China Power New Energy Development Company Limited

中國電力新能源發展有限公司*

Incorporated in Bermuda with limited liability

Stock Code : 0735

# Annual Report 2008

* for identification purpose only

# Contents



# CORPORATE INFORMATION

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| Chairman of the Board: | Ms. Li Xiaolin |
| Vice-Chairman: | Mr. Lai Leong (resigned as Vice-Chairman on 31 December 2008) |
| Chief Executive Officer: | Mrs. Maria Leung (appointed on 1 November 2008) |
| Chief Operating Officer: | Mr. Liu Genyu |
| Executive Directors: | Ms. Li Xiaolin<br>Mr. Lai Leong<br>Mr. Zhao Xinyan<br>Mr. Wang Hao<br>Mr. Clive William Oxley OBE,ED<br>Mr. Liu Genyu |
| Non-Executive Director: | Mr. Cheng Chi<br>(re-designated from Executive Director on 1 November 2008) |
| Independent Non-Executive Directors: | Mr. Chu Kar Wing<br>Dr. Chow King Wai<br>Mr. Wong Kwok Tai |
| Audit Committee: | Mr. Chu Kar Wing *(Chairman)*<br>Dr. Chow King Wai<br>Mr. Wong Kwok Tai |
| Remuneration Committee: | Mr. Chu Kar Wing *(Chairman)*<br>Dr. Chow King Wai<br>Mr. Wong Kwok Tai |
| Company Secretary: | Mr. Stephen Chiang |
| Auditor: | PricewaterhouseCoopers<br>*(Certified Public Accountants)*<br>22/F, Prince's Building<br>Central, Hong Kong |
| Registered Office: | Clarendon House<br>2 Church Street<br>Hamilton HM 11<br>Bermuda |
| Head Office and Principal Place of Business in Hong Kong: | Suites 904-5, Great Eagle Centre<br>23 Harbour Road<br>Wanchai, Hong Kong |

# CORPORATE INFORMATION

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| Principal Share Registrar: | The Bank of Bermuda Limited<br>Bank of Bermuda Buildings<br>6 Front Street<br>Hamilton HM 11<br>Bermuda |
| Hong Kong Branch Share Registrar and Transfer Office: | Tricor Tengis Limited<br>26/F, Tesbury Centre<br>28 Queen's Road East<br>Wanchai<br>Hong Kong |
| Principal Banker: | The Standard Chartered Bank Limited |
| Company Website: | www.cpne.com.hk |
| Stock Code: | 735 |

# LETTER TO SHAREHOLDERS

***ON BEHALF OF THE BOARD OF DIRECTORS (THE "BOARD") OF CHINA POWER NEW ENERGY DEVELOPMENT COMPANY LIMITED (THE "COMPANY"), I AM PLEASED TO PRESENT THE FINANCIAL RESULTS OF THE COMPANY AND ITS SUBSIDIARIES (TOGETHER, THE "GROUP") FOR THE EIGHT MONTHS PERIOD ENDED 31 DECEMBER 2008.***

Dear shareholders,

Being one of the pioneers in developing clean energy in the People's Republic of China ("PRC"), the Group has projects in wind power, hydro-electric power, biomass power, waste-to-energy power and liquefied natural gas power generation with a total installed capacity of 1,013.2MW as at the end of 2008. These projects, all running successfully, have established a good platform for the operations of the Group, which have helped to broaden channels of revenue, to diversify investment risks and to set a solid foundation for the Group's future.

China's macro-economy experienced tremendous changes in 2008. The soaring fuel costs in the first half of 2008 and the dramatic decrease in power demand due to the economic slowdown in the second half of 2008 caused losses to numerous power plants in China, and negatively affected the utilisation efficiency of power equipment in some power plants of the Group. Fortunately, the Group's management implemented decisive measures in appropriate times to cope with the difficulties encountered in production and operation, including application for higher tariffs, cutting operating costs and redeployment of production schedule, so as to broaden sources of income, reduce expenses, improve economic benefits and minimise the adverse effects caused by the deterioration in the macro-economic changes.

In the light of the long-term impact of the global financial crisis in 2008, the management has developed appropriate plans, which include strict control of the budget and construction progress of existing projects, revision of development plans and capital expenditure plans for the future.

The PRC government continued to introduce a series of preferential policies to promote the development and utilisation of environmentally clean energy. According to the publications of the China Electricity Council, as the percentage of clean energy utilisation in 2008 continued to rise, China has gained satisfactory achievements in the energy conservation and reduction of pollutant emissions. The management believes that, in the light of the huge development potential of new energy, the Group will continue its preliminary work to put more efforts in the research and development of projects, despite the severity of global economic conditions. The Group will take wind power generation as its focus and develop medium to small scale hydro power generation in an active way. It will also develop waste-to-energy power appropriately, and identify a wide range of quality new energy projects and information to equip the Group for its rapid growth in future. In order to gain momentum for our future growth, the Group will keep a close watch on research into the effective utilisation of solar energy and other renewable energy. These moves are set not only to bring attractive returns to the Company and its shareholders in the coming years, but will help realise our dream of providing "light to the world, and clear water and blue skies to our children".

The Group proactively improved its internal management and corporate governance with the accelerated expansion of its business. On 1 November 2008, Mrs. Maria Leung was appointed as the Chief Executive Officer of the Company, Mr. Liu Genyu was re-designated to Chief Operating Officer of the Company, and Mr. Cheng Chi was re-designated from executive director to non-executive director. In addition, the Board has resolved to change the financial year-end date of the Company from 30 April to 31 December on 9 February 2009, and at the Special General Meeting held on 9 March 2009, the ordinary resolution for appointing PricewaterhouseCoopers as auditor of the Company was duly passed. The Board believes that the aforesaid appointment and engagement of the auditor will help strengthen the internal management and improve the corporate governance of the Group, and consequently enhance the development and competitive position of the Group in the new energy territory.

