction)	600,000	84,000	70	70	Y	36,000	—
Tianjin Huadian Nanjiang Thermal Power Company Limited ("Nanjiang Thermal Power Company") (Note 8)	Limited company	Tianjin	Xie Yun	06122828-7	Generation of electricity and sale of heat (under construction)	660,000	85,800	65	65	Y	46,200	—
Tianjin Huadian Tiantou Heat Company Limited ("Tiantou Heat Company") (Note 9)	Limited company	Tianjin	Xie Yun	06401687-X	Sale of heat (under construction)	20,000	10,200	51	51	Y	9,800	—
Huadian Fengyuan (Beijing) Trading Company Limited ("Fengyuan Trading Company") (Note 10)	Limited company	Beijing	Zhan Zhongnian	05921259-3	Sale of coal (under construction)	51,680	—	100	100	Y	—	—
Zibo Huaxing Heat Company Limited ("Huaxing Heat Company") (Note 11)	Limited company	Zibo	Wang libo	06590777-0	Generation and sale of heat (under construction)	50,000	—	60	60	Y	4,000	—

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (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)

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

Note 2: Tengzhou Heat Company is the subsidiary of Huadian Tengzhou Xinyuan Thermal 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 RMB21,000,000.

Note 3: Xixiang Heat Company is a wholly-owned subsidiary of Qudong Company, a subsidiary of the Company. The actual capital contribution at the end of the period is RMB24,570,000.

Note 4: Yuzhou Wind Power Company is a wholly-owned subsidiary of Hebei Huarui Energy Group Corporation Limited (“Huarui Group Company”), a subsidiary of the Company. The actual capital contribution at the end of the period is RMB120,000,000.

Note 5: Taihe Heat Company is the subsidiary of Huadian Weifang Power Generation Company Limited (“Weifang Company”), a subsidiary of the Company. Weifang Company owns 80% equity interest of Taihe Heat Company. The actual capital contribution at the end of the period is RMB40,000,000.

Note 6: Shuiluohe Company is the subsidiary of Huoxing Company and Xiexing Company, subsidiaries of the Company. Huoxing Company and Xiexing Company own 57% equity interests of Shuiluohe Company. The actual capital contribution at the end of the period is RMB313,337,200.

Note 7: Bailu Coal Company is a wholly-owned subsidiary of Maohua Company, a subsidiary of the Company. The actual capital contribution at the end of the period is RMB20,000,000.

Note 8: Nanjiang Thermal Power Company is jointly set up by the Company, Tianjin Gas Group Co., Ltd and Tianjin Binhai New Area Central Business District Investment Group Co., Ltd. The actual capital contribution at the end of the period is RMB85,800,000.

Note 9: Tiantou Heat Company is jointly set up by the Company and Tianjin Binhai New Area Central Business District Investment Group Co., Ltd. The actual capital contribution at the end of the period is RMB10,200,000.

Note 10: Fengyuan Trade Company is a wholly-owned subsidiary of Hebei Fengyuan Industrial Company Limited (“Fengyuan Company”), a wholly-owned subsidiary of Huarui Group Company. Huarui Group Company is a subsidiary of the Company. The actual capital contribution at the end of the period is RMB51,680,000.

Note 11: Huaxing Heat Company is jointly set up in 2013 by Huadian Zibo Thermal Power Company Limited (“Zibo Thermal Power Company”), a subsidiary of the Company and Zibo City Asset Management Company. The actual capital contribution at the end of the period is RMB10,000,000.

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

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

1. Background of major subsidiaries (continued)

(2) Subsidiaries acquired through business combinations under common control

Name of subsidiary	Type	Place of registration	Legal representative	Organisation code	Business nature and operation scope	Registered capital	Actual capital contribution		Proportion of ownership interest	Proportion of voting power	Consolidated or not consolidated	minority interests	Amount of the minority interests used to absorb profits or losses attributable to minority interests
							at the end of the period	of ownership interest					
		<i>Note 1</i>				RMB'000	RMB'000	%	%	(Y/N)	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	562,097	—	
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	(46,979)	—	
Anhui Huadian Suzhou Power Generation Company Limited ("Suzhou Company")	Limited company	Suzhou	Xu Xu	75299721-0	Generation and sale of electricity	854,912	829,267	97	97	Y	28,813	—	
Anhui Huadian Wuhu Power Generation Company Limited ("Wuhu Company")	Limited company	Wuhu	Xu Xu	76277372-0	Generation and sale of electricity	1,000,000	644,046	65	65	Y	464,233	—	
Hangzhou Huadian Banshan Power Generation Company Limited ("Banshan Company")	Limited company	Hangzhou	Gou Wei	14304951-4	Generation and sale of electricity and heat	1,111,700	729,724	64	64	Y	392,234	—	
Hebei Huadian Complex Pumping-storage Power Company Limited	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	172,576	—	

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

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

1. Background of major subsidiaries (continued)

(2) Subsidiaries acquired through business combinations under common control (continued)

Name of subsidiary	Type	Place of registration	Legal representative	Organisation code	Business nature and operation scope	Registered capital	Actual capital contribution		Proportion of ownership interest	Proportion of voting power	Consolidated or not consolidated	minority interests	Amount of the minority interests used to absorb profits or losses attributable to minority interests
							at the end of the period	at the end of the period					
		Note 1				RMB'000	RMB'000	%	%	(Y/N)	RMB'000	RMB'000	
Hebei Huadian Shijiazhuang Yuhua Thermal Power Company Limited ("Yuhua Thermal Power Company") (Note 12)	Limited company	Shijiazhuang	Kang Jinzhu	79138065-1	Generation and sale of electricity and heat	500,000	—	89.2	100	Y	38,664	—	
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	39,960	(5,206)	
Huadian Shuozhou Thermal Power Company Limited ("Shuozhou Thermal Power Company")	Limited company	Shuozhou	Xing Shibang	67448145-3	Generation and sale of electricity and heat (under construction)	40,000	40,000	100	100	Y	—	—	

Note 12: 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 actual capital contribution at the end of the period of Shijiazhuang Thermal Power Company and Huafeng Investment Company are RMB300,000,000 and RMB200,000,000 respectively.

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

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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	Place of registration <i>Note 1</i>	Legal representative	Organisation code	Business nature and operation scope	Actual capital contribution at the end of the period		Proportion of ownership interest	Proportion of voting power	Consolidated or not consolidated (Y/N)	minority interests RMB'000	Amount of the minority interests used to absorb profits or losses attributable to minority interests RMB'000
						Registered capital RMB'000	RMB'000					
Shaoguan Pingshi Power Plant Company Limited (B Plant) ("Pingshi Power Company")	Limited company	Lechang	Ma Ruidong	61745169-6	Generation and sale of electricity	989,000	784,706	100	100	Y	—	—
Shunge Mining Industry Company Limited of Inner Mongolia Alxa League Shunge Mining Group ("Shunge Company")	Limited company	Alxa League	Yang Shaoguo	75256317-2	Coal mine improvement and sales of mining equipment	30,000	672,078	100	100	Y	—	—
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	298,080	—
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	853,688	—
Weifang Company <i>(Note 13)</i>	Limited company	Weifang	Bai Hua	16542339-4	Generation and sale of electricity and heat	1,250,000	823,483	45	45	Y	1,198,545	—
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	18,306	—
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	11,596	—
Zagunao Hydroelectric Company	Limited company	Lixian	Luo Xiaoqian	75472823-3	Generation and sale of electricity	200,000	788,362	64	64	Y	182,011	(25,301)

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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 (continued)

Name of subsidiary	Type	Place of registration <i>Note 1</i>	Legal representative	Organisation code	Business nature and operation scope	Registered capital	Actual capital contribution at the end of the period	Proportion of ownership interest	Proportion of voting power	Consolidated or not consolidated	minority interests	Amount of the minority interests used to absorb profits or losses attributable to minority interests
						RMB'000	RMB'000	%	%	(Y/N)	RMB'000	RMB'000
Shijiazhuang Guanghua Thermal Power Company Limited ("Guanghua Thermal Power Company") (Note 14)	Limited Company	Shijiazhuang	Wu Xuechao	10439367-0	Generation and sale of electricity and heat	100,000	—	90	90	Y	—	—
Huarui Group Company (Note 14)	Limited company	Shijiazhuang	Gou Wei	75243920-0	Generation and sale of electricity and heat	938,000	1,366,895	100	100	Y	(18,841)	—
Huafeng Investment Company (Note 14)	Limited company	Shijiazhuang	Wang Li	75026749-2	Energy projects investment	977,300	—	100	100	Y	—	—
Fengyuan Company (Note 14)	Limited company	Shijiazhuang	Wang Li	73024734-7	Sale of coal and chemical products	502,000	—	100	100	Y	—	—
Shanxi Shuozhou Pinglu Maohua Wantongyuan Coal Company Limited ("Wantongyuan Coal Company") (Note 15)	Limited company	Shuozhou	Diao Youfeng	11147348-4	Resources consolidation, improvement and expansion services	10,000	—	70	70	Y	170,585	—
Shanxi Shuozhou Pinglu Maohua Dongyi Coal Company Limited ("Dongyi Coal Company") (Note 15)	Limited company	Shuozhou	Liu Xiankun	X0243004-7	Resources consolidation, improvement and expansion services	12,180	—	70	70	Y	159,521	(5,695)
Shandong Century Electric Power Development Corporation Limited ("Century Power Company") (Note 16)	Corporation Limited	Longkou	Bai Hua	16942322-8	Generation and sale of electricity and heat	488,000	2,120,369	84.31	84.31	Y	378,120	—
Longkou Dongyi Wind Power Company Limited ("Dongyi Wind Power Company") (Note 16)	Limited Company	Longkou	Sun Zhongjun	66199282-8	Generation and sale of electricity (under construction)	10,000	9,102	100	100	Y	—	—

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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 (continued)

Name of subsidiary	Type	Place of registration <i>Note 1</i>	Legal representative	Organisation code	Business nature and operation scope	Registered capital	Actual capital contribution at the end of the period	Proportion of ownership interest	Proportion of voting power	Consolidated or not consolidated	minority interests	Amount of the minority interests used to absorb profits or losses attributable to minority interests
						RMB'000	RMB'000	%	%	(Y/N)	RMB'000	RMB'000
Shijiazhuang Huadian Heat Corporation Limited ("Shijiazhuang Heat Company") (Note 17)	Limited company	Shijiazhuang	Kang Jinzhu	71836417-X	Sale of heat	425,370	330,374	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	120,750	(2,071)
Shenzhen Huanyu Star River Investment Company Limited ("Huanyu Company")	Limited company	Shenzhen	He Yongsheng	69713558-8	Investment and management of electricity	20,000	483,164	100	100	Y	—	—
Star River Hydropower Company (Note 18)	Limited company	Lixian	Luo Xiaoqian	77580354-6	Generation and sale of electricity	50,000	—	100	100	Y	—	—
Ganbao Hydropower Company (Note 18)	Limited company	Lixian	Luo Xiaoqian	77580353-8	Generation and sale of electricity	50,000	—	100	100	Y	—	—
Inner Mongolia Huatong Ruisheng Energy Company Limited ("Huatong Ruisheng") (Note 19)	Limited Company	Dalate Banner of Inner Mongolia Autonomous Region	Li Weidong	67439402-6	Coal mining and sales	30,000	1,320,315	90	90	Y	146,370	(332)

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (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 (continued)

Note 13: Although the Company's proportion of ownership interest and voting power 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 have power to govern 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 14: Guanghai Thermal Power Company was previously a subsidiary of Huarui Group Company, a subsidiary of the Company. Luhua Thermal Power Company, a subsidiary of the Company, acquired 100% equity interest of Guanghai Thermal Power Company from Huarui Group Company and Guanghai Thermal Power Company's minority shareholder during the current period. Thus Guanghai Thermal Power Company becomes a wholly-owned subsidiary of Luhua Thermal Power Company. The actual capital contribution at the end of the period is RMB82,595,000.

As at 30 June 2013, 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"), Handan Wanxing Thermal Power Company Limited ("Wanxing Thermal Power Company") and Yuzhou Wind Power Company. The actual capital contribution at the end of the period to Huafeng Investment Company, Fengyuan Company, Matou Thermal Power Company and Wanxing Thermal Power Company are RMB919,987,912, RMB171,146,267, RMB5,140,800 and RMB5,734,000 respectively.

Note 15: Dongyi Coal Company and Wantongyuan Coal Company are the subsidiaries of Maohua Company, a subsidiary of the Company. The actual capital contribution at the end of the period are RMB362,600,000 and RMB397,600,000 respectively.

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

As at 30 June 2013

(Expressed In Renminbi'000 Unless Otherwise Indicated)

IV. BUSINESS COMBINATIONS AND THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**1. Background of major subsidiaries (continued)**

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

Note 16: Dongyi Wind Power Company was previously a subsidiary of Century Power Company, a subsidiary of the Company. The Company acquired 100% equity interest from Century Power Company and Dongyi Wind Power Company's minority shareholder during the current period. Dongyi Wind Power Company becomes a wholly-owned subsidiary of the Company. The actual capital contribution at the end of the period is RMB9,101,878.

As at 30 June 2013, subsidiaries of Century Power Company, a subsidiary of the Company, include Qingdao Guhe Power Generation Company Limited ("Guhe Company") and Penglai Donghai Thermal Power Company Limited ("Donghai Thermal Power Company"). The actual capital contribution at the end of the period to Guhe Company and Donghai Thermal Power Company are RMB6,000,000 and RMB51,120,000 respectively.

Note 17: 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 actual capital contribution at the end of the period to above mentioned heat companies are RMB136,787,500, RMB79,461,746, RMB13,100,000, RMB31,900,000 and RMB688,000, respectively.

Note 18: Star River Hydropower Company and Ganbao Hydropower Company are the subsidiaries of Huanyu Company, a subsidiary of the Company. The actual capital contribution at the end of the period to Star River Hydropower Company and Ganbao Hydropower Company are both RMB50,000,000.

Note 19: Huatong Ruisheng, a subsidiary of the Company, was newly acquired from third parties during this current period. The actual capital contribution at the end of the period is RMB1,320,315,000.

2. The Company has no entities with special purpose or operating entities controlled through entrusted operating and leases during the period.**3. Changes of the consolidation scope of the Company during the period are referred to Note IV. 4.**

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

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

4. Subsidiaries that newly consolidated and those that ceased to be consolidated during the period

(1) *New subsidiaries that have been consolidated in the current period*

Name	Note	Net assets at 30 June 2013 RMB'000	Net loss for six months ended 30 June 2013 RMB'000
Huatong Ruisheng	Note 1	1,463,719	(3,308)
Nanjiang Thermal Power Company	Note 2	132,000	—
Tiantou Heat Company	Note 2	20,000	—
Fengyuan Trading Company	Note 2	51,680	—
Huaxing Heat Company	Note 2	10,000	—

Note 1: Huatong Ruisheng, a subsidiary of the Company, was newly acquired from a third party during the period. Net loss of Huatong Ruisheng of the period is the consolidated net loss from the acquisition date to 30 June 2013. Details are referred to Note IV. 1(3) and Note IV. 5.

Note 2: The above mentioned four companies are the subsidiaries newly established by the Company during the period. Details are referred to Note IV. 1(1).

(2) *The Company has no entity that is excluded from consolidation in the current period.*

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

As at 30 June 2013

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

5. Acquisition of a subsidiary

(1) Acquisition of Huatong Ruisheng

Huatong Ruisheng is a limited company established in Dalate Banner in Inner Mongolia Autonomous Region of the PRC On 29 August 2007. On the acquisition date, Wang Guangrui and Wang Guorui held 60% and 40% equity interests in Huatong Ruisheng, respectively. On 24 November 2011, the Company entered into agreement with Wang Guangrui and Wang Guorui to acquired 90% equity interests of Huatong Ruisheng with a total consideration of RMB1,320,315,000. The Company obtained control over Huatong Ruisheng on 25 March 2013.

As at acquisition date, Huatong Ruisheng had obtained coal mining rights. As Huatong Ruisheng has not yet commenced operation and its production facility was still under construction, the portfolios of the assets and liabilities acquired from the above acquisition did not contain the key element of a “process” and cannot constitute a business combination.

The identifiable assets and liabilities of Huatong Ruisheng are as follows:

Item	Acquisition Date (25 March 2013)		31 December 2012
	Carrying Amount RMB'000	Fair value RMB'000	Carrying Amount RMB'000
Cash at bank and on hand	1,491	1,491	16,899
Other receivables	29,593	29,593	25,758
Fixed assets	96,305	96,305	96,463
Construction in progress	38,719	38,719	38,070
Intangible assets	152,808	1,611,387	152,859
Short-term loan	(63,000)	(63,000)	(63,000)
Other payables	(247,478)	(247,478)	(256,170)
Total identifiable assets and liabilities	<u>8,438</u>	<u>1,467,017</u>	<u>10,879</u>
Less: minority interests		<u>146,702</u>	
Consideration		<u>1,320,315</u>	

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

As at 30 June 2013

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V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Cash at bank and on hand

Item	30 June 2013			31 December 2012		
	Foreign currency amount	Exchange rate	RMB	Foreign currency amount	Exchange rate	RMB
	'000		'000	'000		'000
Cash:						
RMB			1,704			1,488
Cash and bank:						
RMB			4,581,297			3,057,446
US dollar	641	6.1787	3,961	2,014	6.2855	12,659
HK dollar	5	0.7966	4	5	0.8109	4
Other monetary funds:						
RMB			225			128
Guarantee deposits for bank acceptance bills payable and others						
RMB			9,840			30,834
Total			<u>4,597,031</u>			<u>3,102,559</u>

As at 30 June 2013, restricted deposits in the balance of cash at bank mainly represent bank deposit in frozen bank accounts and enterprise production development fund of mining company amounting to RMB14,400,000 (2012: RMB11,651,000), as well as bank deposits with original maturity for six months amounting to RMB13,800,000 (2012: Nil).

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

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(Expressed In Renminbi'000 Unless Otherwise Indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. Bills receivable

(1) Categories of bills receivable

Category	30 June 2013 RMB'000	31 December 2012 RMB'000
Bank acceptance bills	549,163	599,417
Commercial acceptance bills	60,200	35,000
Total	<u>609,363</u>	<u>634,417</u>

All of the above bills are due within one year.

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

- (2) As at 30 June 2013, no commercial acceptance bill has been discounted by the Group (2012: Nil).
- (3) As at 30 June 2013, there are no acceptance bills reclassified to trade receivable due to the drawers' inability to settle on maturity.
- (4) As at 30 June 2013, derecognition of bills receivable due to the transfer of financial assets are as follows:

Item	Amount derecognised RMB'000	Losses related to derecognition RMB'000
Bank acceptance bill discounted and endorsed	<u>1,008,704</u>	<u>2,350</u>

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

As at 30 June 2013

(Expressed In Renminbi'000 Unless Otherwise Indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. Bills receivable (continued)

(5) As at 30 June 2013, the top five bills endorsed by the Company to other parties which are not yet due at the end of the period are as follows:

Name of drawer	Date of issue	Maturity date	Amount RMB'000
1. China Construction Bank Co., Ltd. Xinxiang Chengnan subbranch	27 February 2013	27 August 2013	10,000
2. China Merchants Bank Co., Ltd. Lanzhou Centural Square subbranch	25 March 2013	25 September 2013	10,000
3. Bank of Communications Co., Ltd. Ningxia branch	10 January 2013	10 July 2013	10,000
4. China Merchants Bank Co., Ltd. Lanzhou Centural Square subbranch	25 March 2013	25 September 2013	10,000
5. China Merchants Bank Co., Ltd. Lanzhou Centural Square subbranch	25 March 2013	25 September 2013	10,000
Total			<u>50,000</u>

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

As at 30 June 2013

(Expressed In Renminbi'000 Unless Otherwise Indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. Trade receivables

(1) Trade receivables by customer type are as follow:

Category	30 June 2013 RMB'000	31 December 2012 RMB'000
1. Trade receivables for sale of electricity	4,891,056	6,147,944
2. Trade receivables for sale of heat	405,238	267,754
3. Trade receivables for sale of coal	390,181	221,240
Sub-total	5,686,475	6,636,938
Less: Provision for bad and doubtful debts	23,229	23,229
Total	<u>5,663,246</u>	<u>6,613,709</u>

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

Ageing	30 June 2013 RMB'000	31 December 2012 RMB'000
Within one year (inclusive)	5,375,546	6,449,998
Between one and two years (inclusive)	298,491	169,894
Between two and three years (inclusive)	12,438	17,046
Over three years	—	—
Sub-total	5,686,475	6,636,938
Less: Provision for bad and doubtful debts	23,229	23,229
Total	<u>5,663,246</u>	<u>6,613,709</u>

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

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

As at 30 June 2013

(Expressed In Renminbi'000 Unless Otherwise Indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. Trade receivables (continued)

(3) Trade receivables by category

Category	Note	30 June 2013				31 December 2012			
		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)	5,373,293	94.49	19,239	0.36	6,282,844	94.66	19,239	0.31
Other insignificant trade receivables	(5)	313,182	5.51	3,990	1.27	354,094	5.34	3,990	1.13
Total		<u>5,686,475</u>	<u>100.00</u>	<u>23,229</u>	<u>0.41</u>	<u>6,636,938</u>	<u>100.00</u>	<u>23,229</u>	<u>0.35</u>

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

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

Content of trade receivables	Gross carrying amount	Provision for bad and doubtful debts	Proportion of provision	Reasons
	RMB'000	RMB'000	(%)	
Sale of heat	19,239	19,239	100.00	Individual recognition
	<u>19,239</u>	<u>19,239</u>		

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

As at 30 June 2013

(Expressed In Renminbi'000 Unless Otherwise Indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. Trade receivables (continued)

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

Content of trade receivables	Gross carrying amount RMB'000	Provision for bad and doubtful debts RMB'000	Proportion of provision (%)	Reasons
Sale of electricity	820	820	100.00	Individual recognition
Sale of coal	3,170	3,170	100.00	Individual recognition
Total	<u>3,990</u>	<u>3,990</u>	100.00	

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

- (7) The Group does not actually write-off any trade receivables during the period.

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

As at 30 June 2013

(Expressed In Renminbi'000 Unless Otherwise Indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. Trade receivables (continued)

(8) As at 30 June 2013, top five entities with the largest balances of trade receivables

Name of entities	Relationship with the Company	Amount RMB'000	Ageing	Proportion of amount to the total trade receivables (%)
1. Shandong Electric Power Group Corporation	Third party	2,135,142	Within one year (Note)	37.55
2. Ningxia Electric Power Company	Third party	650,560	Within one year (Note)	11.44
3. Sichuan Electric Power Corporation	Third party	405,202	Within one year	7.13
4. East Inner Mongolia Electric Power Company	Third party	372,791	Within one year (Note)	6.56
5. Hebei Electric Power Corporation	Third party	<u>370,552</u>	Within one year	<u>6.52</u>
Total		<u>3,934,247</u>		<u>69.19</u>

Note: As at 30 June 2013, the amounts due from Shandong Electric Power Group Corporation, Ningxia Electric Power Company and East Inner Mongolia Electric Power Company, amounted to RMB7,606,599, RMB196,120,799 and RMB46,342,767 are over one year, respectively, all of which are receivables for new energy subsidies.

(9) No amount due from shareholders who hold 5% or above of the Company's share with voting power or other related parties of the Group is included in the closing balance of trade receivables.

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

As at 30 June 2013

(Expressed In Renminbi'000 Unless Otherwise Indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. Trade receivables (continued)

(10) As at 30 June 2013, derecognition of trade receivables due to transfer of financial assets

Item	Amount derecognised RMB'000	Losses arising from the derecognition RMB'000
Factored trade receivables without recourse	1,027,000	674

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

4. Other receivables

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

Ageing	30 June 2013 RMB'000	31 December 2012 RMB'000
Within one year (inclusive)	237,920	1,172,565
Between one and two years (inclusive)	297,007	286,303
Between two and three years (inclusive)	74,118	7,305
Over three years	79,760	77,191
Sub-total	688,805	1,543,364
Less: Provision for bad and doubtful debts	142,307	142,307
Total	546,498	1,401,057

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

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

As at 30 June 2013

(Expressed In Renminbi'000 Unless Otherwise Indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. Other receivables (continued)

(2) Other receivables by category

Category	30 June 2013				31 December 2012			
	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	586,493	85.15	140,066	23.88	1,480,091	95.90	140,066	9.46
Other insignificant other receivables	102,312	14.85	2,241	2.19	63,273	4.10	2,241	3.54
Total	<u>688,805</u>	<u>100.00</u>	<u>142,307</u>	<u>20.66</u>	<u>1,543,364</u>	<u>100.00</u>	<u>142,307</u>	<u>9.22</u>

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

(3) Provision for bad and doubtful debts for individually significant other receivables at the end of the period

Content of other receivables	Gross carrying amount	Provision for bad and doubtful debts	Proportion of provision	Reasons
	RMB'000	RMB'000	(%)	
Receivables on CERs	84,614	84,614	100.00	Remote likelihood of recovery
Advance payments	45,267	45,267	100.00	Long ageing
Receivables on construction projects	8,387	8,387	100.00	Long ageing
Others	<u>1,798</u>	<u>1,798</u>	100.00	Long ageing
Total	<u>140,066</u>	<u>140,066</u>	100.00	

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

As at 30 June 2013

(Expressed In Renminbi'000 Unless Otherwise Indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. Other receivables (continued)

- (4) The Group does not receive or recover any provision for bad and doubtful debts made in full or in significant portion on individually significant other receivables in previous years.
- (5) The Group does not actually write-off any other receivables during the period.
- (6) As at 30 June 2013, top five entities with the largest balances of other receivables

Name of enterprise	Relationship with the Company	Amount RMB'000	Ageing	Percentage of total trade receivables (%)
1. Shuozhou Tongmei Wantongyuan Erpu Coal Transportation and Sales Co., Ltd. ("Erpu Transportaton and Sales Company")	Related party	89,900	Within one year and between one and two years	13.05
2. Li Junzhi	Third party	67,110	Within one year and between one and two years	9.74
3. Linfen City Changfa Coal Coke Co., Ltd ("Linfen Changfa Company")	Related party	54,748	Between one and six years	7.95
4. Camco Carbon Limited	Third party	47,050	Between one and two years	6.83
5. Shandong Longkou Hualong Heat Engineering Co., Ltd	Third party	40,393	Between two and three years	5.86
Total		<u>299,201</u>		<u>43.43</u>

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

As at 30 June 2013

(Expressed In Renminbi'000 Unless Otherwise Indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. Other receivables (continued)

- (7) No amount due from shareholders who hold 5% or above of the Company's shares with voting power or other related parties 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 period.
- (9) The Group does not securitize other receivables, and has no asset or liability recognized due to the continuing involvement of securitized other receivables.

5. Prepayments

- (1) Prepayments by category:

Item	30 June 2013 RMB'000	31 December 2012 RMB'000
Prepayments for purchase of fuel	301,399	717,998
Prepayments for purchase of materials	415,001	210,113
Total	716,400	928,111

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

As at 30 June 2013

(Expressed In Renminbi'000 Unless Otherwise Indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. Prepayments (continued)

(2) Prepayments by ageing

Ageing	30 June 2013		31 December 2012	
	Amount RMB'000	Proportion (%)	Amount RMB'000	Proportion (%)
Within one year (inclusive)	632,498	88.29	861,107	92.78
Between one and two years (inclusive)	75,629	10.56	62,201	6.70
Between two and three years (inclusive)	4,594	0.64	1,206	0.13
Over three years	3,679	0.51	3,597	0.39
Total	<u>716,400</u>	<u>100.00</u>	<u>928,111</u>	<u>100.00</u>

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

As at 30 June 2013, the Group does not have individually significant prepayments with ageing over one year, except for prepayments for purchase of fuel.

- (3) No amount due from shareholders who hold 5% or above of the Company's shares with voting power or other related parties of the Group is included in the closing balance of prepayments.

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

As at 30 June 2013

(Expressed In Renminbi'000 Unless Otherwise Indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6. Inventories

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

Item	Opening balance <i>RMB'000</i>	Increase in current period <i>RMB'000</i>	Decrease in current period <i>RMB'000</i>	Closing balance <i>RMB'000</i>
Coal, stalk and gas	2,575,194	16,985,411	17,202,321	2,358,284
Fuel oil	119,833	62,019	79,512	102,340
Materials, components and spare parts	<u>762,949</u>	<u>5,023,089</u>	<u>4,937,706</u>	<u>848,332</u>
Sub-total	3,457,976	22,070,519	22,219,539	3,308,956
Less: Provision for diminution in value of inventories	<u>74,844</u>	<u>—</u>	<u>—</u>	<u>74,844</u>
Total	<u><u>3,383,132</u></u>	<u><u>22,070,519</u></u>	<u><u>22,219,539</u></u>	<u><u>3,234,112</u></u>

(2) Provision for diminution in value of inventories

Category of inventories	Opening balance <i>RMB'000</i>	Increase in current period <i>RMB'000</i>	Decrease in current period		Closing balance <i>RMB'000</i>
			Reversal <i>RMB'000</i>	Write-off <i>RMB'000</i>	
Materials, components and spare parts	<u>74,844</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>74,844</u>

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

As at 30 June 2013

(Expressed In Renminbi'000 Unless Otherwise Indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. Other current assets

Item	30 June 2013 RMB'000	31 December 2012 RMB'000
VAT recoverable and prepaid other taxes	870,040	986,754
Other	2,289	—
Sub-total	872,329	986,754
Less: Provision for impairment	—	—
Total	<u>872,329</u>	<u>986,754</u>

8. Available-for-sale financial assets

As at 30 June 2013, available-for-sale financial assets represent 7,886,010 (2012: 7,886,010) shares of the Bank of Communications Co., Ltd. The change in fair value of available-for-sale financial assets is referred to Note IX. 3.

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

As at 30 June 2013

(Expressed In Renminbi'000 Unless Otherwise Indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9. Long-term receivables

Item	30 June 2013 RMB'000	31 December 2012 RMB'000
Long-term loan receivables	46,973	54,268
Long-term entrusted loan receivables	—	20,000
Finance leases (sales and leaseback) deposits	<u>113,770</u>	<u>112,706</u>
Sub-total	160,743	186,974
Less: Provision for bad and doubtful debts	—	—
Less: Non-current assets due within one year	<u>37,677</u>	<u>42,094</u>
Total	<u><u>123,066</u></u>	<u><u>144,880</u></u>

As at 30 June 2013, Long-term loan receivables represent receivables of principle and interests amounting to RMB46,973,082 (2012: RMB54,364,738) 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 prevailing bank lending rate set by the People's Bank of China. The receivables include RMB37,676,844, which is due within one year, and the rest of which will due before 2015.

As at 30 June 2013, 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 the deduction to the rent payments at the end of period of finance leases (sales and leaseback) 2014 to 2016.

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

As at 30 June 2013

(Expressed In Renminbi'000 Unless Otherwise Indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

10. Long-term equity investments

(1) Long-term equity investments by category

Item	30 June 2013 RMB'000	31 December 2012 RMB'000
Investments in associates	10,352,576	9,984,055
Other long-term equity investments	<u>320,895</u>	<u>320,895</u>
Sub-total	10,673,471	10,304,950
Less: Provision for impairment	<u>—</u>	<u>—</u>
Total	<u><u>10,673,471</u></u>	<u><u>10,304,950</u></u>

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

Investee	Investment cost RMB'000	Opening balance RMB'000	Movement of additions and reductions RMB'000	Adjustments under equity method			Cash dividends for the period RMB'000	Closing balance RMB'000	Proportion of ownership interest in the investee (%)	Proportion of voting Power in the investee (%)
				Gains/ (losses) in investment RMB'000	Transfer of capital reserve RMB'000	—				
Huadian Property Co., Ltd. ("Huadian Property") (Note 1)	440,000	282,290	150,000	1,556	—	—	433,846	16.57	16.57	
Sichuan Luzhou Chuannan Power Generation Company Limited ("Luzhou Company")	344,000	—	—	—	—	—	—	40.00	40.00	
China Huadian Finance Corporation Limited ("China Huadian Finance") (Note 1)	861,095	1,120,534	—	69,314	—	(28,336)	1,161,512	15.91	16.46	

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

As at 30 June 2013

(Expressed In Renminbi'000 Unless Otherwise Indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

10. Long-term equity investments (continued)

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

Investee	Investment cost	Opening balance	Movement of additions and reductions	Adjustments under equity method		Cash dividends for the period	Closing balance	Proportion of ownership interest in the investee	Proportion of voting Power in the investee
				Gains/ (losses) in investment	Transfer of capital reserve				
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	(%)	(%)
Huadian Coal Industry Group Company Limited ("Huadian Coal") (Note 1)	465,214	1,465,699	—	(29,720)	15,911	—	1,451,890	12.56	12.72
Huadian Jinshajiang Upstream Hydropower Development Co. Ltd. ("Jinshajiang Hydropower")	74,990	74,990	—	—	—	—	74,990	20.00	20.00
Hengshui Hengxing Power Generation Company Limited ("Hengshui Hengxing")	189,604	194,567	—	14,446	—	—	209,013	30.00	30.00
Hebei Jiantou Yuzhou Wind Power Company Limited ("Yuzhou Wind Company")	165,819	191,203	—	19,699	—	—	210,902	44.08	44.08
Xingtai Guotai Power Generation Company Limited ("Xingtai Guotai")	208,842	191,465	—	17,026	—	—	208,491	35.00	35.00
Hebei Xibaipo Second Power Generation Company Limited ("Xibaipo Company")	435,996	453,252	—	28,693	—	—	481,945	35.00	35.00
Guodian Inner Mongolia Dongsheng Thermal Power Company Limited ("Dongsheng Thermal Company")	112,812	154,379	—	19,714	—	—	174,093	20.00	20.00
Guodian Huai'an Thermal Power Company Limited ("Huai'an Thermal Company")	143,682	225,477	—	20,763	—	—	246,240	35.00	35.00

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

As at 30 June 2013

(Expressed In Renminbi'000 Unless Otherwise Indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

10. Long-term equity investments (continued)

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

Investee	Investment cost	Opening balance	Movement of additions and reductions	Adjustments under equity method		Cash dividends for the period	Closing balance	Proportion of ownership interest in the investee	Proportion of voting Power in the investee
				Gains/ (losses) in investment	Transfer of capital reserve				
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	(%)	(%)
Otog Front Banner Changcheng Mine Company Limited ("Changcheng Mine Company")	452,612	639,001	—	(5,359)	6,953	—	640,595	35.00	35.00
Inner Mongolia Fucheng Mining Company Limited ("Fucheng Mining Company")	498,043	657,229	—	7,133	13,090	—	677,452	35.00	35.00
Ningxia Ningdong Railway Corporation Limited ("Ningdong Railway Company") (Note 1)	300,000	380,959	—	12,904	—	—	393,863	8.49	8.49
Otog Front Banner Quanhui Trading Company Limited ("Quanhui Trading")	938,834	938,834	—	—	—	—	938,834	35.00	35.00
Otog Front Banner Baihui Trading Company Limited ("Baihui Trading")	569,724	569,724	—	—	—	—	569,724	35.00	35.00
Otog Front Banner Zhengtai Trading Company Limited ("Zhengtai Trading")	644,885	644,885	—	—	—	—	644,885	35.00	35.00
Ningxia Yinxing Coal Company Limited ("Yinxing Coal")	678,000	678,000	—	21,253	—	—	699,253	50.00	40.00
Sichuan Huayingshan Longtan Coal Company Limited ("Longtan Coal Company")	64,910	145,805	—	6,626	10,606	—	163,037	36.00	45.00
Sichuan Balanghe Hydropower Development Company Limited ("Balanghe Hydropower")	142,782	147,068	—	(1,099)	—	—	145,969	20.00	20.00

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

As at 30 June 2013

(Expressed In Renminbi'000 Unless Otherwise Indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

10. Long-term equity investments (continued)

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

Investee	Investment cost	Opening balance	Movement of additions and reductions	Adjustments under equity method		Cash dividends for the period	Closing balance	Proportion of ownership interest in the investee	Proportion of voting Power in the investee
				Gains/ (losses) in investment	Transfer of capital reserve				
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	(%)	(%)
Erpu Coal Transportation and Sales Company	116,000	116,000	—	—	—	—	116,000	49.00	49.00
Datang Xiangcheng Hydropower Development Company Limited ("Xiangcheng Hydropower")	303,853	303,661	192	—	—	—	303,853	49.00	49.00
Datang Derongtangdian Hydropower Development Company Limited ("Derong Hydropower")	49,028	49,028	—	—	—	—	49,028	49.00	49.00
Other associates	363,121	360,005	—	(2,844)	—	—	357,161		
Total	8,563,846	9,984,055	150,192	200,105	46,560	(28,336)	10,352,576		

Note 1: Although the Company's proportion of ownership interest and voting power 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 recognise them as associates.

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

As at 30 June 2013

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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 period is as follows: (continued)

Investee	Investment cost	Opening balance	Movements of additions and reductions	Closing balance	Proportion of	Proportion	Cash dividends for the period
					ownership interest in the investee	of voting power in the investee	
	RMB'000	RMB'000	RMB'000	RMB'000	(%)	(%)	RMB'000
Shandong Luneng Heze Coal Power Development Company Limited ("Luneng Heze Company")	103,609	103,609	—	103,609	12.27	12.27	—
Jiantou Renqiu Thermal Company	50,537	50,537	—	50,537	17.44	17.44	—
Litang Heyuan Hydropower Company	16,854	16,854	—	16,854	5.50	5.50	—
Sichuan Daduhe Shuangjiangkou Hydropower Development Company Limited ("Daduhe Hydropower Company")	23,500	23,500	—	23,500	5.00	5.00	—
Sichuan Huayingshan Coal Corporation Limited	20,000	20,000	—	20,000	2.00	2.00	—
Hebei Handan Thermal Power Corporation Limited	72,289	72,289	—	72,289	16.00	16.00	—
Sichuan Bahe Hydropower Development Company Limited	29,945	29,945	—	29,945	10.00	10.00	—
Other investments	4,161	4,161	—	4,161			—
Total	320,895	320,895	—	320,895			—

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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

Name of investee	Type	Place of registration	Leal representative	Organisation code	Principal operation	Registered capital	Investee's total assets at the end of the period	Total net assets at the end of the period	Total operating income for the period
						RMB'000	RMB'000	RMB'000	RMB'000
		<i>Note 1</i>							
Huadian Property Limited company	Limited company	Beijing	Cao Yinchang	77545281-1	Property Development	2,197,500	4,759,801	2,694,260	193,320
Luzhou Company	Limited company	Luzhou	Gao Chun	76728573-4	Generation and sale and electricity	860,000	4,034,510	348,142	1,048,804
Huadian Coal	Limited company	Beijing	Ding Huande	71093361-4	Provision of coal procurement service	3,657,143	54,779,289	17,515,939	8,521,394
China Huadian Finance	Limited company	Beijing	Chen Yu	11778303-7	Provision of corporate financial service to its group companies	5,000,000	30,109,758	7,056,006	758,055
Hengshui Hengxing	Limited company	Hengshui	Wang Jinsheng	74341504-7	Generation and sale of electricity and heat	475,000	1,445,158	640,471	625,450
Yuzhou Wind Company	Limited company	Zhangjiakou	Cao Xin	79842721-3	Generation and sale of electricity	364,000	1,608,280	466,782	95,002
Xingtai Guotai	Limited company	Xingtai	Wang Jinsheng	75244165-0	Generation and sale of electricity and heat	400,000	1,611,178	507,538	704,404
Xibaipo Company	Limited company	Shijiazhuang	Wang Yongzhong	75243698-2	Generation and sale of electricity and heat	880,000	3,384,626	1,201,088	1,026,879
Dongsheng Thermal Power Company	Limited company	Ordos	Miu Jun	78300656-3	Generation and sale of electricity and heat	500,000	3,367,455	670,988	507,669
Huai'an Thermal Company	Limited company	Zhangjiakou	Li Enyi	78981246-X	Generation and sale of electricity and heat	514,800	2,008,395	634,656	631,722
Changcheng Mine Company	Limited company	Inner Mongolia	Liu Duhong	77221211-8	Sale of mechanical equipment and accessories for coal mines	23,077	1,988,047	1,376,364	367,401
Fucheng Mining Company	Limited company	Inner Mongolia	Liu Fudao	78707803-8	Sale of ironstone and steel products	150,000	3,507,334	1,779,108	691,485
Yinxing Coal	Limited company	Yinchuan	Huang Jinhai	67040432-X	Development and operation of coal mines	611,000	1,440,653	704,123	250,848
Ningdong Railway Company	Corporation limited	Yinchuan	Bao Jinquan	69432300-6	Railway development and management	3,533,368	5,210,428	4,239,857	410,735
Quanhui Trading	Limited company	Inner Mongolia	Liu Canhua	78300453-3	Building material, hardware & electrical & products, agriculture livestock products and electric products wholesale and retail (under construction)	5,000	3,710,719	2,682,383	—

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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 (continued)

Name of investee	Type	Place of registration	Leal representative	Organisation code	Principal operation	Registered	Investee's	Total net	Total
						capital	total assets	assets at the	operating
						at the end of	at the end of	end of the	income for
						the period	the period	period	the period
						RMB'000	RMB'000	RMB'000	RMB'000
Baihui Trading	Limited company	Inner Mongolia	Yang Guangxiang	78300454-1	Building material, hardware & electrical & products, agriculture livestock products and electric products wholesale and retail (under construction)	5,000	2,100,243	1,627,783	—
Zhengtai Trading	Limited company	Inner Mongolia	Wang Tao	76106842-1	Hardware & electro mechanical products, diary commodities, agriculture & livestock products and electric products wholesale and retail (under construction)	6,770	1,842,817	1,842,529	—
Jinshajiang Hydropower	Limited company	Chengdu	Yang Qingting	78911988-4	Generation and sale of electricity (under construction)	92,552	2,320,944	374,952	—
Longtan Coal Company	Limited company	Guang'an	Gao Zhengqiang	74692267-7	Coal mining and sales	36,000	881,031	362,614	224,621
Erpu Coal Transportation and Sales Company	Limited company	Shuozhou	Zhang Junhui	57108816-5	Development of coal mines	20,000	189,687	20,000	—
Balanghe Hydropower	Limited company	Ganzi Tibetan Autonomous Region	Sun Yun	77984224-3	Generation and sale of electricity	120,000	1,545,117	535,915	88,272
Xiangcheng Hydropower	Limited company	Ganzi Tibetan Autonomous Region	Ren Ming	66955585-X	Generation and sale of electricity (under construction)	585,000	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	—

Note 1: All associates with significant investment are registered in the People's Republic of China.

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

As at 30 June 2013

(Expressed In Renminbi'000 Unless Otherwise Indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

11. Fixed assets

(1) Fixed assets

Item	Plants and buildings <i>RMB'000</i>	Generators and related machinery and equipment <i>RMB'000</i>	Mining structures <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
Cost					
Balance at the beginning of the period	43,053,987	101,548,738	898,644	2,647,005	148,148,374
Transferred from construction in progress	312,414	574,243	—	93,818	980,475
Additions from acquisition of a subsidiary	93,199	—	—	3,106	96,305
Net addition from sales and leaseback	—	(33,700)	—	—	(33,700)
Other additions during the period	2,103	3,260	—	63,771	69,134
Disposals during the period	(18,177)	(148,316)	(5,217)	(19,880)	(191,590)
Balance at the end of the period	43,443,526	101,944,225	893,427	2,787,820	149,068,998

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

As at 30 June 2013

(Expressed In Renminbi'000 Unless Otherwise Indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

11. Fixed assets (continued)

(1) Fixed assets (continued)

Item	Plants and	Generators and related machinery and	Mining	Others	Total
	buildings	equipment	structures		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Accumulated depreciation					
Balance at the beginning					
of the period	(8,843,753)	(31,085,900)	(5,005)	(1,321,895)	(41,256,553)
Charge for the period	(786,865)	(2,654,294)	(22,677)	(110,044)	(3,573,880)
Disposals on sales and leaseback	—	26,754	—	—	26,754
Written-back during the period	13,843	137,814	—	13,904	165,561
Balance at the end of the period	(9,616,775)	(33,575,626)	(27,682)	(1,418,035)	(44,638,118)
Provision for impairment losses					
Balance at the beginning					
of the period	—	(10,564)	—	—	(10,564)
Charge for the period	—	—	—	—	—
Balance at the end of the period	—	(10,564)	—	—	(10,564)
Carrying amounts					
At the end of the period	<u>33,826,751</u>	<u>68,358,035</u>	<u>865,745</u>	<u>1,369,785</u>	<u>104,420,316</u>
At the beginning of the period	<u>34,210,234</u>	<u>70,452,274</u>	<u>893,639</u>	<u>1,325,110</u>	<u>106,881,257</u>

On 30 June 2013, certain pledged fixed assets of the Group result in the restriction on title, which are described in Note V. 19.

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

As at 30 June 2013

(Expressed In Renminbi'000 Unless Otherwise Indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

11. Fixed assets (continued)

(2) As at 30 June 2013, the Group did not has any temporary idle fixed assets.

(3) Fixed assets leased under finance leases (sales and leaseback):

Item	30 June 2013			31 December 2012		
	Cost	Accumulated depreciation	Net carrying amount	Cost	Accumulated depreciation	Net carrying amount
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Generators and related machinery and equipment	1,256,792	(88,908)	1,167,884	1,056,792	(52,997)	1,003,795

(4) As at 30 June 2013, the Group did not have any fixed assets held for sale.

(5) As at 30 June 2013, the Group has certain of fixed assets with pending certificates of ownership. The Board of Directors considered that the Group was entitled to lawfully and effectively occupy or use of those fixed assets.

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

As at 30 June 2013

(Expressed In Renminbi'000 Unless Otherwise Indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

12. Construction in progress

(1) Changes in significant construction in progress in the period

Project	Budget amount	Opening balance	Additions through acquisition	Additions for the period	Transfer to fixed assets	Closing balance	Amount	Amount of capitalised interest	Including: interest for the period	Source of funds
							injected as a proportion of budget amount			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		RMB'000	RMB'000	
Laizhou Power Phase I generating units	7,420,000	125,302	—	20,840	—	146,142	89%	—	—	Self-financing and bank loans
Shuiluohu Company preliminary hydropower plants	12,413,778	399,490	—	37,885	(54,073)	383,302	3%	2,513	2,472	Self-financing and bank loans
Banshan Company Co-generation Project	3,798,480	817,079	—	104,355	—	921,434	52%	98,288	44,228	Self-financing and bank loans
Zagunao Hydroelectric Company Shiziping hydroelectric project	3,082,000	658,349	—	107,231	—	765,580	132%	52,931	9,180	Self-financing and bank loans
Qudong Company Thermal Power project	2,843,720	710,618	—	331,442	—	1,042,060	90%	138,290	33,943	Self-financing and bank loans
Zibo Thermal Power Company Phase II generating units	2,776,080	452,817	—	45,420	—	498,237	76%	111,555	19,861	Self-financing and bank loans
Lu'an Company Phase I&II generating units	4,476,140	341,602	—	220,472	—	562,074	13%	42,420	24,706	Self-financing and bank loans
Maohua Company Coal Mine projects	1,734,316	721,612	—	232,948	—	954,560	122%	75,461	23,375	Self-financing and bank loans
Shuiluohu Company Saduo Hydropower plant	1,796,800	1,077,763	—	38,528	—	1,116,291	62%	121,046	33,331	Self-financing and bank loans
Shuiluohu Company Ninglang Hydropower plant	1,012,320	748,968	—	37,309	—	786,277	112%	146,874	16,942	Self-financing and bank loans

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

As at 30 June 2013

(Expressed In Renminbi'000 Unless Otherwise Indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

12. Construction in progress (continued)

(1) Changes in significant construction in progress in the period (continued)

Project	Budget amount	Opening balance	Additions through acquisition	Additions for the period	Transfer to fixed assets	Closing balance	Amount	Amount of capitalised interest	Including: capitalised interest for the period	Source of funds
							injected as a proportion of budget amount			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		RMB'000	RMB'000	
Shaoguan Thermal Power Company 2*350MW project	3,212,060	151,820	—	8,785	—	160,605	5%	4,803	1,177	Self-financing and bank loans
New Energy Company Haiyuan Wuyuan Phase I project	449,413	61,627		98,085	(1,410)	158,302	36%	8,476	6,830	Self-financing and bank loans
Xiasha Thermal Power Company Natural gas Co-generation Project	1,393,470	509,913		131,590	(42,996)	598,507	47%	17,209	12,637	Self-financing and bank loans
Laizhou Port Company port project	717,110	444,622		105,601	(335,187)	215,036	81%	33,834	33,106	Self-financing and bank loans
Desulphurisation, technical improvement projects and others		4,501,834	38,719	1,593,513	(546,809)	5,587,257		294,408	52,886	Self-financing and bank loans
Total carrying amounts		11,723,416	38,719	3,114,004	(980,475)	13,895,664		1,148,108	314,674	
Less: impairment losses (2)		52,486	—	—	—	52,486				
Total net book value		11,670,930				13,843,178				

Note 1: As at 30 June 2013, certain pledged construction in progress of the Group result in the restriction on title, which are described in Note V.19.