Keeping pace with the good potential of its business, the Group will also fulfill its corporate social responsibility proactively, in particular, the Group will focus on safe production and avoidance of serious pollution. The Group will continue its mechanism of internal selection and external recruitment, to provide a talent pool to sustain the Group's rapid growth.

I would like to thank our staff for their efforts and dedication upon which the Group's steady growth is based, and to encourage them to face future uncertainties with confidence and to acquire the ability to manage changes and create a favourable environment in the future. I also take this opportunity to extend our gratitude to our shareholders, business partners and associates, bankers and auditors for their continued support and encouragement. With a passion for excellence, the Group will continue to be successful through the unremitting efforts of all.

**Li Xiaolin**
*Chairman*

27 April 2009

# DIRECTORS AND SENIOR MANAGEMENT BIOGRAPHIES

## EXECUTIVE DIRECTORS

Ms. Li Xiaolin, aged 47, joined the Group in May 2007. She is an Executive Director and the Chairman of the Board and of the Executive Committee of the Company. Other than the above-mentioned, she is also a director of certain subsidiaries of the Company. Ms. Li is a senior engineer. She graduated from Tsinghua University with a Master of Engineering degree in power systems and automation. She was also a visiting scholar at the Sloan Business School of Massachusetts Institute of Technology in the United States. She has been the chairman of the board of China Power New Energy Limited (a substantial shareholder of the Company) since August 2006. Ms. Li also acts as the chairman of the board and chief executive officer of China Power International Development Limited (a company listed on the Main Board of the Hong Kong Stock Exchange, stock code: 2380); the chairman of China Power International Holding Limited; and a director of Companhia de Electricidade de Macau. She has served in various positions including head of the International Economic and Trade Division of the Ministry of Electric Power Industry and associate head of the International Economic and Trade Division of the Ministry of Energy.

Mr. Lai Leong, aged 44, joined the Group in February 2002. He is an Executive Director and a member of the Executive Committee of the Company. He is also a director of certain subsidiaries of the Company. Other than the above-mentioned, Mr. Lai does not hold any other positions in the Company or in any member of the Group. Mr. Lai received a MBA degree from Maastricht School of Management in the Netherlands in 2005. Since 1991, Mr. Lai has worked for several property and trading companies in the People's Republic of China ("PRC") and has over 18 years of experience in corporate management of companies in Hong Kong and in the PRC. Mr. Lai is also an executive director and chairman of Rising Development Holdings Limited (a company listed on the Main Board of the Hong Kong Stock Exchange, stock code: 1004) and a non-executive director of Neo-China Land Group (Holdings) Limited (a company listed on the Main Board of the Hong Kong Stock Exchange, stock code: 563). In addition, Mr. Lai is a director and a controlling shareholder of Wealth Success Limited, a substantial shareholder of the Company.

Mr. Zhao Xinyan, aged 46, joined the Group in May 2007. He is an Executive Director and a member of the Executive Committee of the Company. Other than the above-mentioned, he is also a director of certain subsidiaries of the Company. Other than the above-mentioned, Mr. Zhao does not hold any other positions in the Company or in any member of the Group. Mr. Zhao is a senior engineer. He graduated from Chongqing University with a Bachelor of Engineering degree in materials engineering. He has been a director of China Power New Energy Limited (a substantial shareholder of the Company) since August 2006. Mr. Zhao is also the vice president of China Power International Development Limited (a company listed on the Main Board of the Hong Kong Stock Exchange, stock code: 2380). He has served as a manager in various departments of China Power International Development Limited.

Mr. Wang Hao, aged 45, joined the Group in February 2002. He is an Executive Director and a member of the Executive Committee of the Company. He is also a director of certain subsidiaries of the Company. Other than the above-mentioned, Mr. Wang does not hold any other positions in the Company or in any member of the Group. Mr. Wang is engaged as an investment consultant of several listed companies in the People's Republic of China ("PRC") and has over 15 years of experience in investment management of companies in the PRC.

# DIRECTORS AND SENIOR MANAGEMENT BIOGRAPHIES

Mr. Clive William Oxley, OBE, ED, aged 72, joined the Group in May 2005. He is an Executive Director and a member of the Executive Committee of the Company. He is also a director of certain subsidiaries of the Company. Other than the above-mentioned, Mr. Oxley does not hold any other positions in the Company or in any member of the Group. Mr. Oxley has served as a senior administrative officer with the Hong Kong Government for about 25 years. Since 1995, he has been acting as a management consultant and is currently the chairman of the Asian Foundation for the Prevention of Blindness.

Mr. Liu Genyu, aged 45, joined the Group in May 2007. He is an Executive Director and a member of the Executive Committee of the Company. Mr. Liu was re-designated from Chief Executive Officer to Chief Operating Officer of the Company in November 2008. He is also a director of certain subsidiaries of the Company. Other than the above-mentioned, Mr. Liu does not hold any other positions in the Company or in any member of the Group. Mr. Liu is a senior engineer. He graduated form Tsinghua University with the degree of Executive Master of Business and Administration (EMBA). Mr. Liu is also the assistant to the president of China Power International Holding Limited. Mr. Liu also served in positions including manager of various departments of the China Power International Development Limited and lecturer of Harbin Power Vocational Technology College.

## NON-EXECUTIVE DIRECTOR

Mr. Cheng Chi, aged 48, joined the Group in April 2008. He is a Non-Executive Director of the Company. Mr. Cheng was re-designated from Executive Director to Non-Executive Director of the Company in November 2008. Other than the above-mentioned, Mr. Cheng does not hold any other positions in the Company or in any member of the Group. Mr. Cheng has over 14 years of experience in capital and financial operations management. After graduating from Renmin University of China with a Masters degree, Mr. Cheng became a lecturer in Economics and Management Studies and Deputy Director of Teaching in the Industrial Economics Department. He has served as a lecturer at the Beijing University of Posts and Telecommunications. Mr. Cheng also acts as the general manager of the Capital and Financial Operations Management Department of China National Offshore Oil Corporation and the China National Offshore Oil Corporation Investment Company Limited.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Chow King Wai, aged 54, joined the Group in December 2002. He is an Independent Non-Executive Director and a member of both the Audit Committee and Remuneration Committee of the Company. Other than these, Dr. Chow does not hold any other positions in the Company or in any member of the Group. Dr. Chow holds a doctorate conferred by the University of Texas. He has substantial experience in strategic development and management, and has published widely in the field of administrative science.