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

As at 30 June 2013

(Expressed In Renminbi'000 Unless Otherwise Indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

12. Construction in progress (continued)

(2) Provision for impairment losses for construction in progress

Project	Opening balance RMB'000	Increase for the period RMB'000	Decrease for the period RMB'000	Closing balance RMB'000
Tengzhou Thermal Power Company Phase III preliminary project	20,940	—	—	20,940
Luoyang nuclear power preliminary project	17,242	—	—	17,242
Zibo Thermal Power Company Gaoqing project	11,885	—	—	11,885
Tianjin Dagang Phase III preliminary project	2,419	—	—	2,419
Total	<u>52,486</u>	<u>—</u>	<u>—</u>	<u>52,486</u>

The above projects of the Group were identified that the likelihood to obtain preliminary approval is remote. As a result, the Group provided impairment losses fully for the carrying amounts of these projects.

13. Construction materials

Item	Opening balance RMB'000	Additions through acquisition RMB'000	Additions for the period RMB'000	Decreases for the period RMB'000	Closing balance RMB'000
Construction materials	<u>13,631</u>	<u>—</u>	<u>650,676</u>	<u>(513,319)</u>	<u>150,988</u>

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

As at 30 June 2013

(Expressed In Renminbi'000 Unless Otherwise Indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

14. Intangible assets

Item	Mining rights		Concession assets	Development right of hydropower	Others	Total
	Land use rights and sea use right	and mineral exploration rights				
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost						
Balance at the beginning						
at the period	2,717,036	7,102,785	2,946,886	1,382,954	39,770	14,189,431
Additions for the period	3,054	302	—	—	2,763	6,119
Additions from acquisition of a subsidiary	—	1,611,387	—	—	—	1,611,387
Balance at the end of the period	2,720,090	8,714,474	2,946,886	1,382,954	42,533	15,806,937
Accumulated amortization						
Balance at the beginning of the period	(378,133)	(40,539)	(326,831)	—	(16,675)	(762,178)
Charge for the period	(28,204)	(15,978)	(60,616)	—	(2,597)	(107,395)
Balance at the end of the period	(406,337)	(56,517)	(387,447)	—	(19,272)	(869,573)
Carrying amounts						
At the end of the period	2,313,753	8,657,957	2,559,439	1,382,954	23,261	14,937,364
At the beginning of the period	2,338,903	7,062,246	2,620,055	1,382,954	23,095	13,427,253

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (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 and Laizhou Power, 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. On 30 June 2013, the net book value of the concession assets held under finance lease amounted to RMB290,540,000 (31 December 2012: RMB299,002,000).

Development right of hydropower was obtained through acquisition of Shuiluohe Company in 2011. As at the acquisition date, all preliminary hydropower projects of Shuiluohe Company obtained approval for basin development and preliminarily 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.

On 30 June 2013, the Group has the pledged intangible assets that have been restricted on the ownership. Details are referred to Note V. 19.

On 30 June 2013, the Group's total land use rights with indefinite life amounted to RMB459,077,000 (30 June 2012: RMB459,077,000). They were mainly land use rights assigned by the PRC's land bureau with indefinite land use period. The Company and its subsidiaries will perform annual impairment test on intangible assets with indefinite useful life at year end.

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

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(Expressed In Renminbi'000 Unless Otherwise Indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

15. Goodwill

Investee name	Note	Opening	Addition for	Decrease for	Closing	Provision for
		balance	the period	the period	balance	impairment
		RMB'000	RMB'000	RMB'000	RMB'000	at the
						period end
						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	47,614	—	—	47,614	(6,155)
Century 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	—
Total		873,186	—	—	873,186	(6,155)

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

The Company and its subsidiaries will perform annual impairment testing on goodwill at year end of 2013.

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

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(Expressed In Renminbi'000 Unless Otherwise Indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16. Deferred tax assets /deferred tax liabilities

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

Item	30 June 2013		31 December 2012	
	Deductible/ (taxable) temporary differences RMB'000	Deferred tax assets/ (liabilities) RMB'000	Deductible/ (taxable) temporary differences RMB'000	Deferred tax assets/ (liabilities) RMB'000
Provision for stock and bad debt	245,214	49,748	245,214	49,748
Accrued wages expenses	32,432	8,001	32,851	8,106
Tax losses	1,695,912	423,978	1,741,085	435,272
Fair value adjustment	(6,703,256)	(1,651,708)	(6,818,278)	(1,680,299)
Depreciation of fixed assets	(4,650,135)	(1,162,258)	(4,480,388)	(1,119,977)
Others	64,820	16,205	73,982	18,497
Total	<u>(9,315,013)</u>	<u>(2,316,034)</u>	<u>(9,205,534)</u>	<u>(2,288,653)</u>
Offsetting amount		<u>333,495</u>		<u>300,472</u>
Amounts after offsetting presented in balance sheet				
Deferred tax assets		332,447		363,770
Deferred tax liabilities		<u>(2,648,481)</u>		<u>(2,652,423)</u>
Total		<u>(2,316,034)</u>		<u>(2,288,653)</u>

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

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(Expressed In Renminbi'000 Unless Otherwise Indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16. Deferred tax assets /deferred tax liabilities (continued)

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

The movements of deferred tax assets and liabilities for the period

Item	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	49,748	—	—	—	49,748
Accrued wages expenses	8,106	—	(105)	—	8,001
Tax losses	435,272	—	(11,294)	—	423,978
Fair value adjustment	(1,680,299)	1,715	26,876	—	(1,651,708)
Depreciation of fixed assets	(1,119,977)	—	(42,281)	—	(1,162,258)
Others	18,497	—	(2,292)	—	16,205
Total	<u>(2,288,653)</u>	<u>1,715</u>	<u>(29,096)</u>	<u>—</u>	<u>(2,316,034)</u>

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

As at 30 June 2013

(Expressed In Renminbi'000 Unless Otherwise Indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16. Deferred tax assets /deferred tax liabilities (continued)

(2) Details of unrecognised deferred tax assets

Item	30 June 2013 RMB'000	31 December 2012 RMB'000
Deductible tax losses	<u>5,207,352</u>	<u>5,542,876</u>

(3) Deductible tax losses, for which no deferred tax assets are recognised, will expire in the following years

Year	30 June 2013 RMB'000	31 December 2012 RMB'000
2013	846,853	1,753,986
2014	49,314	61,344
2015	724,442	760,705
2016	1,940,554	2,073,814
2017	746,853	893,027
2018	<u>899,336</u>	<u>—</u>
Total	<u>5,207,352</u>	<u>5,542,876</u>

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

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(Expressed In Renminbi'000 Unless Otherwise Indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

17. Other non-current assets

Item	30 June 2013 RMB'000	31 December 2012 RMB'000
Prepayments for investment	—	436,854
VAT recoverable and other prepaid taxes	885,695	865,054
Deferred difference arising from a sales and leaseback arrangement	448,469	454,199
Prepayment on mining rights acquisition	196,000	196,000
Total	<u>1,530,164</u>	<u>1,952,107</u>

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 and Zagunao Hydroelectric Company, subsidiaries 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 (UNAUDITED) (CONTINUED)

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V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

18. Details of provisions for impairment losses

Item	Note	Opening	Increase for	Decrease for the period		Closing
		balance	the period	Reversal	Write off	balance
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Provision for bad and doubtful debts:						
Trade receivables	V.3	23,229	—	—	—	23,229
Other receivables	V.4	142,307	—	—	—	142,307
Provision for diminution in value of inventories	V.6(2)	74,844	—	—	—	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
		<u>309,585</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>309,585</u>

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

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V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

19. Restricted assets

On 30 June 2013, the assets with restrictions placed on their ownership were as follows:

Category	Note	Opening balance RMB'000	Increase in the period RMB'000	Decrease in the period RMB'000	Closing balance RMB'000
Assets used as guarantee					
— Cash at bank and on hand	V.1	30,834	4,000	(24,994)	9,840
— Trade receivables	V.3	882,977	323,951	(826,012)	380,916
— Fixed assets	V.11	446,526	—	(3,333)	443,193
— Construction in progress	V.12	1,849,005	257,409	—	2,106,414
— Intangible assets	V.14	412,600	1,897,844	(256,771)	2,053,673
Other restricted assets					
— Cash at bank and on hand	V.1	11,651	16,549	—	28,200
Total		<u>3,633,593</u>	<u>2,499,753</u>	<u>(1,111,110)</u>	<u>5,022,236</u>

The Group's pledged trade receivables used as guarantee represent trade receivables of electricity sales as guarantee for short-term loans. The Group's fixed assets, construction in progress and intangible assets used as guarantee represent plants and buildings, machinery and equipments, hydropower plant construction, land use rights and mining rights pledged for long-term loans.

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

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V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

20. Short-term loans

(1) Short-term loans by category

Item	30 June 2013 RMB'000	31 December 2012 RMB'000
Unsecured loans	16,698,370	18,666,190
Secured loans with securities under the custody of lenders	810,000	675,642
Secured loans with securities under the Group's custody	—	150,000
Total	<u>17,508,370</u>	<u>19,491,832</u>

(2) On 30 June 2013, the Group do not have any past due short-term loans.

21. Bills payable

Category	30 June 2013 RMB'000	31 December 2012 RMB'000
Bank acceptance bills	263,001	393,120
Commercial acceptance bills	36,000	56,000
Total	<u>299,001</u>	<u>449,120</u>

The bills payable above are due within one year.

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

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V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

22. Trade payables

(1) Details of trade payables are as follows:

Item	30 June 2013 RMB'000	31 December 2012 RMB'000
Payables for fuel	3,136,905	1,400,002
Payables for construction, equipment and material	7,365,231	7,352,022
Payables for maintenance	332,935	84,318
Others	59,983	8,478
	<u>10,895,054</u>	<u>8,844,820</u>
Total	<u><u>10,895,054</u></u>	<u><u>8,844,820</u></u>

As at 30 June 2013, 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 is Nil (2012: Nil).

(2) No amount due to shareholders who hold 5% or above of the Company's shares with voting power of the Group is included in the closing balance of trade payables.

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As at 30 June 2013

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V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

23. Receipts in advances

(1) Details of receipts in advances are as follows:

Item	30 June 2013 RMB'000	31 December 2012 RMB'000
Sales of electricity	44,527	—
Sales of heat	49,022	798,721
Sales of coal	68,562	63,424
Others	66,794	63,762
Total	<u>228,905</u>	<u>925,907</u>

As at 30 June 2013, the Group does not have any individually significant receipts in advances with ageing over one year.

(2) No amount due to shareholders who hold 5% or above of the Company's shares with voting power of the Group is included in the closing balance of receipts in advances.

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

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V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

24. Wages payable

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Wages, bonuses, allowances and subsidies	8,935	903,178	781,486	130,627
Staff welfare	—	94,280	88,732	5,548
Social security contributions				
Including: 1. Medical insurance	30,291	118,007	100,011	48,287
2. Pension insurance	9,059	252,201	237,965	23,295
3. Unemployment insurance	2,472	16,717	15,008	4,181
4. Work injury insurance	1,400	10,114	8,542	2,972
5. Maternity insurance	517	6,988	6,326	1,179
6. Supplementary pension insurance	—	60,973	54,093	6,880
Housing fund	7,029	215,792	205,633	17,188
Termination benefits	6,041	86	607	5,520
Labour union and staff education fund	43,437	34,849	26,876	51,410
Others	357	9,517	9,096	778
	<u>109,538</u>	<u>1,722,702</u>	<u>1,534,375</u>	<u>297,865</u>
Total	<u>109,538</u>	<u>1,722,702</u>	<u>1,534,375</u>	<u>297,865</u>

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

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

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V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

25. Taxes payable

Item	30 June 2013 RMB'000	31 December 2012 RMB'000
VAT	213,462	330,276
EIT	170,121	231,025
Individual income tax	7,309	23,482
Education surcharge	12,617	19,356
City maintenance and construction tax	15,826	24,741
Land use tax	25,105	21,227
Property tax	27,187	17,564
Others	17,767	21,798
Total	<u>489,394</u>	<u>689,469</u>

26. Interest payable

Item	30 June 2013 RMB'000	31 December 2012 RMB'000
Interest payable for loans	238,161	282,139
Interest payable for debentures	189,476	320,714
Total	<u>427,637</u>	<u>602,853</u>

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (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	30 June 2013 RMB'000	31 December 2012 RMB'000
Amounts due to China Huadian	1,060	1,060
Amounts due to other related parties	309,711	302,878
Amounts due to third parties	<u>3,436,752</u>	<u>2,549,564</u>
Total	<u><u>3,747,523</u></u>	<u><u>2,853,502</u></u>

- (2) Except for amounts due to China Huadian, no amount due to shareholders who hold 5% or above of the Company's shares with voting power of the Group is included in the closing balance of other payables.
- (3) On 30 June 2013, 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, consideration payables and payables for installed capacity quota.

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

As at 30 June 2013

(Expressed In Renminbi'000 Unless Otherwise Indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

28. Short-term debentures payable

Item	Opening balance RMB'000	Increase for the period RMB'000	Decrease for the period RMB'000	Closing balance RMB'000
Short-term debentures	11,664,380	8,755,978	(8,243,850)	12,176,508

(1) Details of short-term debentures payable are as follows:

Debenture	Par value	Issue Date	Maturity period	Interest rate	Issue amount	Opening balance	Additions for the period	Discount amortisation	Interest accrued for the period	Interest paid for the period	Principle paid for the period	Closing balance
	RMB		Days	(%)	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
The first tranche of 2012 short-term debenture	100	10 February 2012	366	4.68	1,500,000	1,561,247	—	705	8,248	(70,200)	(1,500,000)	—
The first tranche of 2012 super short-term debenture	100	19 June 2012	270	3.15	3,500,000	3,555,984	—	2,917	22,654	(81,555)	(3,500,000)	—
The second tranche of 2012 short-term debenture	100	12 September 2012	366	4.22	2,000,000	2,019,847	—	3,967	41,853	—	—	2,065,667
The third tranche of 2012 short-term debenture	100	13 December 2012	366	4.65	1,500,000	1,497,736	—	2,975	34,588	—	—	1,535,299
The second tranche of 2012 super short-term debenture	100	19 September 2012	270	4.15	3,000,000	3,029,566	—	5,567	56,963	(92,096)	(3,000,000)	—
The first tranche of 2013 short-term debenture	100	14 March 2013	366	4.03	1,500,000	—	1,494,000	1,775	17,887	—	—	1,513,662
The first tranche of 2013 super short-term debenture	100	13 March 2013	180	3.80	3,500,000	—	3,493,000	4,239	39,718	—	—	3,536,957
The second tranche of 2013 super short-term debenture	100	17 April 2013	90	3.60	3,500,000	—	3,496,500	2,878	25,545	—	—	3,524,923
Total						11,664,380	8,483,500	25,023	247,456	(243,851)	(8,000,000)	12,176,508

On 30 June 2013, the carrying amount of short-term debentures payable of the Group includes interest payable with the amount of RMB188,467,000 (2012: RMB184,862,000).

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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	30 June 2013 RMB'000	31 December 2012 RMB'000
Long-term loans due within one year	(2)	10,604,989	9,647,074
Debentures payable due within one year	V.31	1,496,698	—
Payables for finance lease due within one year	(3)	322,315	311,480
Other long-term payables due within one year	(4)	630,475	808,233
Total		<u>13,054,477</u>	<u>10,766,787</u>

On 30 June 2013, the non-current liabilities dominated in foreign currencies included in the balance of long-term loans due within one year amounting to USD53,444,975 and EUR2,436,659 (2012: USD28,236,385 and EUR2,392,202), and the foreign currencies included in the balance of long-term payables due within one year amounting to USD84,145,984 (2012: USD116,586,210) at exchange rate of 6.1787 and 8.0536 (2012: 6.2855 and 8.3176), respectively.

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V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

(2) Long-term loans due within one year

Item	30 June 2013 RMB'000	31 December 2012 RMB'000
Secured loans with securities under the custody of lenders	891,515	1,175,094
Secured loans with securities under the Group's custody	138,560	133,560
Guaranteed loans	170,600	126,955
Unsecured loans	<u>9,404,314</u>	<u>8,211,465</u>
Total	<u><u>10,604,989</u></u>	<u><u>9,647,074</u></u>

The secured loans with securities under the custody of lenders are secured by the income stream in respect of the sales of electricity. The secured loans with securities under the Group's custody are pledged by the fixed assets, construction in progress and intangible assets.

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

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V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

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

(a) On 30 June 2013, the top five long-term loans due within one year

Lender	Inception date of borrowing	Maturity date	Currency	Interest rate (%)	30 June 2013 RMB'000
1. China Development Bank					
Beijing Branch	29 April 2011	28 April 2014	RMB	5.54	300,000
2. Agricultural Bank of China	12 February 2011	11 February 2014	RMB	5.54	300,000
3. Bank of Communication					
Licang first Subbranch	14 January 2009	14 January 2014	RMB	5.18	290,000
4. Bank of Communication					
Licang first Subbranch	14 January 2009	23 July 2013	RMB	5.18	280,000
5. SITC	19 April 2012	18 April 2014	RMB	7.30	253,150
Total					<u>1,423,150</u>

(b) On 30 June 2013, the Group do not have any overdue loans in the balance of long-term loans due within one year.

(3) Payables for finance lease due within one year

On 30 June 2013, payables for finance leases due within one year is RMB322,315,000 with gross amount of RMB334,652,000, net of unrecognised finance costs amount of RMB12,337,000.

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

As at 30 June 2013

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V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

(4) Long-term payables due within one year

On 30 June 2013, long-term payables due within one year including payables for default bank loan as a bank loan guarantor amounting to RMB519,913,000 (2012: RMB732,803,000), payables for central heating construction amounting to RMB58,511,000 (2012: RMB20,000,000) and payables of mining rights amounting to RMB52,051,000 (2012: RMB55,430,000).

30. Long-term loans

(1) Long-term loans by category

Item	30 June 2013 RMB'000	31 December 2012 RMB'000
Unsecured loans	47,053,646	52,983,816
Secured loans with securities under the custody of lenders	14,992,796	13,656,303
Secured loans with securities under the Group's custody	3,795,690	3,427,350
Loans guaranteed by third parties	613,506	550,880
Loans guaranteed by China Huadian	3,193,928	3,202,648
Less: Long-term loans due within one year	<u>10,604,989</u>	<u>9,647,074</u>
Total	<u><u>59,044,577</u></u>	<u><u>64,173,923</u></u>

As at 30 June 2013, the loans denominated in foreign currencies are included in the balance of long-term loans (excluding due within one year) amounting to USD46,160,092 and EUR22,166,483 (2012: USD70,632,094 and EUR23,407,040) at exchange rate of 6.1787 and 8.0536 (2012: 6.2855 and 8.3176), respectively.

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

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V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30. Long-term loans (continued)

(2) On 30 June 2013, the top five long-term loans are as follows:

Lender	Inception date		Currency	Interest rate (%)	30 June	31 December
	of borrowing	Maturity date			2013	2012
					RMB'000	RMB'000
1. Syndicated Loans (Note 1)	26 December 2005	26 December 2025	RMB	5.90	2,930,000	2,980,000
2. Syndicated Loans (Note 2)	28 June 2006	18 June 2022	RMB	5.90	1,640,000	1,900,000
3. Syndicated Loans (Note 3)	27 June 2007	26 June 2022	RMB	6.55	1,693,320	1,755,600
4. Taikang Assets Management Co., Ltd.	6 September 2012	6 September 2019	RMB	5.86	1,500,000	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					<u>8,843,320</u>	<u>9,215,600</u>

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

Note 2: Syndicated Loans above included loans from 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 loans from 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 (UNAUDITED) (CONTINUED)

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V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31. Debentures payable

Item	Opening balance RMB'000	Increase in the period RMB'000	Decrease in the period RMB'000	Closing balance RMB'000
Medium-term notes and non-public private placement debentures	10,352,593	3,007,429	(15,000)	13,345,022
Less: Debentures payable due within one year	—	—	—	1,496,698
Total	<u>10,352,593</u>	<u>3,007,429</u>	<u>(15,000)</u>	<u>11,848,324</u>

The analysis of debentures payable is set out as follows:

Debenture	Par value RMB	Issue date	Maturity year	Interest rate %	Issue amount RMB'000	Opening balance RMB'000	Additions for the period RMB'000	Discount amortisation RMB'000	Decrease for the period RMB'000	Closing balance RMB'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	1,494,467	—	2,231	—	1,496,698
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	2,380,837	—	3,568	—	2,384,405
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	1,480,248	—	2,230	—	1,482,478
Non-public private placement notes of 2012	100	13 March 2012	From 14 March 2012 to 14 March 2015	5.02	5,000,000	4,997,041	—	7,438	(15,000)	4,989,479
Non-public private placement notes of 2013	100	22 May 2013	From 23 May 2013 to 23 May 2016	4.87	3,000,000	—	2,991,000	962	—	2,991,962
Total						<u>10,352,593</u>	<u>2,991,000</u>	<u>16,429</u>	<u>(15,000)</u>	<u>13,345,022</u>

Interests on the above debentures are paid annually and principals are repaid on maturity.

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V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

32. Long-term payables

Item	Note	30 June 2013 RMB'000	31 December 2012 RMB'000
Payables on mining rights	(1)	543,755	595,804
Payables for debts	(2)	519,913	732,803
Payables for central heating construction	(3)	58,511	58,511
Payables for finance leases	(4)	1,020,565	956,265
Payables on deposit for mining rights		96,000	96,000
Less: Long-term payables due within one year		952,790	1,119,713
Total		1,285,954	1,319,670

On 30 June 2013, the above payables denominated in foreign currencies included in the balance of long-term payables (excluding due within one year) amounting to USDNil (2012: USDNil).

(1) *Payables on mining rights*

Payables on mining rights represent mining resource fee payables to local Bureau of Land and Resources by Maohua Company, a subsidiary of the Company. According to corresponding agreements, RMB52,051,000 of total amount payables is due in 30 June 2014.

(2) *Payables for debts*

According to an agreement, payables for debts were previously due on 30 June 2013. During the period, the Group is in the process of negotiating with the counterparty to extend the payment schedule, which the agreement is to be signed.

(3) *Payables for central heating construction amounting to RMB58,511,000 are due in 31 December 2013. Details are referred to Note V. 29(4).*

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

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V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

32. Long-term payables (continued)

(4) Payables for finance leases

On 30 June 2013, the total future minimum lease payments under finance leases are as follows:

Minimum lease payments	30 June 2013 RMB'000	31 December 2012 RMB'000
Within one year (inclusive)	334,652	323,419
Between one and two years (inclusive)	295,260	316,230
Between two and three years (inclusive)	250,192	245,019
Over three year	<u>313,669</u>	<u>184,563</u>
Sub-total	<u>1,193,773</u>	1,069,231
Less: Unrecognised finance costs	<u>173,208</u>	<u>112,966</u>
Total	<u><u>1,020,565</u></u>	<u><u>956,265</u></u>

The above mentioned payables for finance lease due within one year, net of unrecognised finance costs, is disclosed in Note V.29(3).

In 2013, the Group entered into an agreement with a financial leasing company to sell certain of the Group's facilities to the leasing company and leaseback the facilities for an 8-years period. The Group has the option to purchase the facilities at a nominal price of RMB1 at the end of the lease period. As at 30 June 2013, the net book value of the facilities held under finance leases included in fixed assets and intangible assets amounted to RMB1,167,884,000 and RMB290,540,000 (2012: RMB1,003,795,000 and RMB299,002,000), respectively.