Mr. Chu Kar Wing, aged 51, joined the Group in December 2002. He is an Independent Non-Executive Director and the Chairman of both the Audit Committee and Remuneration Committee of the Company. Other than these, Mr. Chu does not hold any other positions in the Company or in any member of the Group. Mr. Chu holds a bachelor degree in social science majoring in economics. He has extensive experience in the banking and finance sector. He is also an independent non-executive director of Emperor Entertainment Group Limited (a company listed on the Growth Enterprise Market of the Hong Kong Stock Exchange, stock code: 8078) and Zmay Holdings Limited (a company listed on the Growth Enterprise Market of the Hong Kong Stock Exchange, stock code: 8085).

# DIRECTORS AND SENIOR MANAGEMENT BIOGRAPHIES

Mr. Wong Kwok Tai, aged 70, joined the Group in September 2004. He is an Independent Non-Executive Director and a member of both the Audit Committee and Remuneration Committee of the Company. Other than these, Mr. Wong does not hold any other positions in the Company or in any member of the Group. Mr. Wong is a Certified Public Accountant and Practising Member. He has extensive experience in the audit and finance areas in different industries. Currently, he is the sole-proprietor of W. Wong & Co., CPA. He is also an independent non-executive director of New Century Group Hong Kong Limited (a company listed on the Main Board of the Hong Kong Stock Exchange, stock code: 234), Poly Development Holdings Limited (name changed from "Xin Corporation Limited" with effect from 29 August 2008 and a company listed on the Main Board of the Hong Kong Stock Exchange, stock code: 1141) and Takson Holdings Limited (appointed on 30 September 2008) (a company listed on the Main Board of the Hong Kong Stock Exchange, stock code: 918).

The Company has received from each of its independent non-executive directors an annual confirmation of their respective independence for the 8-months period ended 31 December 2008. The Company considers all independent non-executive directors to be sufficiently independent.

## SENIOR MANAGEMENT

Mrs. Leung Chan Siu Chi, Maria, aged 54, joined the Company as the Chief Executive Officer in November 2008. Mrs. Leung graduated from the University of Toronto, Canada with a Bachelor of Business Administration degree with Honors. She completed the Advanced Management Program at the Harvard Business School in the United States. She is a Canadian Chartered Accountant. Before joining the Company, Mrs. Leung worked for CLP Holdings Limited ("CLP") (a company listed on the Main Board of the Hong Kong Stock Exchange, code: 002) for twenty five years and served as its Group Treasurer and Managing Director of its China business. As the Group Treasurer, Mrs. Leung arranged all the financings for CLP's major power stations in Hong Kong and was responsible for managing the group's funding and exchange exposures. She developed and managed a number of large landmark power projects totalling approximately 7000 MW for CLP in China. Mrs. Leung has extensive experience in developing and managing coal-fired, hydro and renewable power projects in China. She also has an excellent track record and maintains a high level network with the PRC Authorities and the Chinese power industry.

Mr. Chiang Chi Kin, Stephen, aged 39, joined the Company as the Deputy General Manager in October 2004 and was appointed as the Company Secretary of the Company on 1 September 2005. Mr. Chiang graduated from the University of Wolverhampton with a bachelor's degree in laws, and qualified as a solicitor of the High Court of Hong Kong in 1998. He has over 10 years of experience in corporate and commercial law, and has held management positions with companies listed on the Stock Exchange responsible primarily for legal and company secretarial matters since 2002. Mr. Chiang has been the company secretary of Rising Development Holdings Limited (a company listed on the Main Board of the Hong Kong Stock Exchange, stock code: 1004) since 1 September 2007.

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

The Group embarked on a transformation of its principal businesses in 2007, which was substantially completed by late December 2008. The existing principal businesses of the Group include the development, construction, ownership, operation and management of clean energy power plants in the PRC, including but not limited to the following types of energy generation – wind power generation, hydro power generation and waste-to-energy power generation. The power generation plants owned or controlled by the Group are mainly situated in Guangdong, Fujian, Jiangsu and Gansu. The electric power generated by these plants is supplied to the Southern Power Grid, East China Power Grid and Northwest Power Grid. The Group is also engaged in investment holding in the clean energy power industry.

As at 31 December 2008, the Group had a total attributable generation capacity of 815.68MW.

On 9 February 2009, the Board of Directors resolved to change the financial year end date of the Company from 30 April to 31 December, effective from the financial period ended 31 December 2008. As the Group's principal businesses have been changed to the generation and sale of electric power, the comparative figures for the financial year ended 30 April 2008 have not fully reflected such transformation.

# MANAGEMENT DISCUSSION AND ANALYSIS

**Business Review for the Eight Months Ended 31 December 2008**

For the eight months ended 31 December 2008, the Group recorded revenue and tariff adjustment totalling approximately HK$1,260,259,000 (for the year ended 30 April 2008: HK$959,704,000), representing an increase of 31.1% over the previous year. The increase was mainly attributed to contributions from new power projects acquired and/or completed in the previous financial year and/or period.

For the eight months period ended 31 December 2008, fuel cost amounted to HK$714,062,000 (for the year ended 30 April 2008: HK$598,890,000), finance costs (mainly comprised interest expenses on borrowings in respect of the operation of new operating power projects) amounted to HK$88,052,000 (for the year ended 30 April 2008: HK$88,661,000), and the fair value loss on financial assets at fair value through profit or loss amounted to HK$65,814,000 (for the year ended 30 April 2008: gain of HK$25,786,000). The Group's net profit for the period was HK$42,553,000 (for the year ended 30 April 2008: HK$42,695,000). The Group's profit attributable to equity holders of the Company amounted to approximately HK$10,962,000 (for the year ended 30 April 2008: HK$6,931,000). Basic earnings per share was HK0.16 cents (for the year ended 30 April 2008: HK0.13 cents).

**Business Environment**

In 2008, the surge in prices of primary resources including coal and oil, together with policies and measures introduced by the PRC government to safeguard national energy supply, improve the energy supply structure and protect the environment, offered promising opportunities for the development of new energy.

During the period, the negative impacts of the global tsunami slowed down the economic growth in the PRC, bringing a substantial decline in the demand for electric power. Consequently this led to a reduction in the Group's power generation, and together with the significant increases in fuel costs, adversely affected the Group's profits.

In 2008, the National Development and Reform Commission introduced the "11th Five-Year Plan for the Development of Renewable Energy" (可再生能源發展「十一五」規劃) and the PRC government introduced a series of favourable policies including the promulgation of the "Notice on Policies Concerning the Comprehensive Utilisation of Resources and Value-Added Tax of Other Products" (關於資源綜合利用及其他產品增值稅政策的通知) to encourage the development of renewable and clean energy. These policies provide a favourable platform for the development of the Group's business in future.

In view of the supportive government policies, the Group is proactively proceeding with the preliminary work for new projects so as to lay a solid foundation for future development.

# MANAGEMENT DISCUSSION AND ANALYSIS

### Tariff and Steam Price Increases and Relevant Subsidies

During the period, in accordance with adjustment of national tariffs, subsidiaries of the Group were able to make upward adjustments to on-grid tariffs, steam prices and waste treatment fees. The tariff of Zhongdian Hongze Thermal Plant (中電洪澤熱電廠) ("Zhongdian Hongze") increased by RMB0.0458 per kWh; the tariff of Fujian Shaxikou Hydro-electric Power Plant (福建沙溪口水力發電廠) increased by RMB0.015 per kWh and the tariff of Dongguan Dong Cheng Dong Xin Heat and Power Company Limited (東莞東城東興熱電有限公司) ("Dongguan Dong Xin") increased by RMB0.025 per kWh. The steam price of Zhongdian Hongze increased by RMB80 per ton/RMB82 per ton (1.6MPa/0.8 MPa respectively). The steam price of Dongguan Dong Xin increased by RMB92 per ton, and the waste treatment fee of Dongguan City Kewei Environmental Power Company Limited (東莞市科偉環保電力有限公司) ("Dongguan Kewei") increased by RMB40 per ton. These adjustments brought positive impact to the operating results of the Group.

### New Project Put into Production

In 2008, Phase II of the Gansu Wind Power Project (甘肅風電二期), which is owned by the Group, completed the construction and installation of 66 wind turbines and put them into operation in 98 days' time according to schedule, which together provided an additional installed capacity of 49.5MW and further enhanced the Group's power supply capacity.

### Power Generation

For the eight months ended 31 December 2008, total power generation amounted to 1,882,482MWh, representing an increase of approximately 6.01% as compared to 1,775,709MWh (on the basis of an eight-month period) in the previous year. The sale of electricity amounted to 1,798,954MWh, representing an increase of approximately 5.97% as compared to 1,697,654MWh (on the basis of an eight-month period) in the previous year.

The main reasons for the increase in the Group's power generation as compared to the previous year were as follows:

- Power supply capacity was increased with the commissioning of new generating units.
- Stability of power generating units was enhanced and both power production capacity and adjustable hours increased.
- Domestic power consumption increased and our sales capability was enhanced.

# MANAGEMENT DISCUSSION AND ANALYSIS

### Information on Power Generation Projects owned by the Group

The Group's business is focused on environmental-friendly energy projects and includes a small portion of property investments. As at 31 December 2008, the Group owned and operated the following power plants held by its subsidiaries and an associated company:

| Project | Company | Nature of Operation | Installed Capacity (MW) | Interest (%) | Attributable Installed Capacity (MW) |
|---|---|---|---|---|---|
| 1 | Gansu China Power Jiuquan Wind Power Company Limited (甘肅中電酒泉風力發電有限公司) | Wind power generation | 100.5 | 90 | 90.45 |
| 2 | Gansu China Power Jinquan Second Wind Power Company Limited (甘肅中電酒泉第二風力發電有限公司) | Wind power generation | 49.5 | 100 | 49.50 |
| 3 | CPI (Fujian) Power Development Limited (中電（福建）電力開發有限公司) | Hydro power generation | 300.0 | 100 | 300.00 |
| 4 | Fujian Shou Ning Niu Tou Shan Hydro Power Company Limited (福建壽寧牛頭山水電有限公司) | Hydro power generation | 122.2 | 33 | 40.33 |
| 5 | Zhongdian Hongze Reproductive Substance Thermal Power Company Limited (中電（洪澤）生物質熱電有限公司) | Biomass power generation | 15.0 | 100 | 15.00 |
| 6 | Dongguan City Kewei Environmental Power Company Limited (東莞市科偉環保電力有限公司) | Waste-to-energy power generation | 36.0 | 40 | 14.40 |
| 7 | Dongguan Dong Cheng Dong Xin Heat and Power Company Limited (東莞東城東興熱電有限公司) | Natural gas and oil power generation | 360.0 | 80 | 288.00 |
| 8 | Zhongdian Hongze Thermal Power Company Limited (中電（洪澤）熱電有限公司) | Coal-fired power generation | 30.0 | 60 | 18.00 |
| | Total | | 1,013.2 | | 815.68 |

The above power plants have a total installed capacity of 1,013.2MW, of which the installed capacity attributable to the Group is 815.68MW.