- (5) No amount due to shareholders who hold 5% or above of the Company's shares with voting power or other related parties of the Group is included in the closing balance of long-term payables.

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V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

33. Other non-current liabilities

On 30 June 2013, 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 RMB1,748,084,000 (2012: RMB1,683,839,000) and deferred government grants amounting to RMB338,670,000 (2012: RMB319,055,000). The above mentioned deferred income and deferred government grants are amortized over the estimated useful life of related assets using the straight-line method.

34. Share capital

	30 June 2013	31 December 2012
	RMB'000	RMB'000
Share capital	<u>7,371,084</u>	<u>7,371,084</u>

On 30 June 2013, the share capital of the Company included A shares with restriction on disposals amounting to RMB600,000,000, and shares without restriction on disposals amounting to RMB6,771,084,000.

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

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V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

35. Capital reserve

Item	Opening balance <i>RMB'000</i>	Increase for the period <i>RMB'000</i>	Decrease for the period <i>RMB'000</i>	Closing balance <i>RMB'000</i>
Capital premiums	5,143,764	—	—	5,143,764
Other capital reserves	605,971	—	(7,732)	598,239
Total	<u>5,749,735</u>	<u>—</u>	<u>(7,732)</u>	<u>5,742,003</u>

Other capital reserves mainly represent government grants as state capital injection and share from an associate's fair value changes of its available-for-sale financial assets.

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	30 June 2013 and 31 December 2012 <i>RMB'000</i>
Statutory surplus reserve	1,486,024
Discretionary surplus reserve	<u>68,089</u>
Total	<u><u>1,554,113</u></u>

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

As at 30 June 2013

(Expressed In Renminbi'000 Unless Otherwise Indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

38. Retained profits

Item	Notes	Amounts RMB'000
Opening balance of retained profits		4,586,124
Add: Net profit attributable to equity shareholders of the Company		1,694,576
Less: Dividends recognised as distribution	(1)	479,120
Less: Acquisition of minority interests		<u>41,893</u>
Closing balance retained profits	(2)	<u><u>5,759,687</u></u>

(1) Dividends of ordinary shares declared during the period

Pursuant to the shareholders' approval at the Shareholders' Meeting on 25 June 2013, cash dividends of RMB0.065 per share (30 June 2012: Nil), totaling RMB479,120,473 (30 June 2012: Nil) was declared to the Company's ordinary shareholders.

(2) Retained earnings at the end of the period

On 30 June 2013, no surplus reserve made by the subsidiaries for the current period included in the consolidated retained profits attributable to equity shareholders of the Company (2012: RMB142,940,000).

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").

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

As at 30 June 2013

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V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

39. Operating income and operating costs

(1) Operating income and operating costs

Item	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
Operating income from principal activities	31,419,777	29,437,280
Operating income from other operating activities	179,925	120,639
Operating costs	24,726,608	25,728,448

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

Industry/product name	Six months ended 30 June			
	2013		2012	
	Operating income	Operating costs	Operating income	Operating costs
	RMB'000	RMB'000	RMB'000	RMB'000
Sale of electricity	28,953,254	22,170,869	27,646,607	23,712,035
Sale of heat	1,722,278	1,770,104	1,576,348	1,739,805
Sale of coal	744,245	735,802	214,325	198,894
Total	<u>31,419,777</u>	<u>24,676,775</u>	<u>29,437,280</u>	<u>25,650,734</u>

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

As at 30 June 2013

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V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

39. Operating income and operating costs (continued)

(3) Principal operating 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) As at six months ended 30 June 2013, the Group's top five customers of operating income

The Group has only one customer (30 June 2012: two) whose recognised revenue in 2013 accounted for more than 10% of total operating income. Operating income from the Group's top five customers for the current period are as follows:

Customer name	Operating income <i>RMB'000</i>	Proportion to total operating income of the Group (%)
1. Shandong Electric Power Goup Corporation	14,780,394	46.77
2. Ningxia Electric Power Company	3,076,830	9.74
3. Sichuan Electric Power Corporation	2,460,578	7.79
4. Hebei Electric Power Company	1,969,838	6.23
5. Henan Electric Power Company	1,816,487	5.75
Total	<u>24,104,127</u>	<u>76.28</u>

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

As at 30 June 2013

(Expressed In Renminbi'000 Unless Otherwise Indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

40. Sales taxes and surcharges

Item	Six months ended 30 June		Basis of calculation
	2013	2012	
	RMB'000	RMB'000	
City maintenance and construction tax	119,859	61,884	1-7% of VAT payable
Education surcharge	92,736	49,620	3-5% of VAT payable
Total	<u>212,595</u>	<u>111,504</u>	

41. General and Administrative Expenses

General and administrative expenses mainly include sewage charges, entertainment fee, coal management fee, service fee, transportation fee and other general and administrative expenses.

42. Financial expenses

Item	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
Interest on loans and payables	3,383,913	3,692,551
Less: Interest capitalised	311,043	530,919
Interest income from deposits and receivables	(26,800)	(33,625)
Net foreign exchange (gains)/losses	(32,794)	15,688
Others	7,127	7,071
Total	<u>3,020,403</u>	<u>3,150,766</u>

The interest rate per annum at which the borrowing costs were capitalised during the current reporting period by the Group was 5.60% -7.05% (2012: 5.53% -7.70%).

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

As at 30 June 2013

(Expressed In Renminbi'000 Unless Otherwise Indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

43. Investment income

(1) Investment income by item

Item	Note	Six months ended 30 June	
		2013	2012
		RMB'000	RMB'000
Income from long-term equity investments under cost method		—	4,304
Income from long-term equity investments under equity method	(2)	200,105	400,475
Investment income from holding available-for-sale financial assets		1,897	—
Investment income from disposal of long-term equity investments		—	3
Total		<u>202,002</u>	<u>404,782</u>

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

As at 30 June 2013

(Expressed In Renminbi'000 Unless Otherwise Indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

43. Investment income (continued)

(2) Investees from which long-term equity investment income under equity method accounting for the top five largest of the Group are as follows

Investee	Six months ended 30 June		Reason for increase or decrease for the period
	2013	2012	
	RMB'000	RMB'000	
China Huadian Finance	69,314	63,425	Profit or loss from normal operations
Xibaipo Company	28,693	22,776	Profit or loss from normal operations
Yinxing Coal	21,253	—	Profit or loss from normal operations
Huai'an Thermal Company	20,763	6,792	Profit or loss from normal operations
Dongsheng Thermal Power Company	19,714	23,268	Profit or loss from normal operations

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

As at 30 June 2013

(Expressed In Renminbi'000 Unless Otherwise Indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

44. Non-operating income

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

Item	Note	Six months ended 30 June		Amount included in non- recurring profit or loss for the period RMB'000
		2013 RMB'000	2012 RMB'000	
Gains on disposal of fixed assets		3,217	29,377	3,217
Government grants	(2)	36,312	98,876	28,683
CERs income		5,572	54,807	—
Sales of installed capacity quota		—	50,000	—
Others		51,182	38,736	51,182
Total		<u>96,283</u>	<u>271,796</u>	<u>83,082</u>

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

As at 30 June 2013

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V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

44. Non-operating income (continued)

(2) Details of government grants

Item	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
Grants of sale of heat	3,214	61,859
Grants of eliminating backward production facilities	—	11,250
Interest subsidies	2,600	2,760
Grants of sale of electricity	—	14,240
VAT refunding of wind and stalk power generation (Note 1)	7,629	—
Taxes refunding of sale of heat (Note 2)	1,781	535
Others	21,088	8,232
Total	<u>36,312</u>	<u>98,876</u>

Note 1: According to Notice of VAT Policy for Comprehensive Utilisation of Resources and Other Products (Cai Shui [2008] No.156) issued by the Ministry of Finance and the State Administration of Taxation, the Group's wind and stalk power generation earned the VAT refund policies.

Note 2: According to Notice of continue implementing the preferential taxation policies on VAT, Property Tax and the Urban Land Use Tax (Cai Shui [2009] No.11) issued by the Ministry of Finance and the State Administration of Taxation, the Group's revenue from sale of heat from 2012 to 2013 earned the VAT refund policies.

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

As at 30 June 2013

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V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

45. Non-operating expenses

Item	Six months ended 30 June		Amount included in non- recurring profit or loss for the period RMB'000
	2013 RMB'000	2012 RMB'000	
Losses on disposal of fixed assets	4,803	266	4,803
CERs costs	3,298	3,742	—
Electricity price regulation fund (Note)	53,546	—	53,546
Others	6,657	3,174	6,657
Total	<u>68,304</u>	<u>7,182</u>	<u>65,006</u>

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. Thus the fund is accounted for in non-operating expenses.

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

As at 30 June 2013

(Expressed In Renminbi'000 Unless Otherwise Indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

46. Income tax expenses

Item	Note	Six months ended 30 June	
		2013	2012
		RMB'000	RMB'000
Current tax expense calculated according to tax laws and relevant requirements		626,440	139,247
Adjustments to deferred tax	(1)	29,096	(35,023)
Over provision for income tax in respect of preceding year		(477)	(4,957)
Total		<u>655,059</u>	<u>99,267</u>

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

Item	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
Origination and reversal of temporary differences	139,146	12,617
Recognition of previously unrecognised tax losses	(110,050)	(47,640)
Total	<u>29,096</u>	<u>(35,023)</u>

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

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V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

46. Income tax expenses (continued)

(2) Reconciliation of income tax expenses with the accounting profits is as follows:

Item	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
Profit before taxation	2,931,985	480,400
Income tax expenses calculated at 25%	732,996	120,100
Add: Non-deductible expenses	27,295	5,474
Non-taxable income	(58,798)	(122,519)
Effect of preferential tax rate of subsidiaries on income tax	(81,729)	(51,535)
Over provision in respect of preceding year	(477)	(4,957)
Tax losses	35,772	152,704
Income tax expense	<u>655,059</u>	<u>99,267</u>

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

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V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

(1) Basic earnings per share

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

Item	Six months ended 30 June	
	2013	2012
Consolidated net profit attributable to ordinary shareholders of the Company (RMB'000)	1,694,576	269,940
Weighted average number of ordinary shares outstanding ('000 shares)	7,371,084	6,771,084
Basic earnings per share (RMB per share)	0.230	0.040

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

Item	Six months ended 30 June	
	2013	2012
	'000 shares	'000 shares
Issued ordinary shares at 1 January	7,371,084	6,771,084
Effect of shares issued	—	—
Weighted average number of ordinary shares at period end	<u>7,371,084</u>	<u>6,771,084</u>

(2) Diluted earnings per share

There were no dilutive potential ordinary shares outstanding during the current reporting period, therefore the diluted earnings per share is the same as the basic earnings per share.

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

As at 30 June 2013

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V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

48. Other comprehensive income

Item	Six months ended 30 June	
	2013 RMB'000	2012 RMB'000
1. (Losses)/gains arising from available-for-sale financial assets	(6,862)	473
Less: Tax effects arising from available-for-sale financial assets	<u>(1,715)</u>	<u>118</u>
Sub-total	<u>(5,147)</u>	<u>355</u>
2. Share of other comprehensive income of investees accounted for under the equity method	—	(1,510)
Less: Net amount included in other comprehensive income in the prior year that is transferred to profit or loss for the period	<u>—</u>	<u>(2,183)</u>
Sub-total	<u>—</u>	<u>673</u>
Total	<u>(5,147)</u>	<u>1,028</u>

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

As at 30 June 2013

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V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

49. Notes to items in the cash flow statement

(1) Other cash received relating to operating activities

Item	Amount
	<i>RMB'000</i>
Cash received relating to other operating activities	179,925
Government grants received relating to profits	17,035
Others	269,198
	<hr/>
Total	466,158
	<hr/> <hr/>

(2) Other cash paid relating to operating activities

Item	Amount
	<i>RMB'000</i>
Cash paid relating to administration expenses	548,934
Cash paid relating to cash receipt from sale of electricity which collected on behalf of others under trade receivables factoring	3,000
Others	393,172
	<hr/>
Total	945,106
	<hr/> <hr/>

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

As at 30 June 2013

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V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

49. Notes to items in the cash flow statement (continued)

(3) Other cash received relating to investing activities

Item	Amount
	RMB'000
Settlement for proposed investments	147,680
Interest income	26,800
Principal collected from borrowings to a third party	20,000
Decrease in guaranteed deposits of bank acceptance bills	32,612
Cash received relating to guarantee for bidding	7,996
	<hr/>
Total	235,088
	<hr/> <hr/>

(4) Other cash paid relating to investing activities

Item	Amount
	RMB'000
Cash repaid relating to guarantee for bidding	7,863
Increase in bank deposits with maturity over three months and guaranteed deposits of bank acceptance bills	28,167
	<hr/>
Total	36,030
	<hr/> <hr/>

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

As at 30 June 2013

(Expressed In Renminbi'000 Unless Otherwise Indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

49. Notes to items in the cash flow statement (continued)

(5) Other cash received relating to financing activities

Item	Amount
	RMB'000
Government grants received relating to assets	38,890
Others	<u>6,324</u>
Total	<u><u>45,214</u></u>

(6) Other cash paid relating to financing activities

Item	Amount
	RMB'000
Cash paid relating to financing surcharge	15,600
Others	<u>1,724</u>
Total	<u><u>17,324</u></u>

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

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V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

50. Supplementary Information to the cash flow statement

(1) Supplementary information to the cash flow statement

Supplement	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
1. Reconciliation of net profit to cash flow from operating activities:		
Net profit	2,276,926	381,133
Add: Depreciation of fixed assets	3,553,862	2,869,018
Amortisation of intangible assets	107,395	98,890
Losses/(gains) on disposal of fixed assets	1,586	(29,111)
Maintenance, production and other similar funds	29,076	4,872
Financial expenses	3,020,403	3,150,766
Gains arising from investments	(202,002)	(404,782)
Decrease/(increase) in deferred tax assets	33,038	(67,782)
(Decrease)/increase in deferred tax liabilities	(3,942)	32,759
Decrease/(increase) in gross inventories	149,020	(1,109,269)
Decrease/(increase) in operating receivables	1,243,947	(845,976)
Increase in operating payables	2,079,986	1,223,184
Net cash flow from operating activities	12,289,295	5,303,702
2. Net change in cash and cash equivalents:		
Cash at the end of the period	4,558,991	4,559,798
Less: Cash at the beginning of the period	3,060,074	2,111,725
Net increase in cash and cash equivalents	1,498,917	2,448,073

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

As at 30 June 2013

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V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

50. Supplementary Information to the cash flow statement (continued)

(2) Information on acquisition of subsidiaries

Item	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
1. Consideration of acquisition subsidiaries on equity interest and debts	1,320,315	483,225
2. Cash and cash equivalents paid in the acquisitions	715,475	601,800
Add: Cash and cash equivalents paid in current period for subsidiaries acquired in previous year	3,000	1,123,526
Less: Cash and cash equivalents prepaid in previous year for subsidiaries acquired in current period	289,174	270,810
Cash and cash equivalents held by subsidiaries	1,491	287
3. Net cash paid for the acquisition	<u>427,810</u>	<u>1,454,229</u>
4. Non-cash assets and liabilities held by the acquired subsidiaries		
Current assets	29,593	3,009
Non-current assets	1,746,411	613,406
Current liabilities	(310,478)	(129,945)
Non-current liabilities	—	(92,777)

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

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V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

50. Supplementary Information to the cash flow statement (continued)

(3) Details of cash and cash equivalents

Item	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
1. Cash at bank and on hand		
Including: Cash on hand	1,704	2,216
Bank deposits available on demand	4,557,062	4,557,063
Other monetary funds available on demand	225	519
	<u> </u>	<u> </u>
2. Closing balance of cash and cash equivalents	<u><u>4,558,991</u></u>	<u><u>4,559,798</u></u>

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

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

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VI. RELATED PARTY AND RELATED PARTY TRANSACTIONS

1. Parent of the Company

Name of the parent	Related party		Place of registrations	Legal representative	Nature of business	Registered capital	Proportion	Proportion	Organisation code
	relationship	Type					interest held by the parent	of the Company's ownership	
						RMB'000	(%)	(%)	
China Huadian	Ultimate controlling party	State-owned enterprise	Beijing, the PRC	Yun Gongmin	Development, construction and operation management of electricity related business, organization of production and sale of electricity and heat	12,000,000	44.19(Note)	44.19	71093107-X

Note: This included 1.16% of equity interest of the Company, 85,862,000 H shares, which were held through China Huadian Hong Kong Co., Ltd. (a wholly owned subsidiary of China Huadian).

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

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

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VI. RELATED PARTY AND RELATED PARTY TRANSACTIONS (CONTINUED)

4. Other related parties

Name of other related parties	Relationship between other related parties and the Company	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 Co., Ltd. (“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
Fujian Huadian Kemen Phase II Co., Ltd. (“Huadian Kemen Phase II Company”)	Controlled by China Huadian	56926696-2
Shanghai Huadian Electric Power Development Company Limited (“Shanghai Huadian Electric”)	Controlled by China Huadian	75955843-X

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

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VI. RELATED PARTY AND RELATED PARTY TRANSACTIONS (CONTINUED)

5. Transactions with related parties

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

- i. Table of related party transactions concerning sale or purchase of goods, rendering of or receiving services

Related party	Details of related party transaction	Six months ended 30 June			
		2013		2012	
		Amount RMB'000	Proportion of the amount of related party transactions to that of similar transactions %	Amount RMB'000	Proportion of the amount of related party transactions to that of similar transactions %
Huadian Engineering and its subsidiaries	Construction expenses and Equipment expenses	207,699	7.29	166,737	2.72
Huadian Engineering's subsidiaries	Technical Service fee	7,945	15.18	5,475	13.21
CHD Capital	Agency fees	4,025	100.00	4,120	100.00
China Huadian Finance	Commission charges	2,862	11.27	10,307	17.23
China Huadian Finance	Guarantee service fee	—	—	1,500	100.00
Huadian Coal	Purchase of coal	1,009,652	6.20	1,216,662	6.69
Sichuan Power , Shanxi Huasheng Tongpei Coal Company Limited ("Shanxi Huasheng") and Fucheng Mining Company	Purchase of coal	224,508	1.38	125,485	0.69
Ningdong Railway Company	Fuel transportation fees	38,004	1.94	38,188	1.50

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

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VI. RELATED PARTY AND RELATED PARTY TRANSACTIONS (CONTINUED)

5. Transactions with related parties (continued)

i. Table of related party transactions concerning sale or purchase of goods, rendering of or receiving services (continued)

Related party	Details of related party transaction	Six months ended 30 June			
		2013		2012	
		Amount RMB'000	Proportion of the amount of related party transactions to that of similar transactions %	Amount RMB'000	Proportion of the amount of related party transactions to that of similar transactions %
Huadian New Energy	CDM services fees	—	—	2,550	100.00
Huadian Technology & Trade	Property management services fees	4,163	19.56	3,846	23.24
Shanghai Huadian Electric Xibaipo Company	Maintenance fee Purchase of electricity	— 26,391	— 44.00	16,089 —	4.53 —
Sichuan Power	Power generation substitution income	31,340	22.21	—	—
Anhui Lu'an Power	Power generation substitution income	—	—	27,285	23.83
CHD Operation	Operation service income	221	9.87	508	2.74
Huadian Hubei Power	Maintenance income	1,194	53.33	1,534	8.28
Huadian Shanxi Energy	Purchase of quota service	—	—	2,250	3.06
Huadian Kemen Phase II Company	Sale of quota service	—	—	50,000	100.00
Key management personnel	Payment of remuneration	1,891	0.11	1,911	0.17

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

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VI. RELATED PARTY AND RELATED PARTY TRANSACTIONS (CONTINUED)

5. Transactions with related parties (continued)

ii. Related party lease

Table of transactions concerning leasing in:

Lessor name	Lessee name	Type of assets leased	Commencement date of leases	Expiration date of leases	Basis of determining lease payment	Lease payment recognized for the period
Anfu Company	The Company	China Huadian Building	1 April 2009	31 December 2014	lease area	24,501
CHD Operation	The Company	Buildings and vehicle	1 November 2011	31 October 2013	lease period	432

RMB'000

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

As at 30 June 2013

(Expressed In Renminbi'000 Unless Otherwise Indicated)

VI. RELATED PARTY AND RELATED PARTY TRANSACTIONS (CONTINUED)

5. Transactions with related parties (continued)

iii. Guarantees with related parties

Guarantor	Guaranteed party	Guaranteed amount RMB'000	Inception date of guarantee	Expiration date of guarantee	Whether execution of guarantee has been completed (Y/N)
Providing guarantee					
Guang'an Company	Longtan Coal Company	100,917	9 January 2006	14 April 2022	N
Guarantee received					
China Huadian	Banshan Company	93,929	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 (Group) Limited ("Ningxia Power Company") amounting to RMB25,110,000 in 2012. The Company disposed all of its equity interests in Ningxia Power Company on 31 December 2012, but the above guarantee has not yet been terminated.

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

As at 30 June 2013

(Expressed In Renminbi'000 Unless Otherwise Indicated)

VI. RELATED PARTY AND RELATED PARTY TRANSACTIONS (CONTINUED)

5. Transactions with related parties (continued)

iv. Borrowings with relate parties (continued)

Related party	Borrowing Amount RMB'000	Repayment Amount RMB'000	Interest expense recognised for the six months ended 30 June 2013 RMB'000
Borrowed from			
China Huadian	16,035	—	33,068
SITC	—	(101,000)	42,758
China Huadian Finance	890,000	(2,456,090)	180,833
Huadian Tendering	—	—	3,000
Fortune Trust	—	(1,000)	14,379
Total	<u>906,035</u>	<u>(2,558,090)</u>	<u>274,038</u>
Related party		Cash received RMB'000	Lease payment RMB'000
Obligation under sales and leaseback arrangements			
China Huadian Finance		<u>—</u>	<u>(32,156)</u>

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

As at 30 June 2013

(Expressed In Renminbi'000 Unless Otherwise Indicated)

VI. RELATED PARTY AND RELATED PARTY TRANSACTIONS (CONTINUED)

5. Transactions with related parties (continued)

v. Equity investments in related parties

Related party	Details of related party transaction	Six months ended 30 June	
		2013 RMB'000	2012 RMB'000
Capital investment			
Jinshajiang Hydropower	Capital Injection	—	16,000
Xiangcheng Hydropower	Capital Injection	192	50,335
Huadian Property	Capital Injection	150,000	—

vi. Related party transferring of equity interests

Related party	Details of related party transaction	Six months ended 30 June			
		2013		2012	
		Amount RMB'000	Proportion of the amount of related party transactions to that of similar transactions %	Amount RMB'000	Proportion of the amount of related party transactions to that of similar transactions %
Huadian Shanxi Energy	Purchase of equity interest of a subsidiary	—	—	14,268	2.87

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

As at 30 June 2013

(Expressed In Renminbi'000 Unless Otherwise Indicated)

VI. RELATED PARTY AND RELATED PARTY TRANSACTIONS (CONTINUED)

5. Transactions with related parties (continued)

vii. Commitment with related parties

On 30 June 2013, commitment with related parties is as follows:

Item	2013 RMB'000	2012 RMB'000
Capital commitment	143,412	225,789
Commitment on rental leases and management fees	<u>86,280</u>	<u>115,376</u>
Total	<u><u>229,692</u></u>	<u><u>341,165</u></u>

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

As at 30 June 2013

(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

Item	Related party	30 June 2013 RMB'000	31 December 2012 RMB'000
Receivables from related party			
Prepayments for construction and construction materials	Huadian Engineering and its subsidiaries	348,464	252,866
Prepayments for fuel	Huadian Coal, Sichuan Power	—	329,458
Prepayments for maintenance	Shanghai Huadian Electric	8,548	8,548
Prepayments for fuel transportation	Ningdong Railway Company and Erpu Transportation and Sales Company	104,133	84,900
Receivables for sale of installed capacity quota	Anhui Lu'an Power	—	2,010
Payment made on behalf	Linfen Changfa Company	54,748	53,388
Payables to related party			
Payables for construction and construction materials	Shanghai Huadian Electric, Huadian Engineering and its subsidiaries	(373,207)	(400,456)
Payables for fuel	Huadian Coal, Shanxi Huasheng and Sichuan Power	(208,255)	(68,431)
Payables for fuel transportation	Ningdong Railway Company	(7)	(963)
Payables for property management service fees	Huadian Technology & Trade	(1,250)	(1,250)

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

As at 30 June 2013

(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 (continued)

Item	Related party	30 June 2013	31 December 2012
		RMB'000	RMB'000
Payables of CDM service fee	Huadian New Energy	(644)	(787)
Payables of maintenance fee	Hebei Tianwei Huarui Electric Co., Ltd	(45)	(45)
Payables of capacity quota	Huadian Shanxi Energy	(273,530)	(273,530)
Other payables	China Huadian	(1,060)	(1,060)
Advances from the sale of electricity rights	Baoding Huacheng Residual Thermal Power Generation Company Limited (“Huacheng Comany”)	—	(10,000)
Shareholder loans	China Huadian and SITC	(2,935,058)	(3,020,023)
Other loans	China Huadian Finance, Huadian Tendering and Fortune Trust	(5,588,415)	(7,155,505)
Payables for finance lease	China Huadian Finance	(202,500)	(227,500)

VII. CONTINGENCIES

Haoyuan Company is a subsidiary acquired by the Group on 30 September 2011. As at 30 June 2013, 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 30 June 2013.

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

As at 30 June 2013

(Expressed In Renminbi'000 Unless Otherwise Indicated)

VIII. SIGNIFICANT COMMITMENTS

1. Capital commitments

Item	30 June 2013 RMB'000	31 December 2012 RMB'000
Investment contracts entered into but not performed or performed partially	—	1,156,696
Significant construction contracts entered into under performance or preparation of performance	12,154,000	12,334,474
Construction contracts authorised but not signed	<u>23,740,240</u>	<u>29,224,678</u>
Total	<u><u>35,894,240</u></u>	<u><u>42,715,848</u></u>

2. Operating lease commitments

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

Item	30 June 2013 RMB'000	31 December 2012 RMB'000
Within one year (inclusive)	164,312	90,503
Between one and two years (inclusive)	96,684	86,229
Between two and three years (inclusive)	30,575	28,618
Over three years	<u>303,226</u>	<u>334,025</u>
Total	<u><u>594,797</u></u>	<u><u>539,375</u></u>

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

As at 30 June 2013

(Expressed In Renminbi'000 Unless Otherwise Indicated)

IX. OTHER SIGNIFICANT ITEMS**1. Segment reporting**

The Group's principal operating business is the generation and sale of electricity, sale of heat 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. The Group's transaction information has been disclosed in Note V. 39. The Group's major external customer is the grid operator in relation to the sale of electricity and the revenue has been disclosed in Note V. 39 and Note IX. 2(1).

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

As at 30 June 2013

(Expressed In Renminbi'000 Unless Otherwise Indicated)

IX. OTHER SIGNIFICANT ITEMS (CONTINUED)**2. Risk analysis, sensitivity analysis, and fair values for financial instruments**
(continued)*(1) Credit risk*

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

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

In respect of receivables, the Group has established a credit policy. All the customers of the Group have long-term business relationship with it, of which are mainly grid companies, thermal companies, coal-fired power companies and coal transportation and sales companies that rarely have credit loss. For monitoring the credit risk, the Group analysed its customers' information through ageing and other factors. Receivables from grid companies, coal-fired power companies are due within 30 day from the date of billing; Receivables from coal sales companies are due within 60 days from the date of billing, while 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.

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

As at 30 June 2013

(Expressed In Renminbi'000 Unless Otherwise Indicated)

IX. OTHER SIGNIFICANT ITEMS (CONTINUED)

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

(1) Credit risk (continued)

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

Ageing	30 June 2013	31 December 2012
	<i>RMB'000</i>	<i>RMB'000</i>
Past due within three months (inclusive)	403,312	87,290
Past due three to six months (inclusive)	89,776	143,645
Past due six months to one year (inclusive)	287,032	249,266
More than one year past due	283,789	160,130
	<hr/>	<hr/>
Total	1,063,909	640,331
	<hr/> <hr/>	<hr/> <hr/>

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, 68% (2012: 60%) 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).

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

As at 30 June 2013

(Expressed In Renminbi'000 Unless Otherwise Indicated)

IX. OTHER SIGNIFICANT ITEMS (CONTINUED)**2. Risk analysis, sensitivity analysis, and fair values for financial instruments**
(continued)(2) *Liquidity risk*

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

At the balance sheet date, rest of contractual term and the earliest payment date required of the contractual cash flows belonging to the Group's financial assets and liabilities which have not been discounted, including interests calculated on contractual interest rate (if the interest rate is float, the actual interest rate at 30 June 2013 and 31 December 2012 are adopted) are as follows:

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

As at 30 June 2013

(Expressed In Renminbi'000 Unless Otherwise Indicated)

IX. OTHER SIGNIFICANT ITEMS (CONTINUED)

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

(2) Liquidity risk (continued)

Item	30 June 2013 Contractual undiscounted cash flow					Total RMB'000	Balance sheet carrying amount RMB'000
	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			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		
Financial assets							
Cash at bank and on hand	4,597,031	—	—	—	4,597,031	4,597,031	
Receivables	6,822,093	—	—	—	6,822,093	6,822,093	
Available-for-sale financial assets	32,096	—	—	—	32,096	32,096	
Long-term receivables (including due within one year)	43,032	41,512	84,369	—	168,913	160,743	
Sub-total	11,494,252	41,512	84,369	—	11,620,133	11,611,963	
Financial liabilities							
Short-term loans	(18,070,583)	—	—	—	(18,070,583)	(17,508,370)	
Short-term debentures payable	(12,311,258)	—	—	—	(12,311,258)	(12,176,508)	
Long-term loans (including due within one year)	(14,455,366)	(11,259,192)	(26,849,882)	(44,561,866)	(97,126,306)	(69,649,566)	
Debentures payable (including due within one year)	(2,101,909)	(5,588,564)	(7,181,123)	—	(14,871,596)	(13,345,022)	
Payables	(16,280,278)	—	—	—	(16,280,278)	(16,280,278)	
Long-term payables (including due within one year)	(1,061,127)	(347,311)	(583,028)	(1,720,893)	(3,712,359)	(2,238,744)	
Sub-total	(64,280,521)	(17,195,067)	(34,614,033)	(46,282,759)	(162,372,380)	(131,198,488)	
Net amount	(52,786,269)	(17,153,555)	(34,529,664)	(46,282,759)	(150,752,247)	(119,586,525)	

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

As at 30 June 2013

(Expressed In Renminbi'000 Unless Otherwise Indicated)

IX. OTHER SIGNIFICANT ITEMS (CONTINUED)

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

(2) Liquidity risk (continued)

Item	31 December 2012					Balance sheet carrying amount Total RMB'000	RMB'000
	Contractual undiscounted cash flow						
	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			
Financial assets							
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	
Financial liabilities							
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. On 30 June 2013, the Group has unutilised banking facilities of RMB80.8 billion.

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

As at 30 June 2013

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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 30 June 2013 and 31 December 2012, the Group held the following interest-bearing financial instruments:

Item	30 June 2013		31 December 2012	
	Annual	Amount	Annual	Amount
	interest rate		interest rate	
	(%)	RMB'000	(%)	RMB'000
Fixed rate instruments				
Financial assets				
— Cash at bank	2.6-2.8	41,800	3.05	13,425
— Other receivables	8.00	40,700	8.00	40,700
Financial liabilities				
— Short-term loans	2.60-7.22	(9,198,144)	3.00-7.22	(9,517,739)
— Long-term loans (including due within one year)	2.25-7.76	(4,080,740)	2.25-7.76	(4,094,971)
— Short-term debentures payable	3.60-4.65	(12,176,508)	3.15-4.68	(11,664,380)
— Debentures payable (including due within one year)	3.78-5.02	(13,345,022)	3.78-5.02	(10,352,593)
Total		<u>(38,717,914)</u>		<u>(35,575,558)</u>

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

As at 30 June 2013

(Expressed In Renminbi'000 Unless Otherwise Indicated)

IX. OTHER SIGNIFICANT ITEMS (CONTINUED)

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

(3) Interest rate risk (continued)

(a) At the 30 June 2013 and 31 December 2012, the Group held the following interest-bearing financial instruments: (continued)

Item	30 June 2013		31 December 2012	
	Annual	Amount	Annual	Amount
	interest rate		interest rate	
	(%)	RMB'000	(%)	RMB'000
Variable rate instruments				
Financial assets				
— Cash at bank	0.35-1.35	4,553,527	0.35-1.35	3,087,646
— Other receivables	6.15	4,100	6.15	4,100
— Long term receivables (including due within one year)	3.38-6.35	126,973	3.38-6.90	124,290
Financial liabilities				
— Short-term loans	2.61-6.60	(8,310,226)	2.61-6.60	(9,974,093)
— Long-term loans (including due within one year)	3.30-7.94	(65,568,826)	3.30-7.94	(69,726,026)
Total		<u>(69,194,452)</u>		<u>(76,484,083)</u>

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

As at 30 June 2013

(Expressed In Renminbi'000 Unless Otherwise Indicated)

IX. OTHER SIGNIFICANT ITEMS (CONTINUED)**2. Risk analysis, sensitivity analysis, and fair values for financial instruments**
(continued)**(3) Interest rate risk (continued)****(b) Sensitivity analysis**

As at 30 June 2013, 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 RMB555,383,000 (2012: RMB614,971,000).

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 2012.

(4) Foreign currency risk

In respect of trade 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.

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

As at 30 June 2013

(Expressed In Renminbi'000 Unless Otherwise Indicated)

IX. OTHER SIGNIFICANT ITEMS (CONTINUED)

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

(4) Foreign currency risk (continued)

- (a) At the 30 June 2013 and 31 December 2012, the Group's exposure to currency risk arising from recognised assets or liabilities denominated in foreign currencies are presented in the following tables. For presentation purposes, the amounts of the exposure are shown in Renminbi, translated using the spot rate at the balance sheet date.

Item	30 June 2013		31 December 2012	
	USD	EUR	USD	EUR
	RMB'000	RMB'000	RMB'000	RMB'000
Cash at bank	3,961	—	13,076	—
Short-term loans	(617,870)	—	(628,550)	—
Long-term loans (including due within one year)	(615,430)	(198,144)	(621,439)	(214,588)
Long-term payables (including due within one year)	(519,913)	—	(732,803)	—
Total	<u>(1,749,252)</u>	<u>(198,144)</u>	<u>(1,969,716)</u>	<u>(214,588)</u>

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

Item	Average rate		Reporting date mid-spot rate	
	30 June	31 December	30 June	31 December
	2013	2012	2013	2012
USD	6.2413	6.3126	6.1787	6.2855
EUR	<u>8.1856</u>	<u>8.1052</u>	<u>8.0536</u>	<u>8.3176</u>

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

As at 30 June 2013

(Expressed In Renminbi'000 Unless Otherwise Indicated)

IX. OTHER SIGNIFICANT ITEMS (CONTINUED)

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

(4) Foreign currency risk (continued)

(c) Sensitivity analysis

Assuming all other risk variables remained constant, a 10% strengthening of the Renminbi against the US dollar and Euro at 30 June 2013 and 31 December 2012 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 period end:

Item	Equity RMB'000	Net profit RMB'000
30 June 2013		
USD	131,191	131,191
EUR	14,861	14,861
	<u>146,052</u>	<u>146,052</u>
Total	<u>146,052</u>	<u>146,052</u>
 31 December 2012		
USD	153,952	153,952
EUR	16,094	16,094
	<u>170,046</u>	<u>170,046</u>
Total	<u>170,046</u>	<u>170,046</u>

A 10% weakening of the Renminbi against the US dollar and Euro at 30 June 2013 and 31 December 2012 would have had the equal but opposite effect on them to the amounts shown above, on the basis that all other variables remained constant.

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

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

As at 30 June 2013

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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 30 June 2013 and 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).

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

As at 30 June 2013

(Expressed In Renminbi'000 Unless Otherwise Indicated)

IX. OTHER SIGNIFICANT ITEMS (CONTINUED)

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

(5) Fair values (continued)

(a) Financial instruments carried at fair value (continued)

30 June 2013

Assets	Note	Level 1	Level 2	Level 3	Total
		RMB'000	RMB'000	RMB'000	RMB'000
Available-for-sale Financial assets	V.8	<u>32,096</u>	<u>—</u>	<u>—</u>	<u>32,096</u>

31 December 2012

Assets	Note	Level 1	Level 2	Level 3	Total
		RMB'000	RMB'000	RMB'000	RMB'000
Available-for-sale Financial assets	V.8	<u>38,958</u>	<u>—</u>	<u>—</u>	<u>38,958</u>

During the current reporting period, there were no significant transfers between instruments in Level 1 and Level 2, there were no changes in valuation technique of fair value.

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

As at 30 June 2013

(Expressed In Renminbi'000 Unless Otherwise Indicated)

IX. OTHER SIGNIFICANT ITEMS (CONTINUED)

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

(5) Fair values (continued)

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

All financial instruments are carried at amounts not materially different from their fair value at 30 June 2013 and 31 December 2012 except as follows:

Item	30 June 2013		31 December 2012	
	Carrying amount	Fair value	Carrying amount	Fair value
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Debentures payable	13,534,498	13,538,959	10,673,307	10,653,996
Long-term loans	4,080,740	4,118,000	4,093,041	4,106,430
Total	<u>17,615,238</u>	<u>17,656,959</u>	<u>14,766,348</u>	<u>14,760,426</u>

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

As at 30 June 2013

(Expressed In Renminbi'000 Unless Otherwise Indicated)

IX. OTHER SIGNIFICANT ITEMS (CONTINUED)**2. Risk analysis, sensitivity analysis, and fair values for financial instruments**
(continued)*(6) Estimation and assumption of fair values*

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

(a) Available-for-sale financial assets

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

(b) Receivables

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

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

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

(d) Financial guarantees

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

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

As at 30 June 2013

(Expressed In Renminbi'000 Unless Otherwise Indicated)

IX. OTHER SIGNIFICANT ITEMS (CONTINUED)

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

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

(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	30 June 2013	31 December 2012
	Interest rate adopted (%)	Interest rate adopted (%)
Long-term receivables	6.40	6.40
Long-term loans (including due within one year)	6.15-6.55	6.36-6.76
Debentures payable (including due within one year)	4.04-4.83	4.04-4.83

3. Assets at fair value

Item	Balance at the beginning of the period	Additions from acquisition	Increase for the period	Changes in fair value for the period	Decrease for the period	Balance at the end of the period
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Available-for-sale financial assets	38,958	—	—	(6,862)	—	32,096

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

As at 30 June 2013

(Expressed In Renminbi'000 Unless Otherwise Indicated)

X. NOTES TO MAJOR ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS

1. Trade receivables

(1) Trade receivables by customer type:

Item	30 June 2013 RMB'000	31 December 2012 RMB'000
1. Trade receivables for sale of electricity	618,917	768,061
2. Trade receivables for sale of heat	96,210	32,971
Sub-total	715,127	801,032
Less: Provision for bad and doubtful debts	—	—
Total	<u>715,127</u>	<u>801,032</u>

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

Item	30 June 2013 RMB'000	31 December 2012 RMB'000
Within one year (inclusive)	<u>715,127</u>	<u>801,032</u>

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

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

As at 30 June 2013

(Expressed In Renminbi'000 Unless Otherwise Indicated)

X. NOTES TO MAJOR ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS
(CONTINUED)

1. Trade receivables (continued)

(3) Trade receivables by category:

Category	Note	30 June 2013				31 December 2012			
		Gross carrying amount		Provision for bad and doubtful debts		Gross carrying amount		Provision for bad and doubtful debts	
		Amount	Proportion	Amount	Proportion	Amount	Proportion	Amount	Proportion
		RMB'000	(%)	RMB'000	(%)	RMB'000	(%)	RMB'000	(%)
Individually significant amounts	(4)	705,637	98.67	—	—	799,752	99.84	—	—
Other insignificant trade receivables	(4)	9,490	1.33	—	—	1,280	0.16	—	—
Total		<u>715,127</u>	<u>100.00</u>	<u>—</u>	<u>—</u>	<u>801,032</u>	<u>100.00</u>	<u>—</u>	<u>—</u>

(4) The Company does not make provision for bad and doubtful debts on trade receivables.

(5) The Company does not actually write-off any trade receivables during the period.

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

As at 30 June 2013

(Expressed In Renminbi'000 Unless Otherwise Indicated)

X. NOTES TO MAJOR ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS
(CONTINUED)

1. Trade receivables (continued)

(6) The analysis of significant trade receivables is as follows:

Name of enterprise	Relationship with the Company	Amount RMB'000	Ageing	Proportion of amount to the total trade receivables (%)
1. Shandong Electric Power Group Corporation	Third party	618,916	Within one year	86.55
2. Zaozhuang Heat Corporation	Third party	86,721	Within one year	12.13
Total		<u>705,637</u>		<u>98.67</u>

(7) No amount due from shareholders who hold 5% or above of the Company's shares with voting power or other related parties of the Company is included in the closing balance of trade receivables.

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

As at 30 June 2013

(Expressed In Renminbi'000 Unless Otherwise Indicated)

X. NOTES TO MAJOR ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS
(CONTINUED)

1. Trade receivables (continued)

(8) As at 30 June 2013, derecognition of trade receivables due to transfer of financial assets

Item	Amount derecognised RMB'000	Losses arising from the derecognition RMB'000
Factored trade receivables without recourse	200,000	90

(9) The Company does not securitize trade receivables, and has no asset or liability recognized due to the continuing involvement of securitized trade receivables.

2. Other receivables

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

Ageing	30 June 2013 RMB'000	31 December 2012 RMB'000
Within one year (inclusive)	5,888,439	5,036,760
Between one and two years (inclusive)	158,032	30,982
Between two and three years (inclusive)	1,100,924	1,575,112
Over three years	1,072,924	522,233
Sub-total	8,220,319	7,165,087
Less: Provision for bad and doubtful debts	2,507	2,507
Total	8,217,812	7,162,580

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

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

As at 30 June 2013

(Expressed In Renminbi'000 Unless Otherwise Indicated)

X. NOTES TO MAJOR ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS
(CONTINUED)

2. Other receivables (continued)

(2) Other receivables by category

Category	30 June 2013				31 December 2012			
	Gross carrying amount		Provision for bad and doubtful debts		Gross carrying amount		Provision for bad and doubtful debts	
	Amount	Proportion	Amount	Proportion	Amount	Proportion	Amount	Proportion
	RMB'000	(%)	RMB'000	(%)	RMB'000	(%)	RMB'000	(%)
Individually significant amounts	8,198,089	99.73	2,266	0.03	7,154,549	99.85	2,266	0.03
Other insignificant other receivables	22,230	0.27	241	1.08	10,538	0.15	241	2.29
Total	<u>8,220,319</u>	<u>100.00</u>	<u>2,507</u>	<u>0.03</u>	<u>7,165,087</u>	<u>100.00</u>	<u>2,507</u>	<u>0.03</u>

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 period.

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

As at 30 June 2013

(Expressed In Renminbi'000 Unless Otherwise Indicated)

X. NOTES TO MAJOR ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS
(CONTINUED)

2. Other receivables (continued)

(5) The analysis of significant other receivables is as follows:

Other receivables	Relationship with the Company	Amount RMB'000	Ageing	Proportion of amount to the total other receivables (%)
Amounts due from subsidiaries	Subsidiary	8,166,872	Within one year and between one and four year	99.35
Total		<u>8,166,872</u>		<u>99.35</u>

(6) No amount due from shareholders who hold 5% or above of the Company's shares with voting power of the Company is included in the closing balance of other receivables.

(7) Except amounts due from subsidiaries mentioned above in (5), there was no amount due from related parties of the Company in the closing balance of other receivables.

(8) The Company does not derecognize of any other receivables due to transfer of financial assets during the period.

(9) The Company does not securitize other receivables, and has no asset or liability recognized due to the continuing involvement of securitized other receivables during the period.

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

As at 30 June 2013

(Expressed In Renminbi'000 Unless Otherwise Indicated)

X. NOTES TO MAJOR ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS
(CONTINUED)

3. Long-term receivables

Long-term receivables represent debts due from subsidiaries of the Company, including 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	30 June 2013 RMB'000	31 December 2012 RMB'000
Investments in subsidiaries	31,178,739	29,119,260
Investments in associates	7,487,456	7,255,253
Other long-term equity investments	<u>127,109</u>	<u>127,109</u>
Total	<u><u>38,793,304</u></u>	<u><u>36,501,622</u></u>

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

As at 30 June 2013

(Expressed In Renminbi'000 Unless Otherwise Indicated)

X. NOTES TO MAJOR ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS
(CONTINUED)

4. Long-term equity investments (continued)

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

Investee name	Investment costs RMB'000	Opening balance RMB'000	Movement of additions and deductions RMB'000	Closing balance RMB'000	Proportion	Proportion	Cash
					of ownership interest in the investee (%)	of voting power in the investee (%)	dividends for the period RMB'000
Cost method-subidiaries							
Zibo Thermal Power Company	574,800	574,800	—	574,800	100	100	—
Materials Company	38,648	38,648	—	38,648	100	100	—
Project Company	50,336	50,336	—	50,336	100	100	—
Luding Hydropower Company	1,366,090	1,366,090	—	1,366,090	100	100	—
Maohua Company	1,547,000	1,547,000	—	1,547,000	100	100	—
Guyuan Wind Power Company	386,100	386,100	—	386,100	100	100	50,000
Kezuozhongqi Wind Power Company	80,000	80,000	—	80,000	100	100	—
Huarui Group Company	1,366,895	1,366,895	—	1,366,895	100	100	—
Kangbao Wind Power Company	80,000	80,000	—	80,000	100	100	—
Pingshi Power Company (Note 2)	784,706	784,706	—	784,706	100	100	—
Kailu Wind Power Company	797,128	797,128	—	797,128	100	100	—
Laizhou Wind Company	91,914	91,914	—	91,914	100	100	—
Shuozhou Thermal Power Company	40,000	40,000	—	40,000	100	100	—
Shunge Company	672,078	672,078	—	672,078	100	100	—
Huoxing Company	914,420	894,420	20,000	914,420	100	100	—
Xiexing Company	953,930	933,930	20,000	953,930	100	100	—
Mingyang Coal Company	7,000	7,000	—	7,000	70	70	—
Yinling Coal Company	10,000	10,000	—	10,000	100	100	—
Shijiazhuang Heat Company	330,374	237,374	93,000	330,374	100	100	—
Longyou Thermal Power Company	50,000	50,000	—	50,000	100	100	—
New Energy Company	410,000	330,000	80,000	410,000	100	100	—

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

As at 30 June 2013

(Expressed In Renminbi'000 Unless Otherwise Indicated)

X. NOTES TO MAJOR ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS
(CONTINUED)

4. Long-term equity investments (continued)

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

Investee name	Investment costs RMB'000	Opening balance RMB'000	Movement of additions and deductions RMB'000	Closing balance RMB'000	Proportion	Proportion	Cash
					of ownership interest in the investee (%)	of voting power in the investee (%)	dividends for the period RMB'000
Dongyi Wind Power Company	9,102	—	9,102	9,102	100	100	—
Huanyu Company	483,164	483,164	—	483,164	100	100	—
Guang'an Company	1,267,577	1,267,577	—	1,267,577	80	80	—
Zhangqiu Company	617,077	617,077	—	617,077	87.50	87.50	—
Qingdao Company	345,668	345,668	—	345,668	55	55	11,000
Tengzhou Thermal Power Company	424,400	424,400	—	424,400	93.26	93.26	—
Xinxiang Company	835,686	835,686	—	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	—
Weifang Company	823,483	823,483	—	823,483	45	45	—
Wuhu Company	644,046	644,046	—	644,046	65	65	74,225
Cost method-subidiaries							
Suzhou Biomass Energy Company	43,680	43,680	—	43,680	78	78	—
Zouxian Company	2,070,000	2,070,000	—	2,070,000	69	69	224,458
Laizhou Wind Power Company	80,333	80,333	—	80,333	55	55	—
Luohe Company	475,300	475,300	—	475,300	75	75	—
Shijiazhuang Thermal Power Company	908,511	908,511	—	908,511	82	82	—
Banshan Company	729,724	642,724	87,000	729,724	64	64	82,140
Zagunao Hydroelectric Company	788,362	788,362	—	788,362	64	64	—
Qudong Company	505,802	371,740	134,062	505,802	90	90	—
Lu'an Company	259,180	159,180	100,000	259,180	95	95	—
Century Power Company	2,120,369	2,120,369	—	2,120,369	84.31	84.31	—
Laizhou Power	1,080,000	1,080,000	—	1,080,000	75	75	—

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

As at 30 June 2013

(Expressed In Renminbi'000 Unless Otherwise Indicated)

X. NOTES TO MAJOR ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS
(CONTINUED)

4. Long-term equity investments (continued)

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

Investee name	Investment costs RMB'000	Opening balance RMB'000	Movement of additions and deductions RMB'000	Closing balance RMB'000	Proportion	Proportion of voting power in the investee (%)	Cash dividends for the period RMB'000
					of ownership interest in the investee (%)		
Zoucheng Heat Company	56,000	56,000	—	56,000	70	70	—
Shantou Company	300,900	300,900	—	300,900	51	51	—
Luhua Thermal Power Company	391,475	391,475	—	391,475	90	90	—
Laizhou Port Company	139,833	139,833	—	139,833	65	65	—
Zhongning Company	142,800	227,237	—	227,237	50	50	—
Wenhui Company	283,315	283,315	—	283,315	51	51	—
Haoyuan Company	691,777	691,777	—	691,777	85	85	—
Fuyuan Thermal Power Company	100,000	60,000	40,000	100,000	98	98	—
Xiasha Thermal Power Company	139,600	89,600	50,000	139,600	56	56	—
Jiangdong Thermal Power Company	84,000	84,000	—	84,000	70	70	—
Nanjiang Thermal Power Company	85,800	—	85,800	85,800	65	65	—
Tiantou Heat Company	10,200	—	10,200	10,200	51	51	—
Huatong Ruisheng	1,320,315	—	1,320,315	1,320,315	90	90	—
Others	123,482	113,482	10,000	123,482			
Tototal	31,094,302	29,119,260	2,059,479	31,178,739			441,823

Note 1: For information on subsidiaries of The Company, see Note IV.1.