# MANAGEMENT DISCUSSION AND ANALYSIS

**Wind Power Generation Business**

*Phase I of the Gansu Wind Power Project (甘肅風電一期)*

The Group has a 90% interest in Phase I of the Gansu Wind Power Project. Phase I of the Gansu Wind Power Project has 134 wind turbines each with an output of 0.75MW. All of which came into operation in November 2007 and are operating smoothly.

During the period, due to the slow progress in the development of the grid in Gansu Province, the transmission of electricity from the project was inevitably affected. This problem is expected to be resolved as the PRC government has announced increases in investments in regional grids.

The following table sets out the key operational statistics of Phase I of the Gansu Wind Power Project for the period:

| | |
|---|---|
| Installed capacity (MW) | 100.5 |
| Average tariff (RMB/kWh) | 0.4616 |
| Latest tariff (RMB/kWh) | 0.4616 |
| Gross generation (MWh) | 92,745 |
| Net generation (MWh) | 90,474 |

*Phase II of the Gansu Wind Power Project (甘肅風電二期)*

Phase II of the Gansu Wind Power Project has 66 wind turbines, each with an output of 0.75MW and a total installed capacity of 49.5MW. All of which came into trial operation in the third quarter of 2008.

The following table sets out key operational statistics of Phase II of the Gansu Wind Power Project for the period:

| | |
|---|---|
| Installed capacity (MW) | 49.5 |
| Average tariff (RMB/kWh) | 0.54 |
| Latest tariff (RMB/kWh) | 0.54 |
| Gross generation (MWh) | 40,796 |
| Net generation (MWh) | 38,852 |

*Gansu Beida Bridge No. 5 Wind Power Project (甘肅北大橋第五風電場項目) and*
*Gansu Ganhekou No. 6 Wind Power Project (甘肅干河口第六風電場項目)*

In May 2008, the Group obtained approval from the Gansu Development and Reform Commission to construct two wind power projects:

- Gansu Beida Bridge No. 5 Wind Farm (wholly undertaken by the Group) with an installed capacity of 200MW; and

- Gansu Ganhekou No. 6 Wind Farm with an installed capacity of 200MW.

# MANAGEMENT DISCUSSION AND ANALYSIS

The above two projects were included in the initial list of projects under the plan for a 10,000MW class wind power base in Jiuquan. The Group has commenced the design of these projects.

*Shanghai Sea Wind Power Plant (上海東海風力發電廠)*

The Group holds a 24% equity interest in Shanghai Dong Hai Wind Power Electric Generating Company Limited (上海東海風力發電有限公司), and has obtained approval to construct, own and operate a sea wind electricity generation plant near Dong Hai Bridge, Shanghai, comprising 33 wind turbines with an output of 3MW each and a total installed capacity of 99MW. Construction of the project has commenced. In March 2009 installation of the first generating unit has been completed.

*Heilongjiang Hongqi Wind Power Project and Hailang Wind Power Project (黑龍江紅旗風電項目及海浪風電項目)*

In October 2008, the Group obtained approval from the Development and Reform Commission of Heilongjiang Province to construct and operate the Hongqi Wind Power Plant and the Hailang Wind Power Plant in Hailin County, Mudanjiang City, Heilongjiang Province.

The Hongqi Wind Power Plant will have 33 wind turbines each with an output of 1.5MW and a total capacity of 49.5MW.

The Hailang Wind Power Plant will have 40 wind turbines each with an output of 1.25MW and a total capacity of 50MW.

The preliminary work for these projects has almost been completed and the Group will commence the construction in the first half of 2009.

**Hydro-electric Power Generation Projects**

*Fujian Shaxikou Hydro-electric Power Plant (福建沙溪口水力發電廠) ("Shaxikou Plant")*

The Shaxikou Plant is located on the Minjiang River in Nanping City, Fujian Province. This power plant has four hydro-power generating units each with a capacity of 75MW, totalling up to 300MW.

During the period, the less than average wet season rainfall in the water basin adjacent to the Shaxikou Plant adversely affected power generation to some extent. However, improved operational efficiency at the plant was able to counteract the negative impact in part and the plant continued to bring steady revenue to the Group.

The following table sets out key operational statistics of the Shaxikou Plant for the period:

| | |
|---|---|
| Installed capacity (MW) | 300 |
| Average tariff (RMB/kWh) | 0.1747 |
| Latest tariff (RMB/kWh) | 0.18 |
| Gross generation (MWh) | 632,184 |
| Net generation (MWh) | 619,899 |

# MANAGEMENT DISCUSSION AND ANALYSIS

The Group's associated company, Fujian Shou Ning Niu Tou Shan Hydro Power Company Limited (福建壽寧牛頭山水電有限公司), holds equity interests in Shou Ning Niu Tou Shan Hydro Power Station (壽寧牛頭山水電站), Shou Ning County Niu Tou Shan Secondary Hydro Power Company Limited (壽寧縣牛頭山二級水電有限公司), and Shou Ning Dong Qi Hydro Power Company Limited (壽寧東溪水電有限公司) of 100%, 85% and 79% respectively, with respective installed capacities of 100MW, 15MW and 7.2MW.

The following table sets out key operational statistics of the Shou Ning Niu Tou Shan Power Stations (牛頭山發電廠) for the period:

| | |
|---|---|
| Installed capacity (MW) | 122.2 |
| Average tariff (RMB/kWh) | 0.3481 |
| Latest tariff (RMB/kWh) | 0.3481 |
| Gross generation (MWh) | 169,019 |
| Net generation (MWh) | 162,422 |

**Biomass Power Project**

*Zhongdian Hongze Reproductive Substance Thermal Power Plant (中電洪澤生物質發電廠)*

The Group wholly owns Zhongdian Hongze Reproductive Substance Thermal Power Plant located in Hongze County, Jiangsu Province, occupying a site area of approximately 7,500 square metres. This plant has one boiler with a biomass processing capacity of 75 tons per hour and a 15MW steam turbine unit. The tariff approved by the government is approximately RMB0.646 per kWh. The plant commenced operation in the third quarter of 2008, and was put into commercial operation in January 2009.