Note 2: According to the pledge contract signed between China Agriculture Bank Foshan Branch and the Company as at 18 May 2010, the Company pledged 75% of its investment in Pingshi Power Company for the payables as bank loans guarantor.

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

As at 30 June 2013

(Expressed In Renminbi'000 Unless Otherwise Indicated)

X. NOTES TO MAJOR ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS
(CONTINUED)

4. Long-term equity investments (continued)

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

Investee name	Investment costs	Opening balance	Movement of additions and deductions	Adjustments under equity method		Cash dividends for the period	Closing balance
				Gains/ (losses) in investment	Transfer of capital reserve		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Equity method-associates							
Huadian Property	440,000	282,290	150,000	1,556	—	—	433,846
Luzhou Company	344,000	—	—	—	—	—	—
Huadian Coal	432,414	1,361,993	—	(27,617)	14,785	—	1,349,161
China Huadian Finance	796,533	1,016,288	—	62,873	—	(25,701)	1,053,460
Changcheng Mine Company	452,612	639,001	—	(5,359)	6,953	—	640,595
Fucheng Mining Company	498,042	657,229	—	7,133	13,090	—	677,452
Ningdong Railway Company	300,000	380,959	—	12,904	—	—	393,863
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	678,000	—	21,253	—	—	699,253
Jinshajiang Hydropower	74,990	74,990	—	—	—	—	74,990
Other associates	9,000	11,060	—	333	—	—	11,393
Total	6,179,034	7,255,253	150,000	73,076	34,828	(25,701)	7,487,456

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

As at 30 June 2013

(Expressed In Renminbi'000 Unless Otherwise Indicated)

X. NOTES TO MAJOR ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS
(CONTINUED)

4. Long-term equity investments (continued)

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

Investee name	Investment Costs RMB'000	Opening balance RMB'000	Movement of additions and reductions RMB'000	Closing balance RMB'000	Proportion		Cash dividends for the period RMB'000
					of ownership interest in the investee (%)	Proportion of voting power in the investee (%)	
Cost method-other long-term equity investments							
Luneng Heze Company	23,500	23,500	—	23,500	5	5	—
Daduhe Hydropower Company	103,609	103,609	—	103,609	12.27	12.27	—
Total	<u>127,109</u>	<u>127,109</u>	<u>—</u>	<u>127,109</u>			<u>—</u>

(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	Six months ended 30 June	
	2013 RMB'000	2012 RMB'000
Operating income from principal activities	4,149,548	4,640,823
Other operating income	51,080	28,533
Operating costs	3,567,601	4,139,815

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

As at 30 June 2013

(Expressed In Renminbi'000 Unless Otherwise Indicated)

X. NOTES TO MAJOR ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS
(CONTINUED)

5. Operating income and operating costs (continued)

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

Industry/product	Six months ended 30 June			
	2013		2012	
	Operating income <i>RMB'000</i>	Operating costs <i>RMB'000</i>	Operating income <i>RMB'000</i>	Operating costs <i>RMB'000</i>
Sale of electricity	4,024,617	3,424,098	4,525,639	4,017,325
Sale of heat	<u>124,931</u>	<u>127,659</u>	<u>115,184</u>	<u>116,916</u>
Total	<u>4,149,548</u>	<u>3,551,757</u>	<u>4,640,823</u>	<u>4,134,241</u>

(3) Principal operating activities (by geographical area)

The Company's principal activities are the generation and sale of electricity in the PRC.

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

As at 30 June 2013

(Expressed In Renminbi'000 Unless Otherwise Indicated)

X. NOTES TO MAJOR ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS
(CONTINUED)

5. Operating income and operating costs (continued)

(4) Operating income from the top five customers

Customer name	Operating income <i>RMB'000</i>	Proportion to total operating income of the Company (%)
1. Shandong Electric Power Goup Corporation	4,024,617	95.81
2. Zaozhuang Heat Corporation	57,107	1.36
3. Zoucheng Heat Corporation	56,052	1.33
4. Laiwu City Heating Power Company	7,519	0.18
5. Zaozhuang City Xuri Heating Power Company	2,754	0.07
Total	<u>4,148,049</u>	<u>98.75</u>

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

As at 30 June 2013

(Expressed In Renminbi'000 Unless Otherwise Indicated)

X. NOTES TO MAJOR ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS
(CONTINUED)

6. Investment income

(1) Investment income by item

Item	Notes	Six months ended 30 June	
		2013	2012
		RMB'000	RMB'000
Income from long-term equity investments under cost method	(2)	441,823	12,857
Income from long-term equity investments under equity method	(3)	73,076	312,555
Investment income from disposal of long-term equity investments		—	3
Total		<u>514,899</u>	<u>325,415</u>

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

As at 30 June 2013

(Expressed In Renminbi'000 Unless Otherwise Indicated)

X. NOTES TO MAJOR ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS
(CONTINUED)

6. Investment income (continued)

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

Investee	Six months ended 30 June		Reason for increase or decrease for the period
	2013 RMB'000	2012 RMB'000	
Zouxian Company	224,458	—	Under cost method, investment income is recognised when dividend is declared by subsidiary.
Banshan Company	82,140	—	Under cost method, investment income is recognised when dividend is declared by subsidiary.
Wuhu Company	74,225	—	Under cost method, investment income is recognised when dividend is declared by subsidiary.
Guyuan Wind Power Company	50,000	—	Under cost method, investment income is recognised when dividend is declared by subsidiary.
Qingdao Company	11,000	—	Under cost method, investment income is recognised when dividend is declared by subsidiary.

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

As at 30 June 2013

(Expressed In Renminbi'000 Unless Otherwise Indicated)

X. NOTES TO MAJOR ITEMS IN THE COMPANY'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 largest of the Company are as follows:

Investee	Six months ended 30 June		Reason for increase or decrease for the period
	2013	2012	
	RMB'000	RMB'000	
China Huadian Finance	62,873	57,529	Profit or loss from normal operations
Yinxing Coal Company	21,253	—	Profit or loss from normal operations
Ningdong Railway Company	12,904	20,840	Profit or loss from normal operations
Fucheng Mining Company	7,133	57,430	Profit or loss from normal operations
Huadian Property	1,556	(156)	Profit or loss from normal operations

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

As at 30 June 2013

(Expressed In Renminbi'000 Unless Otherwise Indicated)

X. NOTES TO MAJOR ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS
(CONTINUED)

7. Supplementary information to the cash flow statement

Supplement	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
1.Reconciliation of net profit/(losses) to cash flows from operating activities:		
Net profit/ (losses)	139,161	(299,345)
Add: Depreciation of fixed assets	445,705	428,688
Amortisation of intangible assets	5,846	6,372
Income on disposal of fixed assets	(21)	(243)
Financial expense	754,368	939,250
Gains arising from investments	(514,899)	(325,415)
(Increase)/decrease in gross inventories	(157,760)	9,245
Increase in operating receivables	(150,132)	(126,915)
Decrease/(increase) in operating payables	558,686	(764,616)
Net cash flow from operating activities	1,080,954	(132,979)
2.Net Change in cash and cash equivalents:		
Cash at the end of the period	937,889	1,950,124
Less: Cash at the beginning of the period	747,136	421,704
Net increase in cash and cash equivalents	190,753	1,528,420

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

As at 30 June 2013

(Expressed In Renminbi'000 Unless Otherwise Indicated)

X. NOTES TO MAJOR ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS
(CONTINUED)

8. Related party and related party transactions

I. Related party transactions

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

Related party	Details of related party transaction <i>Note 1</i>	Six months ended 30 June			
		2013		2012	
		Amount <i>RMB'000</i>	Proportion of the amount of related party transactions to that of similar transactions %	Amount <i>RMB'000</i>	Proportion of the amount of related party transactions to that of similar transactions %
Huadian Engineering and its subsidiaries and Materials Company	Construction expenses and equipment expenses	82,638	4.90	128,919	21.57
	Warehouse expense	7,756	100	—	—
Zoucheng Heat Company	Sale of heat	54,842	43.90	50,427	43.78
	Operation service income	543	24.25	543	8.78
Zouxian Company	Properties rental income	18,898	88.82	18,898	95.16
Huadian Technology & Trade	Management services fees	4,163	41.79	3,846	59.26
Key management personnel	Payment of remuneration	1,891	0.43	1,911	0.73

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

As at 30 June 2013

(Expressed In Renminbi'000 Unless Otherwise Indicated)

X. NOTES TO MAJOR ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS
(CONTINUED)

8. Related party and related party transactions (continued)

I. Related party transactions (continued)

(2) Related party lease

Lessor name	Lessee name	Type of assets leased	Commencement date of leases	Expiration date of leases	Basis of lease payment determining	Lease payment recognized in the period
Anfu Company	The Company	China Huadian Building	1 April 2009	31 December 2014	Lease area	24,501
CHD Operation	The Company	Buildings and vehicle	1 November 2011	31 October 2013	Lease period	432

RMB'000

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

As at 30 June 2013

(Expressed In Renminbi'000 Unless Otherwise Indicated)

X. NOTES TO MAJOR ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS
(CONTINUED)

8. Related party and related party transactions (continued)

I. Related party transactions (continued)

(3) Related party guaranty

Guarantor	Guaranteed party	Guaranteed amount RMB'000	Inception date of guarantee	Expiration date of guarantee	Whether execution of guarantee has been completed (Y/N)
Providing guaranty					
The Company	Suzhou Biomass Energy Company	148,200	29 July 2008	29 July 2025	N
The Company	New Energy Company Ningdong Branch	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	158,750	19 June 2009	11 July 2022	N
The Company	Kailu Wind Power Company	325,000	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	95,000	30 July 2013	29 July 2015	N
The Company	Maohua Company	322,000	22 September 2011	21 September 2018	N
The Company	Maohua Company	110,000	21 January 2012	26 February 2016	N
The Company	Pingshi Power Company	97,500	29 March 2012	29 December 2016	N
The Company	Xiasha Thermal Power Company	132,160	29 November 2012	28 November 2029	N
The Company	Xiasha Thermal Power Company	148,783	29 November 2012	28 November 2029	N
The Company	Maohua Company	275,000	26 September 2012	25 September 2018	N
The Company	Maohua Company	299,000	28 June 2012	27 June 2019	N
The Company	Maohua Company	300,000	16 April 2013	15 April 2016	N
Receiving guaranty					
China Huadian	The Company	700,000	6 September 2012	6 September 2019	N

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

As at 30 June 2013

(Expressed In Renminbi'000 Unless Otherwise Indicated)

X. NOTES TO MAJOR ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS
(CONTINUED)

8. Related party and related party transactions (continued)

I. Related party transactions (continued)

(4) Related party lending and refunding

Related party	Lending Amount RMB'000	Refunding Amount RMB'000	Interest income recognised for the six months ended 30 June 2013 RMB'000
Lent to			
Zagunao Hydroelectric Company	108,000	(90,000)	22,784
Shantou Company	—	—	2,112
Maohua Company	181,000	—	19,325
Suzhou Biomass Energy Company	—	—	327
Luding Hydropower Company	600,000	(500,000)	15,386
Zibo Thermal Power Company	50,000	(50,000)	1,414
Tengzhou Thermal Power Company	300,000	(200,000)	5,926
Shaoguan Thermal Power Company	43,600	(41,000)	3,733
Zhangqiu Company	260,000	(200,000)	6,071
Laizhou Power	300,000	(300,000)	17,150
Kailu Wind Power Company	—	(30,000)	4,833
Haoyuan Compamny	—	—	2,263
Shunge Company	10,000	—	672
Weifang Company	—	—	7,451
Pingshi Power Company	150,000	—	3,287
Qingdao Company	100,000	—	567
Century Power Company	100,000	—	633
Zouxian Company	200,000	—	1,267
Project Company	45,000	(45,000)	1,283
Materials Company	50,000	—	1,358
Huarui Group Company	150,000	—	1,625
Luhua Thermal Power Company	150,000	—	1,208
Suzhou Company	200,000	—	2,200
Wuhu Company	300,000	—	3,350
Huatong Ruisheng	78,000	—	2,970
Total	<u>3,375,600</u>	<u>(1,456,000)</u>	<u>129,195</u>

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

As at 30 June 2013

(Expressed In Renminbi'000 Unless Otherwise Indicated)

X. NOTES TO MAJOR ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS
(CONTINUED)

8. Related party and related party transactions (continued)

I. Related party transactions (continued)

(4) Related party lending and refunding (continued)

Related party	30 June 2013 RMB'000	31 December 2013 RMB'000	Interest income recognised for the six months ended
			30 June 2013 RMB'000
Deposit			
China Huadian Finance	<u>384,829</u>	<u>47,694</u>	<u>3,090</u>
Related party	Borrowing Amount RMB'000	Repayment Amount RMB'000	Interest expense recognised for the six months ended 30 June 2013 RMB'000
Borrowed from			
China Huadian	4,816	—	—
China Huadian Finance	500,000	(700,000)	4,559
Fortune Trust	—	(1,000)	14,379
Materials Company	—	—	1,358
Project Company	<u>45,000</u>	<u>(45,000)</u>	<u>1,283</u>
Total	<u>549,816</u>	<u>(746,000)</u>	<u>21,579</u>

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

As at 30 June 2013

(Expressed In Renminbi'000 Unless Otherwise Indicated)

X. NOTES TO MAJOR ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS
(CONTINUED)

8. Related party and related party transactions (continued)

I. Related party transactions (continued)

(5) Equity investments in related parties

Related party	Details of related party transaction	Six months ended 30 June	
		2013 RMB'000	2012 RMB'000
Capital investment			
Jinshajiang Hydropower	Capital Injection	—	16,000
Xiangcheng Hydropower	Capital Injection	192	50,335
Huadian Property	Capital Injection	150,000	—

(6) Related party transferring of equity interests

Related party	Details of related party transaction	Six months ended 30 June			
		2013 Amount RMB'000	Proportion of the amount of related party transactions to that of similar transactions %	2012 Amount RMB'000	Proportion of the amount of related party transactions to that of similar transactions %
Huadian Shanxi Energy	Purchase of equity interest of a subsidiary	—	—	14,268	2.87
Century Power Company	Purchase of equity interest of a subsidiary	5,851	0.44	—	—

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

As at 30 June 2013

(Expressed In Renminbi'000 Unless Otherwise Indicated)

X. NOTES TO MAJOR ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS
(CONTINUED)

8. Related party and related party transactions (continued)

II. Balance of related party receivables, payables, loans and deposits

Item	Related party	30 June 2013 RMB'000	31 December 2012 RMB'000
Receivables from related party			
Prepayments for construction and construction materials	Huadian Engineering and its subsidiaries and Materials Company	25,225	23,725
Entrusted loans	The Company's subsidiaries	5,669,979	3,703,666
Prepayments for purchase of fuel	Huadian Coal	—	297,190
Payables to related party			
Other payables	China Huadian	(1,060)	(1,060)
Payables for construction equipment	Huadian Engineering and its subsidiaries	(7,218)	(10,278)
Shareholders Loans	China Huadian and SITC	(180,591)	(175,775)
Other Loans	Fortune Trust, Project Company, Materials Company and China Huadian Finance	(531,000)	(732,000)
Prepayment/(Receipts in advance) for purchase and sales of fuel	The Company's subsidiaries	135,295	(77,146)

SUPPLEMENTS

1. BREAKDOWN OF NON-RECURRING PROFIT OR LOSS FOR SIX MONTHS ENDED 30 JUNE 2013

Item	Amount
	<i>RMB'000</i>
Losses on disposal of non-current assets	(1,586)
Government grants recognised in profit or loss (other than grants which are closely related to the Company's business and are either in fixed amounts or determined under quantitative methods in accordance with the national standard)	28,683
Electricity price regulation fund	(53,546)
The effect due to change in accounting estimates on depreciation	(183,629)
Other non-operating income or expenses other than the above	44,525
Tax effects	43,235
Effects attributable to minority interests (after tax)	17,521
	<hr/>
Total	<u><u>(104,797)</u></u>

Above non-recurring profit or loss items are listed by amount before taxation.

SUPPLEMENTS (CONTINUED)

2. DIFFERENCE IN ACCOUNTING DATA UNDER DOMESTIC AND OVERSEAS ACCOUNTING STANDARDS

The differences between the financial statements prepared under IFRS and CAS on consolidated net profit and consolidated net assets are as follows:

	<i>Notes</i>	Net profit		Net assets	
		Six months ended 30 June		30 June	31 December
		2013	2012	2013	2012
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
In accordance with CASs		2,276,926	381,133	29,943,216	27,644,896
Items and amounts reconciled to IFRSs:					
Business combination involving entities under common control	(1)	(14,624)	(14,656)	670,390	685,014
Government grants	(2)	12,718	6,954	(429,539)	(442,257)
Maintenance, production and other similar fund Adjustment	(3)	62,274	22,890	(22,199)	(22,199)
Taxation impact of the adjustments		5,963	2,169	(128,935)	(134,898)
In accordance with IFRSs		2,343,257	398,490	30,032,933	27,730,556

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.

SUPPLEMENTS (CONTINUED)

3. RETURN ON NET ASSETS AND EARNINGS PER SHARE

In accordance with “Regulation on the Preparation of Information Disclosures of Companies Issuing Public Shares No.9 — Calculation and Disclosure of the Return on Net Assets and Earnings Per Share” (2010 revised) issued by the CSRC, the Group’s return on net assets and earnings per share are calculated as follows:

	Six months ended 30 June 2013	
	Inclusive of extraordinary gains and losses	Net of extraordinary gains and losses
Weighted average return on net assets (%)	8.41 %	8.93 %
Consolidated net profit attributable to the Company’s ordinary equity shareholders (RMB’000)	1,694,576	1,799,373
Weighted average net assets attributable to the Company’s ordinary equity shareholders (RMB’000)	20,153,282	20,153,282
Fully diluted return on net assets (%)	8.26 %	8.77 %
Consolidated net profit attributable to the Company’s ordinary equity shareholders (RMB’000)	1,694,576	1,799,373
Weighted average net assets attributable to the Company’s ordinary equity shareholders (RMB’000)	20,525,512	20,525,512
Basic earnings per share (RMB)	0.230	0.244
Consolidated net profit attributable to the Company’s ordinary equity shareholders (RMB’000)	1,694,576	1,799,373
Weighted average number of ordinary shares (’000 shares)	7,371,084	7,371,084

There were no dilutive potential ordinary shares in existence during the presented period, thus diluted earnings per share was equal to basic earnings per share.

CONSOLIDATED BALANCE SHEET AND BALANCE SHEET (UNAUDITED)

As at 30 September 2013

(EXPRESSED IN RENMINBI'000)

Item	The Group		The Company	
	30 September 2013	31 December 2012	30 September 2013	31 December 2012
Current assets				
Cash at bank and on hand	4,845,767	3,102,559	921,884	747,136
Bills receivable	548,799	634,417	200	—
Trade receivables	6,411,639	6,613,709	723,658	801,032
Prepayments	1,159,991	928,111	226,186	148,651
Other receivables	527,931	1,401,057	8,516,362	7,162,580
Inventories	2,826,250	3,383,132	377,371	295,418
Dividends receivable	1,093	66,940	66,230	78,431
Non-current assets due within one year	37,677	42,094	—	—
Other current assets	810,525	986,754	135,397	139,304
Total current assets	17,169,672	17,158,773	10,967,288	9,372,552
Non-current assets				
Available-for-sale financial assets	33,910	38,958	—	—
Long-term receivables	121,896	144,880	443,483	414,947
Long-term equity investments	10,757,213	10,304,950	39,299,969	36,501,622
Fixed assets	105,281,037	106,881,257	7,535,934	8,070,992
Construction in progress	14,168,537	11,670,930	1,120,784	800,635
Construction materials	435,751	13,631	18	—
Construction and construction material prepayments	4,018,428	1,741,454	577,745	291,570
Intangible assets	14,941,903	13,427,253	116,098	123,309
Goodwill	864,063	873,186	12,111	12,111
Deferred tax assets	310,463	363,770	—	—
Other non-current assets	1,591,782	1,952,107	1,041	385,174
Total non-current assets	152,524,983	147,412,376	49,107,183	46,600,360
Total assets	169,694,655	164,571,149	60,074,471	55,972,912

CONSOLIDATED BALANCE SHEET AND BALANCE SHEET (UNAUDITED) (CONTINUED)

As at 30 September 2013

(EXPRESSED IN RENMINBI'000)

Item	The Group		The Company	
	30 September 2013	31 December 2012	30 September 2013	31 December 2012
Current liabilities				
Short-term loans	15,408,000	19,491,832	6,283,789	9,190,790
Bills payable	728,912	449,120	–	–
Trade payables	11,511,277	8,844,820	734,714	253,778
Receipts in advances	589,179	925,907	2,121	20,888
Wages payable	585,017	109,538	119,105	23,340
Taxes payable	954,241	689,469	64,389	87,325
Interest payable	496,872	602,853	275,646	350,931
Dividends payable	78,200	14,319	–	–
Other payables	3,599,670	2,853,502	1,248,446	879,844
Short-term debentures payable	14,624,172	11,664,380	14,624,172	11,664,380
Non-current liabilities due within one year	11,549,488	10,766,787	3,494,930	948,439
Total current liabilities	60,125,028	56,412,527	26,847,312	23,419,715
Non-current liabilities:				
Long-term loans	59,213,897	64,173,923	3,551,314	4,729,414
Debentures payable	11,857,321	10,352,593	11,857,321	10,352,593
Long-term payables	1,878,173	1,319,670	–	–
Special payables	10,839	12,223	5,655	5,656
Deferred tax liabilities	2,670,824	2,652,423	46,121	46,121
Other non-current liabilities	2,208,586	2,002,894	20,701	21,314
Total non-current liabilities	77,839,640	80,513,726	15,481,112	15,155,098
Total liabilities	137,964,668	136,926,253	42,328,424	38,574,813

CONSOLIDATED BALANCE SHEET AND BALANCE SHEET (UNAUDITED) (CONTINUED)

As at 30 September 2013

(EXPRESSED IN RENMINBI'000)

Item	The Group		The Company	
	30 September 2013	31 December 2012	30 September 2013	31 December 2012
Shareholders' equity:				
Share capital	7,371,084	7,371,084	7,371,084	7,371,084
Capital reserve	5,742,521	5,749,735	5,487,470	5,488,119
Specific reserve	95,983	40,876	35,236	408
Surplus reserve	1,554,113	1,554,113	1,554,113	1,554,113
Retained earnings	6,986,319	4,586,124	3,298,144	2,984,375
Total equity attributable to equity shareholders of the Company	21,750,020	19,301,932	17,746,047	17,398,099
Minority interests	9,979,967	8,342,964	—	—
Total shareholders' equity	31,729,987	27,644,896	17,746,047	17,398,099
Total liabilities and shareholders' equity	169,694,655	164,571,149	60,074,471	55,972,912