**Waste-to-energy Power Project**

*Dongguan Waste Incineration Power Plant (東莞垃圾焚化發電廠)*

Dongguan Kewei utilises wastes from towns including Hengli Town of Dongguan City (東莞市橫瀝鎮) to mix with coal to generate electricity. The plant occupies a site area of over 120,000 square metres with a daily waste treatment capacity of 1,200 tons and a total installed capacity of 36MW. The waste treatment fee, which is paid by the local governments, increased from an average of RMB30 per ton to RMB70 per ton effective from 1 July 2008, and increased to RMB89 per ton effective from January 2009.

The considerable increase in the price of coal had an adverse impact on the Group's earnings during the period. With a view to improving the revenue and lowering the cost of the said plant, the Group plans to apply for an increase in the tariff and waste treatment fee, and to implement measures to strengthen its internal controls.

# MANAGEMENT DISCUSSION AND ANALYSIS

The following table sets out key operational statistics of Dongguan Kewei for the period:

| | |
|---|---|
| Installed capacity (MW) | 36 |
| Average tariff (RMB/kWh) | 0.58 |
| Latest tariff (RMB/kWh) | 0.58 |
| Gross generation (MWh) | 175,284 |
| Net generation (MWh) | 146,656 |
| Waste treatment volume (tons) | 305,917 |
| Average waste treatment fee (RMB/ton) | 65 |

*Deqing Waste Incineration Power Plant (德清廢物焚化發電廠)*

The Group is setting up a waste incineration power plant in Deqing, Zhejiang Province. The Group plans to install 2 sets of circulating fluidised bed boilers, each with a daily waste treatment capacity of 400 tons, equipped with a steam turbine unit of 6MW capacity. The project is under construction.

*Kunming Waste Incineration Power Plant (昆明廢物焚化發電廠)*

The Group is setting up a waste incineration power plant in Kunming, Yunnan, the PRC. The Group plans to install 4 sets of circulating fluidised bed boilers, each with a daily waste treatment capacity of 550 tons, equipped with 2 steam turbine units each of 15MW capacity. The project is under construction.

*Haikou Waste Incineration Power Plant (海口廢物焚化發電廠)*

In August 2008, the Group and an independent third party (together, the "Sponsors") obtained by way of BOT a waste incineration power generation project in Haikou City, Hainan Province, and entered into an agreement with Haikou City Environmental Hygiene Management Bureau (海口市環境衛生管理局) whereby the Sponsors were granted the right to invest in, construct, operate and maintain a waste incineration plant (the "Hainan Project") for a term of 27 years.

In accordance with the agreement, the Sponsors shall establish a project company, which shall be owned as to 70% and 30% by the Group and the third party respectively, for the purpose of carrying out the development, construction, operation and management of the Hainan Project. The Sponsors planned to install 2 sets of grate boilers each with a daily waste treatment capacity of 600 tons, to be equipped with 2 steam turbine units each of 12MW. The preliminary work on this project has started.

**Natural Gas and Oil Power Business**

*Dongguan Natural Gas and Oil Power Plant (東莞天然氣及燃油發電廠)*

The Group has an 80% equity interest in Dongguan Dong Xin, which is located in the Dong Cheng Economic Development Zone of Dongguan City, Guangdong, a load centre of Dongguan City. The electricity generated by this power plant is transmitted to the grid of the Dongguan City Electricity Supply Bureau for supplying electricity and steam to nearby industrial and commercial users. This power plant has power generating units with a capacity of 360MW.

# MANAGEMENT DISCUSSION AND ANALYSIS

Significant decline in the demand for power in Guangdong Province in the fourth quarter of 2008, together with high prices of natural gas and oil affected the revenue and cost control of the plant to a certain extent. However, with outstanding performance of the power generating units, availability of tariff subsidies and enhanced internal management, this power plant was able to provide a stable contribution to the Group.

The following table sets out key operational statistics of Dongguan Dong Xin for the period:

| | |
|---|---|
| Installed capacity (MW) | 360 |
| Average tariff (RMB/kWh) (including tariff adjustment) | 1.1754 |
| In which: approved on-grid tariff (RMB/kWh) | 0.62 |
| Gross generation (MWh) | 703,043 |
| Net generation (MWh) | 682,971 |
| Steam volume (tons) | 42,844 |
| Steam price (RMB/ton) | 343 |

**Other Power Generation Businesses**

*Zhongdian Hongze Thermal Plant (中電洪澤熱電廠)*

The Group owns a combined heat-and-power coal-fired plant in Hongze County, Jiangsu Province. This power plant occupies an area of approximately 53,000 square metres, has five coal-fired boilers and three steam turbine units with an installed capacity of 30MW, and supplies heat to more than 60 customers.

During the period, surging coal prices had material adverse impact on the operating results of this power plant. Despite a fairly large increase in the tariff and the steam price, such increase was insufficient to compensate for the significant increase in the price of coal. In view of this, the Group has in a timely manner adjusted the operating mode, compressed production cost and reduced operating loss.

The following table sets out key operational statistics of the Zhongdian Hongze Thermal Plant for the period:

| | |
|---|---|
| Installed capacity (MW) | 30 |
| Average tariff (RMB/kWh) | 0.4783 |
| Latest tariff (RMB/kWh) | 0.499 |
| Gross generation (MWh) | 46,170 |
| Net generation (MWh) | 36,620 |
| Steam volume (tons) | 376,770 |
| Steam price (RMB/ton) | 177 |

**Trading on Verified Carbon Emission Reductions**

The Group adopted verified carbon emission reductions ("VER") to obtain income from reduced carbon emission. In September 2008, the Group signed a transaction agreement with Camco International ("Camco") in relation to Jiuquan Wind Power Project Phase I, Jiuquan Wind Power Project Phase II and the Hongze Reproductive Substance Project, under which the volumes of reduced carbon emission of the above projects are underwritten by Camco.