CONSOLIDATED INCOME STATEMENT AND INCOME STATEMENT (UNAUDITED)*For the nine months ended 30 September 2013**(EXPRESSED IN RENMINBI'000)*

Item	The Group		The Company	
	For nine months period ended 30 September		For nine months period ended 30 September	
	2013	2012	2013	2012
Operating income	49,302,480	43,253,063	6,753,229	6,787,151
Less: Operating costs	38,033,619	37,138,405	5,612,045	5,959,348
Sales taxes and surcharges	340,858	175,368	68,624	40,026
Administrative expenses	1,399,365	1,169,069	305,630	307,708
Finance expenses	4,518,468	4,690,779	1,150,362	1,360,951
Impairment reversal	(8,594)	–	–	–
Add: Investment income	330,912	487,913	1,046,892	377,096
Including: income from investment in associates	328,749	480,090	99,807	352,735
Operating profit/(loss)	5,349,676	567,355	663,460	(503,786)
Add: Non-operating income	197,967	417,931	175,388	16,959
Less: Non-operating expenses	339,353	96,257	45,959	382
Including: losses on disposal of non-current assets	210,905	266	45,797	189
Total profit/(loss)	5,208,290	889,029	792,889	(487,209)
Less: Income tax expenses	1,180,573	217,610	–	–
Net profit/(loss)	4,027,717	671,419	792,889	(487,209)

CONSOLIDATED INCOME STATEMENT AND INCOME STATEMENT (UNAUDITED)
(CONTINUED)

For the nine months ended 30 September 2013

(EXPRESSED IN RENMINBI'000)

Item	The Group		The Company	
	For nine months period ended 30 September		For nine months period ended 30 September	
	2013	2012	2013	2012
Attributable to:				
Equity shareholders of the Company	2,922,996	415,405	792,889	(487,209)
Minority interests	1,104,721	256,014	-	-
Earnings per share (RMB):				
Basic earnings per share	0.397	0.060	n/a	n/a
Diluted earnings per share	0.397	0.060	n/a	n/a
Add: Other comprehensive loss	(3,785)	(70)	-	(363)
Total comprehensive income/(loss)	4,023,932	671,349	792,889	(487,572)
Attributable to:				
Equity shareholders of the Company	2,919,211	415,092	792,889	(487,572)
Minority interests	1,104,721	256,257	-	-

**CONSOLIDATED CASH FLOW STATEMENT AND CASH FLOW STATEMENT
(UNAUDITED)**

For the nine months ended 30 September 2013

(EXPRESSED IN RENMINBI'000)

Item	The Group		The Company	
	For nine months period ended 30 September		For nine months period ended 30 September	
	2013	2012	2013	2012
I. Cash flow from operating activities				
Cash received from sale of goods and rendering of services	56,927,291	50,571,271	7,857,697	8,144,984
Refund of taxes	10,111	6,078	-	-
Cash received relating to other operating activities	782,497	518,126	314,922	172,039
Sub-total of cash inflow from operating activities	57,719,899	51,095,475	8,172,619	8,317,023
Cash paid for goods and services	(31,361,543)	(36,735,575)	(4,316,016)	(5,755,762)
Cash paid to and for employees	(2,277,776)	(1,866,950)	(535,229)	(457,012)
Cash paid for all types of taxes	(4,278,891)	(2,260,630)	(613,785)	(422,517)
Cash paid relating to other operating activities	(1,491,377)	(2,068,512)	(378,239)	(911,324)
Sub-total of cash outflow from operating activities	(39,409,587)	(42,931,667)	(5,843,269)	(7,546,615)
Net cash flow from operating activities	18,310,312	8,163,808	2,329,350	770,408

**CONSOLIDATED CASH FLOW STATEMENT AND CASH FLOW STATEMENT
(UNAUDITED) (CONTINUED)**

For the nine months ended 30 September 2013

(EXPRESSED IN RENMINBI'000)

Item	The Group		The Company	
	For nine months period ended 30 September		For nine months period ended 30 September	
	2013	2012	2013	2012
II. Cash flow from investing activities				
Cash received from disposal of investments	820,915	49,746	3,250,915	41,334
Cash received from return on investments	174,501	81,269	984,986	42,847
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	17,542	228,606	49	3,953
Cash received relating to other investing activities	520,637	337,949	204,678	38,237
Sub-total of cash inflow from investing activities	1,533,595	697,570	4,440,628	126,371
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets	(9,326,850)	(10,951,730)	(1,016,152)	(624,763)
Cash paid for acquisition of investments and subsidiaries	(738,149)	(1,698,692)	(6,533,268)	(6,724,714)
Cash paid relating to other investing activities	(37,119)	(2,397)	-	-
Sub-total of cash outflow from investing activities	(10,102,118)	(12,652,819)	(7,549,420)	(7,349,477)
Net cash flow from investing activities	(8,568,523)	(11,955,249)	(3,108,792)	(7,223,106)

**CONSOLIDATED CASH FLOW STATEMENT AND CASH FLOW STATEMENT
(UNAUDITED) (CONTINUED)**

For the nine months ended 30 September 2013

(EXPRESSED IN RENMINBI'000)

Item	The Group		The Company	
	For nine months period ended 30 September		For nine months period ended 30 September	
	2013	2012	2013	2012
III. Cash flow from financing activities				
Cash received from investors	636,953	2,204,910	-	1,835,873
Including: cash received from minority shareholders of subsidiaries	636,953	1,827,262	-	-
Cash received from borrowings	47,353,857	60,165,294	31,791,471	32,961,072
Cash received relating to other financing activities	46,898	928,108	400	500
Sub-total of cash inflow from financing activities	48,037,708	63,298,312	31,791,871	34,797,445
Cash repayments of borrowings	(50,257,601)	(51,417,788)	(28,889,248)	(25,916,428)
Cash paid for dividends, profits distribution or interest	(5,731,840)	(5,183,613)	(1,941,687)	(1,250,069)
Including: dividends and profits paid to minority shareholders of subsidiaries	(191,073)	(6,845)	-	-
Cash paid relating to other financing activities	(38,081)	(481,686)	(6,746)	(21,420)
Sub-total of cash outflow from financing activities	(56,027,522)	(57,083,087)	(30,837,681)	(27,187,917)
Net cash flow from financing activities	(7,989,814)	6,215,225	954,190	7,609,528
IV. Net increase in cash and cash equivalents	1,751,975	2,423,784	174,748	1,156,830
Add: Cash and cash equivalents at the beginning of the period	3,060,074	2,111,725	747,136	421,704
V. Cash and cash equivalents at the end of the period	4,812,049	4,535,509	921,884	1,578,534

4. STATEMENT OF INDEBTEDNESS

As at the close of business on 30 September 2013, being the latest practicable date for the purpose of ascertaining the indebtedness of the Group prior to the posting of this circular, the Group had total interest-bearing borrowings of approximately RMB83.69 billion, comprising secured bank loan and other borrowings of approximately RMB23.774 billion, and unsecured bank loan and other borrowings of approximately RMB59.916 billion.

As at 30 September 2013, the capital commitment of the Group for purchase of fixed assets and external investment amounted to approximately RMB36 billion; pursuant to the operating lease agreements in respect of land and buildings, the minimum lease payments payable by the Group are RMB0.6 billion. In addition, the Group did not have any other material capital commitment.

As at 30 September 2013, Guang'an Company, a subsidiary of the Company, provided guarantees to banks for loans amounting to RMB90 million to Sichuan Huayingshan Longtan Coal Power Company Limited, an associated company of Guang'an Company; and Zhongning Company provided guarantees to banks for loans amounting to RMB22 million to Ningxia Power Generation (Group) Company Limited.. Save as stated above, the Group had no other material contingent liabilities.

As at 30 September 2013, the Group's balance of unguaranteed and unsecured short-term debenture payable amounted to approximately RMB5 billion, the unguaranteed and unsecured ultra-short-term debenture payable amounted to approximately RMB9.5 billion, the unguaranteed and unsecured medium-term notes payable (including those due within one year) amounted to approximately RMB5.4 billion, and the balance of unguaranteed and unsecured private placement bond amounted to approximately RMB8 billion.

As at 30 September 2013, the Group has pledged approximately RMB5.5 million of deposit to secure approximately RMB11 million of interest-bearing bank borrowings, bank facilities and other financial instruments.

Save as aforesaid, as at the close of business on 30 September 2013, the Group did not have any indebtedness in respect of any debentures, borrowings or indebtedness including bank overdrafts and liabilities under acceptances (other than normal trade bills) or acceptance credits or hire purchase commitments, loan capital, bank loans, term loans and other borrowings, debt securities or other similar liabilities, finance lease commitments (whether or not secured), mortgages, charges, guarantees or other contingent liabilities.

The Directors have confirmed that there has not been any material change in the indebtedness or contingent liabilities of the Group since 30 September 2013.

5. FINANCIAL AND BUSINESS OUTLOOK

As shown in the unaudited 2013 third quarterly results of the Group prepared in accordance with the PRC accounting standards, for the nine months ended 30 September 2013, the Group recorded business income of approximately RMB49,302 million, representing a year-on-year increase of 13.99%, which was mainly attributable to the increase of on-grid power sold by the Company. For the same period, the Group recorded aggregate profit, net profit and net profit attributable to the owner of the parent company of the Company of approximately RMB5,208 million, RMB4,028 million and RMB2,923 million, respectively, representing a year-on-year increase of 485.84%, 499.88% and 603.65%, respectively. Such significant increase was mainly attributable to the increase in the Group's on-grid power sales and the decrease in coal prices.

Looking ahead, the Directors are of the view that the Group's operation environment will continue to improve. China's demand for electricity in the remaining period of year 2013 is expected to maintain its stable growth momentum. The supply-and-demand of coal and electricity is expected to maintain balanced position and be less stringent to the Group, which may be favourable for the Group to control its costs of fuel for electricity generation.

In the remaining period of year 2013, the Directors expect that the utilization hours of the Group's generating units would remain relatively stable. The Group will strive for more planned power generation and aim for a larger market share. Efforts would be put in leveraging economy of scale and enhancing power structure to maximize the benefits of power generation. As for fuel management, the Group will closely watch the market trend and enhance standardized and sophisticated fuel management in an all-around way. The Group will push ahead with adjusting and optimizing structure in an effort to improve the comparative competitiveness of its coal-fired power projects. In addition to the coal-fired power generation business, efforts would be made in accelerating the development of available resources of renewable energy such as wind power sector and hydropower sector.

Along with the Group's high-capacity and high-efficiency generating units being put into production, the energy consumption indicators of the Group will be further optimized. With the further optimization of the energy consumption indicators of the Group's generating units and the improvement of external operation environment, the competitiveness of the Group will be further enhanced, which in turn will be beneficial to the Group.

6. MATERIAL CHANGE

Save for all the matters and information as disclosed under the section headed “5. FINANCIAL AND BUSINESS OUTLOOK” in the “Appendix I — Financial Information of the Group”, as at the Latest Practicable Date, the Directors were not aware of any material change (including but not limited to any material adverse change) in the financial or trading position or outlook of the Group since 31 December 2012, being the date to which the latest published audited consolidated financial statements of the Group were made up.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Hong Kong Listing Rules for the purpose of giving information with regard to the Company. The Directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

This circular includes particulars given in compliance with the Takeovers Code for the purpose of giving information with regard to the Group. The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this circular (other than information relating to China Huadian) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed (other than those expressed by China Huadian) in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

The information in relation to China Huadian contained in this circular has been supplied by the management of China Huadian. The management of China Huadian jointly and severally accept full responsibility for the accuracy of the information contained in this circular (other than information relating to the Group) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed (other than those expressed by the Group) in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

2. MARKET PRICE

- (a) The table below sets out the closing prices of the H Shares on the Hong Kong Stock Exchange (i) at the end of each of six calendar months immediately preceding the trading day of the A Shares Subscription Announcement up to the Latest Practicable Date; (ii) on 15 October 2013 (being the last trading day immediately preceding the A Shares Subscription Announcement); and (iii) on the Latest Practicable Date.

Date	Closing price per H Share HK\$
30 April 2013	4.260
31 May 2013	3.580
28 June 2013	3.170
31 July 2013	3.600
30 August 2013	3.130
30 September 2013	3.090
15 October 2013	3.240
31 October 2013	3.600
Latest Practicable Date	3.420

The lowest and highest closing market prices of the H Shares recorded on the Hong Kong Stock Exchange during the period between the beginning of the six months preceding the date of the A Shares Subscription Announcement and ending on the Latest Practicable Date were HK\$2.910 on 25 June 2013 and HK\$4.600 on 20 May 2013, respectively.

- (b) The table below sets out the closing prices of the A Shares on the Shanghai Stock Exchange (i) at the end of each of six calendar months immediately preceding the trading day of the A Shares Subscription Announcement up to the Latest Practicable Date; (ii) on 15 October 2013 (being the last trading day immediately preceding the A Shares Subscription Announcement); and (iii) on the Latest Practicable Date.

Date	Closing price per A Share RMB
26 April 2013	4.15
31 May 2013	3.92
28 June 2013	3.15
31 July 2013	2.93
30 August 2013	3.12
30 September 2013	3.09
15 October 2013	3.23
31 October 2013	3.28
Latest Practicable Date	3.28

3. SHARE CAPITAL, SHARE OPTIONS AND CONVERTING SECURITIES

The registered and issued share capital of the Company as at the Latest Practicable Date are set out below:

	<i>RMB</i>
Registered capital:	
5,940,056,200 A Shares of RMB1.00 each	5,940,056,200
1,431,028,000 H Shares of RMB1.00 each	<u>1,431,028,000</u>
Total	<u><u>7,371,084,200</u></u>
Issued and fully paid or credited as fully paid:	
5,940,056,200 A Shares of RMB1.00 each	5,940,056,200
1,431,028,000 H Shares of RMB1.00 each	<u>1,431,028,000</u>
Total	<u><u>7,371,084,200</u></u>

The A Shares and H Shares in issue are ordinary shares in the share capital of the Company. Save for that (a) the dividends paid to A Shareholders shall be in Renminbi and that to H Shareholders shall be in Hong Kong dollar; and (b) holders of A Shares shall be investors located in the PRC and that of H Shares shall be investors located outside the PRC, including but not limited to Hong Kong, Macau, Taiwan and all other foreign countries, all existing A Shares and H Shares rank *pari passu* in all respects with each other, including capital, dividends and voting rights. The H Shares and A Shares in issue are listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange, respectively.

Since 31 December 2012 (being the date to which the latest published audited consolidated financial statements of the Group were made up), the Company has not issued any new Shares or agreed to issue any new Shares (other than the A Shares proposed to be issued under the A Shares Subscription).

The holder of the A Shares to be issued under the A Shares Subscription will be entitled to receive all future dividends and distribution which are declared after the date of the issue of such A Shares. The A Shares to be issued under the A Shares Subscription, when issued and fully paid, rank *pari passu* in all respects with the existing A Shares.

As at the Latest Practicable Date, the Company had no outstanding options, warrants, derivatives or securities convertible into Shares.

4. DISCLOSURE OF INTERESTS

(a) Interests of Directors, Supervisors, Chief Executive and Senior Management

As at the Latest Practicable Date, so far as the Company was aware, none of the Directors, supervisors, chief executives or members of the senior management of the Company and their respective associates had any interest or short position in the shares, underlying shares and/or 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 interests and short positions which any such Director, supervisor, chief executive or member of senior management was taken or deemed to have under such provisions of the SFO), or which was required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which was required 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 to be notified to the Company and the Hong Kong Stock Exchange (which for this purpose shall be deemed to apply to the supervisors of the Company to the same extent as it applies to the Directors).

(b) Interests of Substantial Shareholders

So far as the Directors were aware, as at the Latest Practicable Date, each of the following persons, not being a Director, supervisor, chief executive or member of the senior management of the Company, had an interest or short position in the Company's shares 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, or was otherwise interested in 5% or more of any class of the then issued share capital of the Company, or was a substantial shareholder (as defined in the Hong Kong Listing Rules) of the Company:

Name of Shareholder	Class of shares	Number of shares held	Capacity	Interests in shares as at the Latest Practicable Date		
				Approximate percentage of shareholding in the Company's total issued share capital	Approximate percentage of shareholding in the Company's total issued A shares	Approximate percentage of shareholding in the Company's total issued H shares
China Huadian Corporation	A Shares	3,171,061,853	Beneficial owner	43.02%	53.38%	—
	H Shares	85,862,000 (L) (Note 1)		1.16%	—	6.00%
Shangdong International Trust Corporation	A Shares	800,766,729 (L)	Beneficial owner	10.86%	13.48%	—
Cheah Cheng Hye	H Shares	99,250,000 (L) (Note 2)	Founder of a discretionary trust	1.35%	—	6.93%

The letter "L" denotes a long position in the relevant shares.

Note 1: So far as the Directors 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 are aware or are given to understand, these 99,250,000 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 were aware, as at the Latest Practicable Date, no other person (other than the Directors, supervisors, chief executives or members of senior management of the Company) had an interest or short position in the Company's shares or underlying shares (as the case may be) which would fall to be disclosed to the Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO and as recorded in the register required to be kept under section 336 of the SFO, or was otherwise a substantial shareholder (as defined in the Hong Kong Listing Rules) of the Company.

Four non-executive Directors, namely, Yun Gongmin, Chen Bin and Chu Yu are currently employees of China Huadian and Chen Feihu was previously an employee of China Huadian. They are not directors of China Huadian.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors, or supervisors was also a director or employee of a company which had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO.

As at the Latest Practicable Date, there was no agreement, arrangement or understanding (including any compensation arrangement) exists between China Huadian and the party acting in concert with it and any Director, recent Director, Shareholder or recent Shareholder having any connection with or dependence upon the A Shares Subscription or the Whitewash Waiver.

As at the Latest Practicable Date, there was no benefit given or agreed to be given to any Director as compensation for loss of office or otherwise in connection with the A Shares Subscription or the Whitewash Waiver.

As at the Latest Practicable Date, there was no agreement, arrangement or understanding between any Director and any other person which was conditional on or dependent upon the outcome of the A Shares Subscription or the Whitewash Waiver or otherwise connected with the A Shares Subscription or the Whitewash Waiver.

As at the Latest Practicable Date, no material contacts were entered into by any of China Huadian and the party acting in concert with it in which any Director, Supervisor or the chief executive of the Company had a material personal interest.

5. SHAREHOLDINGS OF AND DEALINGS IN THE SECURITIES OF THE COMPANY AND CHINA HUADIAN AND THE PARTY ACTING IN CONCERT WITH IT

As at the Latest Practicable Date:

- (a) the Company did not hold, control or have direction over any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in any member of China Huadian and the party acting in concert with it and it has not dealt for value in any such securities of any member of China Huadian and the party acting in concert with it during the Relevant Period;
- (b) none of the Directors, Supervisors or chief executive of the Company held, controlled or had direction over or was interested in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in any member of China Huadian and the party acting in concert with it and none of them has dealt for value in any such securities of any member of China Huadian and the party acting in concert with it during the Relevant Period;
- (c) none of the advisers of the Company as specified in class (2) of the definition of “associates” under the Takeovers Code, held, controlled or had direction over any Shares, options, warrants, derivatives or convertible securities of the Company and none of them has dealt for value in any such securities of the Company during the Relevant Period;
- (d) no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code existed between any person and the Company or any person who is an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of an associate under the Takeovers Code during the Relevant Period;
- (e) none of the subsidiaries of the Company and none of the pension funds of the Company and/or its subsidiaries, nor any fund managed on a discretionary basis by any fund manager connected with the Company owned or controlled any Shares, warrants, options or derivatives of the Company or had dealt for value in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company during the Relevant Period;

- (f) none of the Directors and their respective associates owned or controlled any Shares, convertible securities, warrants, options or derivatives of the Company, and therefore, none of the Directors intends, in respect of his own beneficial shareholding, to vote for or against the resolutions with respect to the A Shares Subscription and the Whitewash Waiver, and none of them has dealt for value in any such securities of the Company during the Relevant Period; and
- (g) neither the Company nor any of the Directors had borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company.

As at the Latest Practicable Date, save as disclosed under the paragraph headed “II. Placing of New A Shares to China Huadian — 3. Shareholding Structure of the Company” in the letter from the Board and the paragraph headed “4. DISCLOSURE OF INTERESTS” in this appendix:

- (a) China Huadian and the party acting in concert with it did not hold, control or have direction over any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company and none of them has dealt for value in any such securities of the Company during the Relevant Period;
- (b) China Huadian and the party acting in concert with it did not hold, control or have direction over any outstanding options, warrants, or any securities that are convertible into Shares or any derivatives in respect of securities in the Company, or hold, control or have direction over any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company and none of them has dealt for value in any such securities of the Company during the Relevant Period;
- (c) China Huadian and the party acting in concert with it did not borrow or lend any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company;
- (d) no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code existed between any person and China Huadian and the party acting in concert with it during the Relevant Period;

- (e) none of the member of China Huadian and the party acting in concert with it has received any irrevocable commitment to vote for or against the A Shares Subscription, the A Shares Subscription Agreement or the Whitewash Waiver during the Relevant Period; and
- (f) none of the members of the management of China Huadian (which does not have a board of directors) and none of the directors of the party acting in concert with China Huadian, i.e. China Huadian Hong Kong owned or controlled or was interested in any Shares, convertible securities, warrants, options or derivatives of the Company as at the Latest Practicable Date, and none of them had dealt for value in any such securities of the Company during the Relevant Period.

As at the Latest Practicable Date, no Shares acquired by China Huadian and the party acting in concert with it pursuant to the A Shares Subscription would be transferred, charged or pledged to any other persons.

6. CONSENT AND QUALIFICATION OF EXPERT

China Investment Securities has given and has not withdrawn its written consent to the issue of this circular with its letter of advice included in the form and context in which it appears.

The following sets out the qualifications of China Investment Securities:

Name	Qualifications
China Investment Securities International Capital Limited	Type 6 (advising on corporate finance) regulated activity as defined under the SFO

As at the Latest Practicable Date, China Investment Securities did not have any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, China Investment Securities did not have any direct or indirect interest in any assets which had been, since 31 December 2012, being the date to which the latest published audited accounts of the Company were made up, acquired or disposed of by or leased to, or were proposed to be acquired or disposed of by or leased to, any member of the Group.

7. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors or supervisors of the Company had entered into or proposed to enter into any service contract with any member of the Group (excluding contracts expiring or determinable by the relevant member of the Group within one year without payment of compensation (other than statutory compensation)).

As at the Latest Practicable Date, none of the Directors or Supervisors had entered into any existing or proposed service contract with the Company, any member of the Group or its associated companies which:

- (a) (including both continuous and fixed term contracts) had been entered into or amended within six months before the date of the A Shares Subscription Announcement;
- (b) was a continuous contract with a notice period of 12 months or more; or
- (c) was a fixed term contract with more than 12 months to run irrespective of the notice period.

8. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or their respective associates had any interest in other business which competes or is likely to compete with the business of the Group as if each of them were treated as a controlling shareholder of the Company under Rule 8.10 of the Hong Kong Listing Rules.

9. INTERESTS IN THE GROUP'S ASSETS OR CONTRACTS OR ARRANGEMENTS SIGNIFICANT TO THE GROUP

As at the Latest Practicable Date, none of the Directors or supervisors of the Company had any direct or indirect interest in any assets which had been since 31 December 2012 (being the date to which the latest published audited accounts of the Company were made up) acquired or disposed of by or leased to, or were proposed to be acquired or disposed of by or leased to, any member of the Group.

As at the Latest Practicable Date, none of the Directors or supervisors of the Company was materially interested in any contract or arrangement entered into by any member of the Group which was subsisting as at the Latest Practicable Date and which was significant in relation to the business of the Group.

10. MATERIAL LITIGATION

As at the Latest Practicable Date, certain members of the Group were a party to certain litigations arising from the ordinary course of business or assets acquisition. There were seven outstanding litigations which involve certain members of the Group. Such litigations are generally in relation to contractual disputes. The aggregated amount involved in the outstanding litigations, i.e. the aggregated claim amounts, accounted for less than approximately 0.1% of the total assets of the Group, being approximately RMB167.2 billion as shown in the 2013 interim report of the Company. Although the likely outcome of these contingent liabilities, litigations or other legal proceedings cannot be ascertained at present, on the basis of the above the Directors are of the view that any possible legal liability which may result from the aforesaid litigations will not have material adverse effect on the financial position and operating results of the Group.

Save as disclosed above, as at the Latest Practicable Date, none of the members of the Group was involved in any other litigation or arbitration.

11. MATERIAL CONTRACTS

As at the Latest Practicable Date, the particulars of the material contract (not being contracts entered into in the ordinary course of business) entered into by any member of the Group within the two years immediately preceding the date of the A Shares Subscription Announcement are set out as follows:

- (a) The subscription agreement and the supplemental subscription agreement entered into between the Company and China Huadian on 20 May 2011 and 22 November 2011, respectively, with respect to the subscription of new A Shares of the Company by China Huadian, pursuant to which China Huadian has, at a subscription price of RMB3.12 per A share, subscribed in cash for 60,000,000 new A shares of par value of RMB1.00 each with a total subscription price of RMB187,200,000. Details of the agreements are set out in the circular of the Company dated 12 December 2011.
- (b) The transfer agreement in relation to the disposal of the equity interest in Ningxia Electric Power Group Co., Ltd.* entered into between the Company and Aluminum Corporation of China Limited (“**Chalco**”) on 31 December 2013, pursuant to which, the Group sold and Chalco purchased the 23.66% equity interest in Ningxia Power Group at a consideration of approximately RMB1,362 million. Details of the agreement are set out in the circular dated 12 December 2012 and the announcement dated 31 December 2012 of the Company.
- (c) The A Shares Subscription Agreement.

Save as disclosed above, none of the members of the Group had entered into any contracts within the two years immediately preceding the date of A Shares Subscription Announcement which are not in the ordinary course of business and which are or may be material.

12. MISCELLANEOUS

- (a) The registered office of the Company is situated at No.148000, Jingshi Road, Jinan City, Shandong Province, the PRC.
- (b) The business office of the Company is situated at No. 2 Xuanwumennei Street, Xicheng District, Beijing, the PRC.
- (c) The business office of China Huadian is situated at No. 2 Xuanwumennei Street, Xicheng District, Beijing, the PRC. The management of China Huadian comprises Yun Gongmin, Li Qingkui, Cheng Niangao, Ren Shuhui, Xin Baoan, Deng Jianling, Wang Huaishu and Jiang Liangping. The ultimate controlling shareholder of China Huadian is SASAC, whose registered address is at No. 26, Xidajie, Xuanwumen, Xicheng District, Beijing, PRC. According to SASAC's official website, the managing committee of the SASAC comprises Zhang Yi, Huang Shuhe, Huang Danhua, Xu Fushun, Jin Yang, Meng Jianmin, Qiang Weidong, Wang Wenbin and Du Yuanquan.
- (d) The business office of the Independent Financial Adviser, i.e. China Investment Securities, is situated at 63/F, Bank of China Tower, 1 Garden Road, Central, Hong Kong.
- (e) The principal member of China Huadian's concert group, i.e. China Huadian Hong Kong, is situated at Room 2802, 28/F, Harbour Centre, 24 Harbour Road, Wanchai, Hong Kong.
- (f) The Hong Kong H share registrar and H share transfer office of the Company is Hong Kong Registrars Limited situated at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (g) The English text of this circular and the notice of EGM shall prevail over their respective Chinese text in the case of inconsistency.

13. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours on any weekday from the date of this circular up to and including 14 days (except public holidays) at the offices of KCS Hong Kong Limited, 8th Floor, Gloucester Tower, The Landmark, 15 Queen's Road Central, Hong Kong:

- (a) The A Shares Subscription Agreement;
- (b) Existing Coal, Equipments and Services Purchase (Supply) Framework Agreement;
- (c) The Proposed Coal, equipments and Services Purchase (Supply) Framework Agreement;
- (d) The Existing Coal Purchase Framework Agreement with Yanzhou Coal;
- (e) The Proposed Coal Purchase Framework Agreement with Yanzhou Coal;
- (f) The Existing Coal Purchase Framework Agreement with Huainan Mining;
- (g) The Proposed Coal Purchase Framework Agreement with Huainan Mining;
- (h) the letter of recommendation from the IBC of Subscription and CCT dated 15 November 2013, the text of which is set out on pages 28 to 29 of this circular;
- (i) the letter of recommendation from the IBC of Subscription and Whitewash Waiver dated 15 November 2013, the text of which is set out on pages 30 to 31 of this circular;
- (j) the letter of advice issued by China Investment Securities to the IBC of Subscription and CCT and IBC of Subscription and Whitewash Waiver and the Independent Shareholders (as applicable) dated 15 November 2013, the text of which is set out on pages 32 to 59 of this circular;
- (k) the written consent given by China Investment Securities as referred to in the paragraph headed "6. CONSENT AND QUALIFICATION OF EXPERT" in this appendix; and
- (l) the material contracts referred to in the paragraph headed "11. MATERIAL CONTRACTS" in this appendix.

14. DOCUMENTS AVAILABLE FOR ONLINE INSPECTION

Copies of the following documents are available for inspection on the website of the SFC (www.sfc.hk) and the website of the Company at www.hdpi.com.cn from the date of this circular up to and including the date of the EGM:

- (a) the articles of association of the Company;
- (b) the audited consolidated accounts of the Company for the last two financial years ended 31 December 2011 and 31 December 2012 respectively;
- (c) the A Shares Subscription Agreement;
- (d) the letter from the Board, the text of which is set out on pages 1 to 27 of this circular;
- (e) the letter from the IBC of Subscription and CCT, the text of which is set out on pages 28 to 29 of this circular;
- (f) the letter from the IBC of Subscription and Whitewash Waiver, the text of which is set out on pages 30 to 31 of this circular;
- (g) the letter from the Independent Financial Adviser, the text of which is set out on pages 32 to 59 of this circular;
- (h) the letter of consent from China Investment Securities referred to in the paragraph headed “6. CONSENT AND QUALIFICATION OF EXPERT” in this appendix; and
- (i) the material contracts referred to in the paragraph headed “11. MATERIAL CONTRACTS” in this appendix.

The Securities and Futures Commission of Hong Kong, Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this notice, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this notice.

This notice is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities of Huadian Power International Corporation Limited.



華電國際電力股份有限公司

Huadian Power International Corporation Limited*

(A Sino-foreign investment joint stock company limited by shares incorporated in the People's Republic of China (the "PRC"))

(Stock Code: 1071)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an extraordinary general meeting (the “EGM”) of Huadian Power International Corporation Limited* (the “**Company**”) will be held at 2:00 p.m. on 6 December 2013 at Huabin International Hotel, No.4 Xuanwumennei Street, Xicheng District, Beijing, the PRC for the purpose of considering and, if appropriate, by way of polls, approving the following resolutions. For the purpose of Resolutions Nos. 1 to 7, capitalized terms used in this notice and as stated in such resolutions shall have the meanings as those defined in the announcements of the Company dated 16 October 2013 (the “**Placing Announcement**”); for the purpose of Resolutions Nos. 8, 9 and 10, capitalized terms used in this notice and as state in such resolutions shall have the meanings as those defined in the announcements of the Company dated 17 October 2013 (the “**CCT Announcement**”).

* For identification purpose only

A circular containing, among other things, details of the transactions referred to in the Placing Announcement, a letter from the independent financial adviser containing its advice to the independent Board committees and the independent Shareholders on those transactions and the recommendation of the independent Board committees regarding such transactions to the independent Shareholders, is expected to be despatched to the Shareholders in accordance with the applicable laws and rules that apply to the Company in due course. Currently, the Company is making preparations with an aim to issuing the circular on or before 6 November 2013. However, there is no assurance that the circular will be issued on or before that date. If there is such a delay, further announcement(s) will be made by the Company as appropriate. This circular will also contain, among other things, details of the transactions referred to in the CCT Announcement, a letter from the independent financial adviser containing its advice to the independent Board committee and the independent Shareholders on those transactions and the recommendation of the independent Board committee regarding such transactions to the independent Shareholders.

AS SPECIAL RESOLUTIONS

1. To consider and approve each of the following, by way of separate special resolutions, in relation to the non-public issuance (the “**Issuance**”) (*Note 1*):
 - (1) Class of shares to be issued: RMB denominated ordinary shares (A Shares);
 - (2) Nominal value per share: RMB1.00;
 - (3) Target subscriber and lock-up period: The Company’s controlling shareholder, China Huadian. China Huadian shall not transfer new A Shares acquired under the Issuance within 72 months from the date of the completion of the Issuance;
 - (4) Method of issue: Non-public issuance to target subscriber, i.e., China Huadian within the validity period from obtaining necessary approvals from CSRC;
 - (5) Method of subscription: China Huadian shall subscribe for new A Shares in cash;

- (6) Determination date of the issuance price and the issuance price: The Price Determination Date was the date of the announcement of the Board's resolutions in respect of the A Shares Subscription (i.e., 16 October 2013). The issuance price shall be RMB3.12 per A Share, which represents no less than 90% of the average trading price of A Shares during the 20 trading days immediately preceding the Price Determination Date. The average trading price of the A Shares during the Price Determination Period was determined by dividing the total turnover of the trading of the A Shares during the 20 trading days immediately preceding the Price Determination Date by the total trading volume of the A Shares during those 20 trading days immediately preceding the Price Determination Date (i.e., RMB3.23 per share). The issuance price shall be adjusted if there is any ex-rights or ex-dividend between the Price Determination Date and the date of issuance;
- (7) Number of shares to be issued: 1,150,000,000 new A Shares. The number of shares to be issued shall be adjusted if there is any ex-rights or ex-dividend between the Price Determination Date and the date of issuance;
- (8) Listing arrangement: After expiration of the lock-up period, the new A Shares can be traded on the Shanghai Stock Exchange;
- (9) Use of proceeds: The total proceeds of the Issuance will be approximately RMB3,588,000,000, which is intended to be used to supplement the working capital of the Company;
- (10) Arrangement of retained profits: The retained profits before the Issuance shall be shared among the existing and new Shareholders after the completion of the Issuance; and
- (11) Validity period of these resolutions: 12 months from the date of passing these resolutions.

2. To approve, confirm and/or ratify the A Shares Subscription by China Huadian and the conditional A Shares Subscription Agreement.
3. To consider and approve the following authorizations to the Board in connection with the Issuance:

“THAT:

- (1) subject to all applicable laws and rules, and regulations and requirements of regulatory authorities and departments, to authorize the Board to handle all things in connection with the Issuance, including but not limited to, determining the method of the Issuance, number of shares to be issued, issuance price, price determination method, target subscribers and timing;
- (2) subject to all applicable laws and rules, and regulations and requirements of regulatory authorities and departments, to authorize the Board, the Chairman or the authorized person of the Chairman to handle all application matters relating to the Issuance, to formulate, prepare, revise, finalize and execute all information disclosure documents relating to the Issuance; and to sign all contracts, agreements and documents relating to the Issuance;
- (3) to authorize the Board to make relevant adjustments to the issuance method of the Issuance in the event there is any change to the policies of the regulatory authorities relating to the non-public Issuance or there is any change to the market conditions relating to the Issuance, save and except for those matters required to be approved by the Shareholders pursuant to any laws, regulations and the articles of association of the Company (the “**Articles of Association**”);
- (4) to authorize the Board, the Chairman or the authorized person of the Chairman to handle the capital verification procedures relating to the Issuance;
- (5) subject to all applicable laws and rules, and regulations and requirements of regulatory authorities and departments, to authorize the Board (subject to the scope of this resolution) to make appropriate adjustments to the arrangements of the use of proceeds raised from the Issuance;
- (6) to authorize the Board, the Chairman or the authorized person of the Chairman to handle the share registration, lock-up and application for listing of the new A Shares on the Shanghai Stock Exchange and submit relevant documents upon completion of the Issuance;

- (7) to authorize the Board, the Chairman or the authorized person of the Chairman to make consequential amendments to the relevant provisions in the Articles of Association upon completion of the Issuance and handle relevant approval procedures, and to deal with relevant registration and filing procedures relating to the change of the registered capital of the Company;
- (8) subject to all applicable laws and rules, and regulations and requirements of regulatory authorities and departments, to authorize the Board to handle all other matters incidental to the Issuance; and
- (9) the authorizations described in paragraphs (5) to (7) in this resolution shall be valid in the duration of the relevant events commencing from the date of passing of this resolution in a general meeting, and other authorizations shall be valid for a period of 12 months from the date of passing of this resolution in a general meeting.”

AS ORDINARY RESOLUTIONS

4. To consider and approve that the Company satisfies the conditions for non-public issuance of A Shares under the Administrative Measures for the Issuance of Securities by Listed Companies 《上市公司證券發行管理辦法》 and Detailed Implementation Rules for the Non-public Issuance of Stocks by Listed Companies 《上市公司非公開發行股票實施細則》 of the PRC.
5. To consider and approve the “Feasibility Analysis Report on the Use of Proceeds Raised from the Non-public Issuance of A Shares”. Details of the aforesaid report were contained in the Overseas Regulatory Announcement of the Company published on the website of the Hong Kong Stock Exchange on 16 October 2013.
6. To consider and approve the “Report on the Previous Use of Proceeds”. Details of the aforesaid report were contained in the Overseas Regulatory Announcement of the Company published on the website of the Hong Kong Stock Exchange on 16 October 2013.
7. To consider and approve: (i) the proposal in relation to the granting of a waiver to China Huadian from the obligation to make a general offer under the relevant PRC laws and regulations; and (ii) the proposal in relation to the granting of the Whitewash Waiver.

8. To consider and approve, by way of separate ordinary resolutions, the entering into by the Group of the *Proposed Coal, Equipments and Services Purchase (Supply) Framework Agreement* (the “**Agreement**”) with China Huadian for a term of one year ending 31 December 2014 and the following continuing connected transactions between the Group and China Huadian contemplated thereunder and their respective annual caps; and authorize the general manager of the Company or his authorized person(s) to make the necessary amendments to the Agreement at his/their discretion in accordance with the domestic and overseas regulatory requirements and execute the Agreement once a consensus is reached, and to complete other necessary procedures and formalities according to the relevant requirements under the Hong Kong Listing Rules.
 - (1) the purchase of coal by the Group from China Huadian and the annual cap of such continuing connected transactions be set at RMB6 billion for the financial year ending 31 December 2014;
 - (2) the provision of engineering equipments, systems, products and engineering and construction contracting projects, supplies procurement services and other Miscellaneous and Relevant Services to the Group by China Huadian and the annual cap of such continuing connected transaction be set at RMB3 billion for the financial year ending 31 December 2014; and
 - (3) the 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 by the Group to China Huadian and the annual cap of such continuing connected transactions be set at RMB2 billion for the financial year ending 31 December 2014.
9. To consider and approve the entering into by the Group of the Proposed Coal Purchase Framework Agreement with Yanzhou Coal and the continuing connected transactions contemplated thereunder and the respective annual caps at RMB8 billion for each of the three financial years ending 31 December 2016.
10. To consider and approve the entering into by the Group of the Proposed Coal Purchase Framework Agreement with Huainan Mining and the continuing connected transactions contemplated thereunder and the respective annual caps at RMB4 billion for each of the three financial years ending 31 December 2016.

11. To consider and approve the resolution in relation to the formulation of the Shareholders' return plan from 2014 to 2016.

In order to further enhance the planning and transparency of the Company's profit distribution, improve and refine the dividend distribution decision-making and supervision mechanisms, fully protect the interests lawfully entitled to the Shareholders such as return on assets and actively reward investors, pursuant to the requirements of the "Notice Regarding Further Implementation of Cash Dividends Distribution of Listed Companies" (Zheng Jian Fa [2012] No. 37) by the CSRC, the Board has formulated the Shareholders' Return Plan for 2014-2016 (hereinafter as the "Plan"), details of which are as follows:

- (1). Principles for Formulating the Plan

- (i) Implement a proactive dividends distribution policy after due consideration of returns for the investors.
- (ii) While maintaining the continuity and stability of its dividends distribution policy, the Company shall also take into consideration the long-term interests of the Company, the interests of all shareholders as a whole and the sustainable development of the Company.
- (iii) The Company shall consider cash dividends with priority. Interim dividends distribution may be implemented by the Company conditionally.
- (iv) The opinions of shareholders (in particular the minority shareholders), independent directors and supervisors shall be fully heard and considered.

- (2). Factors under Consideration for Formulating the Plan

- (i) Comprehensive analysis of factors including the industry development trend, operation development plan, shareholders' return, costs of social funds and the external financing environment.
- (ii) Due consideration of the present and future scale of profits, the cash flow position, the current stage of development, the funds required for project investment, the bank borrowing and debt financing environment.
- (iii) Establishment of sustainable, stable and scientific return plan and mechanism for the investors in order to carry out the systematic arrangement for profit distribution and ensure the continuity and stability of the profit distribution policy.

- (3). Specific Plan for Returns of Shareholders of the Company (2014-2016)
- (i) The Company distributed dividends by cash and shares.
 - (ii) The Company gives priority to cash dividends for attaching importance to reasonable investment returns of investors. If a significant amount of cash expenditures in a foreseeable future is demanded, on the basis that will not affect normal operation of the Company, and that the accumulated undistributed profit of the Company at the end of the year is positive and cash flow from operating activities is positive, the Company will distribute dividends, and accumulative profits distributed by cash in three consecutive years shall be no less than 30% of annual average distributable profits in latest three years.
 - (iii) If the board of directors does not propose a dividend distribution when the Company records a profit, the reason therefor and the use of capital without distribution reserved in the Company shall be specifically explained in the announcement on resolutions of the board of directors and regular reports, and independent directors should issue independent opinion on it.
 - (iv) The profit distribution policy of the Company shall maintain a level of continuity and stability. Interim cash dividends may also be distributed by the Company.
 - (v) The Company can distribute dividends annually in the case of complying with relevant laws and administrative regulations. The board of directors will consider, when as appropriate, distribute interim dividends upon consideration of the Company's condition and under the approval of relevant laws and administrative regulations.
- (4). Relevant Decision-making Mechanism of the Plan
- (i) The plan shall be submitted to the board of directors for its consideration after incorporating the opinions of shareholders (especially minority shareholders) and independent directors through various channels. A special resolution based on the sufficient discussion of the board of directors on the profit distribution plan, and the advice offered by independent directors shall be submitted to the shareholders' meeting for consideration.
 - (ii) The Company should communicate with shareholders, especially minority shareholders through channels such as the telephone and email, and fully listen to the opinions and appeals of the minority shareholders on the specific plan for cash dividend, and timely responds to issues that concern the minority shareholders.

(iii) If there is necessity to adjust or change the profit distribution policy determined by the Articles of Association pursuant to the need of production and operation, investment and planning and long-term development, the change of external operational environment and the regulatory requirements of the China Securities Regulatory Commission and Shanghai Stock Exchange, relevant resolutions should be submitted to the shareholders' meeting for approval by more than two-thirds of the voting rights held by shareholders attending the shareholders' meeting after being considered and approved by the board of directors of the Company. Independent directors should give independent opinions.

(5). Issues not Fully Covered in the Plan

Issues not fully covered in the plan shall be executed in accordance with relevant laws and regulations, regulatory documents and the Articles of Association. The board of directors of the Company is responsible for the interpretation of the plan, which shall be implemented from the date of its approval at the shareholders' meeting of the company.

By order of the Board

Huadian Power International Corporation Limited*

Zhou Lianqing

Secretary to the Board

As at the date of this notice, 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), Geng Yuanzhu (Executive Director), Chen Bin (Non-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).

All the Directors jointly and severally accept full responsibility for the accuracy of the information contained in this notice and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this notice have been arrived at after due and careful consideration and there are no other facts not contained in this notice, the omission of which would make any statement in this notice misleading.

Beijing, the PRC

22 October 2013

Notes:

1. The Issuance is conditional upon, among others, obtaining necessary approvals from SASAC and CSRC.
2. Eligibility of attending the EGM and closure of the H share register of members

Shareholders of the Company's H shares whose names appear on the Company's register of members at the close of business on Wednesday, 6 November 2013 (the "**Registered Shareholder(s)**") are entitled to attend the EGM conditional upon completion of the necessary registration procedures. The register of members of H shares will be closed from 7 November 2013 to 6 December 2013, both days inclusive, for the purpose of determining H Shareholders' entitlement to attend the EGM, during which period no transfer of the H Shares will be registered.

In order to be entitled to attend the EGM, Shareholders of H shares are required to deposit their respective instrument(s) of transfer and the relevant share certificate(s) with the H share registrar, Hong Kong Registrars Limited at 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, no later than 4:00 p.m. on 6 November 2013.

3. Registration procedures for attending the EGM
 - (1) Registered Shareholders who intend to attend the EGM are required to deliver the completed and signed written reply slip to the Secretarial Office of the Board of the Company on or before 15 November 2013. Please use the "Reply Slip for Attendance", or a duplicate copy thereof to reply. In addition to the requirements mentioned above, Registered Shareholders who intend to attend the EGM shall also deliver copies of their instrument(s) of transfer and the relevant share certificates to the Secretarial Office of the Board of the Company on or before 15 November 2013.
 - (2) Registered Shareholders may deliver the necessary registration documents to the Company in person, by post or by facsimile. Upon receipt of the above documents, the Company shall complete the registration procedures in respect of attending the EGM, and shall issue copies or facsimile copies of admission cards for attending the EGM by post or by facsimile. Shareholders or their proxies may produce such copies of the admission cards at the time of attending the EGM in exchange for the original of the admission cards.

4. Proxies

Any Registered Shareholder is entitled to appoint one or more proxies to attend and vote at the EGM on his behalf by completing the "Proxy Form For Use at the Extraordinary General Meeting" (the "**Proxy Form**") or by completing a duplicate copy thereof. A proxy need not be a Shareholder of the Company. Should more than one proxy be appointed, such proxies shall only exercise his/her voting rights on a poll. The Proxy Form shall be signed by a Registered Shareholder or his attorney duly authorized in writing. If the Proxy Form is signed by the attorney of a Registered Shareholder, the power of attorney or other documents of authorization authorizing the attorney to appoint the proxy shall be notarised. If the Registered Shareholder is a corporation, the Proxy Form shall be executed under seal or shall be executed by its director or a duly authorised person. The notarized power of attorney or other authorization documents and the completed Proxy Form shall be delivered to Hong Kong Registrars Limited not less than 24 hours before the time designated for convening the EGM or any adjournment thereof (as the case may be).

5. Miscellaneous

- (1) Each of the Shareholders (or his proxy) shall exercise his voting rights according to the number of shares with voting rights represented by him and shall be entitled to one vote for each share held.
- (2) The EGM is expected to take about half a day. Shareholders who attend the EGM shall be responsible for their own travel and accommodation expenses.
- (3) The office address of the Company and the contact details of the Secretarial Office of the Board are as follows:

No. 2 Xuanwumennei Street
Xicheng District
Beijing, the PRC
Tel No.: (86) 10 8356 7903
Fax No.: (86) 10 8356 7963

- (4) The address and contact details of Hong Kong Registrars Limited are as follows:

Rooms 1712-1716, 17th floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong
Tel No.: (852) 2862 8628
Fax No.: (852) 2865 0990/2529 6087

6. Abstention from voting

China Huadian and China Huadian Hong Kong (being the party acting in concert with China Huadian) and all other parties (if any) who are interested or involved in the A Shares Subscription, the A Shares Subscription Agreement and/or the whitewash waiver, have to abstain from voting in respect of Resolutions Nos. 1, 2 and 7.

China Huadian, its associates, and other Shareholders, if any, with a material interest in the Proposed Coal, Equipments and Services Purchase (Supply) Framework Agreement and the transactions thereunder and their respective associates, have to abstain from voting in respect of Resolution No. 8.

Those Shareholders, if any, with a material interest in the Proposed Coal Purchase Framework Agreement with Yanzhou Coal and the transactions thereunder and their respective associates, have to abstain from voting in respect of Resolution No. 9.

Those Shareholders, if any, with a material interest in the Proposed Coal Purchase Framework Agreement with Huainan Mining and the transactions thereunder and their respective associates, have to abstain from voting in respect of Resolution No. 10.