# MANAGEMENT DISCUSSION AND ANALYSIS

## FUTURE PLAN

The PRC government is paying increasing attention to clean energy and is expected to continue introducing measures to promote the generation of clean energy. The Group believes that there are significant development potential and prospects in this business segment. To this end, the Group will concentrate its resources and efforts on clean energy projects.

The Group's future work will focus on:

1. strengthening asset management to secure a stable operating environment;

2. strengthening construction management and controlling construction costs to enhance corporate competitiveness;

3. formulating development strategies according to corporate goals and external factors and developing projects with appropriate returns;

4. strengthening fund management, designing and implementing the annual fund utilisation plan and allocating funds efficiently; and

5. formulating corporate management and internal control procedures, attracting and training qualified staff and implementing standardised management systems.

The Group will continue to explore and assess new businesses and investment opportunities with potential to bring long-term benefits. At present, the Group is evaluating and considering other clean energy power plant projects for possible future acquisition and development.

The Company will issue announcements with respect to the above possible acquisitions as and when appropriate and in accordance with the requirements of the Listing Rules of The Stock Exchange of Hong Kong Limited (the "Listing Rules").

## FINANCIAL REVIEW

### Revenue and Tariff Adjustment

For the eight months ended 31 December 2008, revenue and tariff adjustment of the Group were approximately HK$1,260,259,000 (for the year ended 30 April 2008: HK$959,704,000), representing an increase of 31.3% over the previous year, as new power projects which had been acquired and/or completed in the previous financial year started to make contributions to the Group.

### Fuel Costs

For the eight months ended 31 December 2008, fuel costs of the Group were approximately HK$714,062,000 (for the year ended 30 April 2008: HK$598,890,000), representing an increase of 19.2% over the previous year. The increase was mainly attributed to fuel costs for production at Zhongdian Hongze, Dongguan Dong Xin and Dongguan Kewei power plants acquired by the Group in the previous financial year. Fuel costs also increased as a result of price hikes in respect of coal, heavy oil and natural gas.

# MANAGEMENT DISCUSSION AND ANALYSIS

### Depreciation and Amortisation

For the eight months ended 31 December 2008, depreciation and amortisation of the Group were approximately HK$120,126,000 (for the year ended 30 April 2008: HK$81,801,000), representing an increase of 46.9% over the previous year. Depreciation was mainly attributable to the commissioning of power generating units, properties, plants and other equipment.

### Staff Costs

For the eight months ended 31 December 2008, staff costs of the Group were approximately HK$69,064,000 (for the year ended 30 April 2008: HK$52,749,000), representing an increase of 30.9% over the previous year, mainly due to the increase in the number of staff.

### Repairs and Maintenance

For the eight months ended 31 December 2008, expenditure on repairs and maintenance of the Group was approximately HK$42,771,000 (for the year ended 30 April 2008: HK$13,500,000), representing an increase of 216.8% over the previous year, mainly due to the increase in installed capacity as the Group expanded its business.

### Operating Profit

For the eight months ended 31 December 2008, operating profit of the Group was approximately HK$130,490,000 (for the year ended 30 April 2008: HK$139,876,000), representing a decrease of 6.7% over the previous year, mainly due to the increase in fuel costs.

### Finance Costs, Net

For the eight months ended 31 December 2008, net finance costs of the Group amounted to approximately HK$73,027,000 (for the year ended 30 April 2008: HK$66,787,000), representing an increase of 9.3% over the previous year.

### Taxation

For the eight months ended 31 December 2008, taxation of the Group was approximately HK$13,247,000 (for the year ended 30 April 2008: HK$30,884,000), representing a decrease of 57.1% over the previous year.

### Profit Attributable to Equity Holders of the Company

For the eight months ended 31 December 2008, profit attributable to equity holders of the Company was approximately HK$10,962,000 (for the year ended 30 April 2008: HK$6,931,000), mainly attributable to profit from clean energy power generation businesses.

### Liquidity and Financial Resources

As at 31 December 2008, the Group had cash and cash equivalents of approximately HK$481,659,000, mainly including cash inflow from operations as well as loans and project financing of the Group's subsidiaries from banks.

# MANAGEMENT DISCUSSION AND ANALYSIS

### Capital Expenditure

For the eight months ended 31 December 2008, capital expenditure of the Group was approximately HK$615,252,000, spent mainly on project developments, purchase of equipment and technical renovation. The major sources of the invested funds were cash on hand and project financing.

### Borrowings

As at 31 December 2008, total borrowings of the Group amounted to approximately HK$1,792,248,000 (30 April 2008: HK$1,782,504,000), consisting of short term bank borrowings and current portion of long term borrowings of HK$849,616,000 and long term bank and other borrowings of approximately HK$942,632,000. The interest rates of the Group's bank borrowings were adjusted in accordance with the relevant rules of the People's Bank of China.

### Gearing Ratio

As at 31 December 2008, the gearing ratio of the Group, based on net debt divided by total capital, was 19% (30 April 2008: 14%). The increase in the gearing ratio during the period resulted primarily from the additional borrowings obtained in order to finance the capital investments in the construction and development of new power plants.

### Foreign Exchange and Currency Risks

The Group's main business transactions are conducted in Renminbi and Hong Kong dollars. The Group did not use any derivative instruments to hedge its foreign currency exposure as the Group considered its foreign currency exposure to be insignificant.

### Investment Risk in the Capital Market

Some funds of the Group have been invested in securities. With the impact of the US financial crisis and the fluctuation of the securities market, this portion of investment is considered as risky. The Group will terminate/reduce the securities investment business to control the risk.

For the eight months ended 31 December 2008, the loss in fair value of the investment in securities amounted to HK$65,814,000 (for the year ended 30 April 2008: gain of HK$25,786,000).

### Charge on the Group's Assets

As at 31 December 2008, certain bank deposits, properties under development, land use rights and investment properties of the Group with an aggregate amount of HK$513,444,000 (30 April 2008: HK$71,029,000) were pledged as securities for certain notes payable and bank borrowings of the Group.

### Contingent Liabilities

The Group did not have any significant contingent liabilities as at the balance sheet date.

# MANAGEMENT DISCUSSION AND ANALYSIS

## EMPLOYEE AND REMUNERATION POLICIES

As at 31 December 2008, the Group had approximately 1,054 employees in Hong Kong and Mainland China (30 April 2008: 748).

Remuneration of directors and employees is determined with reference to performance, experience and duties as well as industry and market standards.

The Group provides appropriate emoluments and benefit packages to all employees of its operating power plants and new project developments in Mainland China based on their respective duties and pursuant to the labour laws and regulations of the PRC.

The Group provides Hong Kong employees with a mandatory provident fund with defined contribution as required by the laws of Hong Kong. It also provides Hong Kong employees with medical insurance.

# MANAGEMENT DISCUSSION AND ANALYSIS

## CHINA POWER NEW ENERGY DEVELOPMENT COMPANY LIMITED

# MANAGEMENT DISCUSSION AND ANALYSIS

## WELL-ESTABLISHED PLATFORMS WITH VARIOUS RENEWABLE PROJECTS

| Existing projects Asset Type | Project Name | Installed Capacity (MW) | Stake | Capacity Attributable to the Group (MW) |
|---|---|---|---|---|
| Wind power | Phase I of the Gansu Wind Power Project | 100.5 | 90% | 90.45 |
| Wind power | Phase II of the Gansu Wind Power Project | 49.5 | 100% | 49.50 |
| Hydro power | Fujian Shaxikou Hydro-electric Power Plant | 300.0 | 100% | 300.00 |
| Hydro power | Fujian Niutoushan Hydro Power Plant | 122.2 | 33% | 40.33 |
| Biomass power | Zhongdian Hongze Reproductive Substance Thermal Power Plant | 15.0 | 100% | 15.00 |
| Waste-to-energy power | Dongguan Waste Incineration Power Plant | 36.0 | 40% | 14.40 |
| Natural gas and oil power | Dongguan Natural Gas and Oil Power Plant | 360.0 | 80% | 288.00 |
| Thermal power | Zhongdian Hongze Thermal Plant | 30.0 | 60% | 18.00 |
| **Total** | | **1,013.2** | | **815.68** |

# CORPORATE GOVERNANCE REPORT

The board of directors (the "Board") of the Company hereby presents this Corporate Governance Report in the Company's annual report for the eight months ended 31 December 2008.

## CORPORATE GOVERNANCE PRACTICES

The Board of the Company believes that good corporate governance practices are increasingly important for maintaining and promoting shareholder value and investor confidence. The Board sets appropriate policies and implements corporate governance practices appropriate to the conduct and growth of the Group's business.

The Company's corporate governance practices are based on the principles and code provisions as set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Throughout the period, the Company has complied with the code provisions set out in the CG Code, except for the code provisions A.4.1 and A.4.2. The Company will continue to review its corporate governance practices in order to enhance its corporate governance standard, to comply with the increasingly tightened regulatory requirements and to meet the rising expectations of shareholders and investors.

Key corporate governance principles and practices of the Company as well as details of the foregoing deviations of code provisions are summarised below.

## A. THE BOARD

### A1. RESPONSIBILITIES AND DELEGATION

The overall management and control of the Group's business are vested in the Board. The Board is responsible for establishing policies, strategies and plans, providing leadership in creating value and overseeing the Group's financial performance on behalf of shareholders of the Company. All the directors carry out their duties in good faith and in compliance with applicable laws and regulations, taking decisions objectively and acting in the interests of the Company and its shareholders at all times.

The Board reserves for its decision on all major matters of the Company, including the approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant financial and operational matters.

All directors have full and timely access to all relevant information as well as the advice and services of the Company Secretary and senior management, with a view to ensuring compliance with Board procedures and all applicable laws and regulations. Any director may request independent professional advice in appropriate circumstances at the Company's expense, upon reasonable request made to the Board.

# CORPORATE GOVERNANCE REPORT

The day-to-day management, administration and operations of the Group are delegated to the executive directors and senior management of the Company. The Board has delegated a schedule of responsibilities to these officers for the implementation of Board decisions. The Board periodically reviews the delegated functions and work tasks. Prior to entering into any significant transactions, the aforesaid officers have to obtain Board approval.

## A2. BOARD COMPOSITION

The Board comprises the following directors:

***Executive Directors:***

| | |
|---|---|
| Ms. Li Xiaolin | *(Chairman of the Board and of the Executive Committee)* |
| Mr. Lai Leong | *(Member of the Executive Committee)* |
| Mr. Zhao Xinyan | *(Member of the Executive Committee)* |
| Mr. Wang Hao | *(Member of the Executive Committee)* |
| Mr. Clive William Oxley | *(Member of the Executive Committee)* |
| Mr. Liu Genyu | *(Chief Operating Officer and member of the Executive Committee)* |

***Non-Executive director:***

Mr. Cheng Chi

***Independent Non-Executive Directors:***

| | |
|---|---|
| Dr. Chow King Wai | *(Member of both the Audit Committee and the Remuneration Committee)* |
| Mr. Chu Kar Wing | *(Chairman of both the Audit Committee and the Remuneration Committee)* |
| Mr. Wong Kwok Tai | *(Member of both the Audit Committee and the Remuneration Committee)* |

The Board has at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors with at least one of them possessing appropriate professional qualifications and accounting and related financial management expertise as required under the Listing Rules.

The list of directors (by category) is set out under the section headed "Corporate Information" in this annual report and is also disclosed in all corporate communications issued by the Company pursuant to the Listing Rules from time to time. The independent non-executive directors are expressly identified in all corporate communications of the Company.

# CORPORATE GOVERNANCE REPORT

The Board has maintained the necessary balance of skills and experience appropriate for the business requirements and objectives of the Group and for the exercise of independent judgement. The independent non-executive directors bring different business and financial expertise, experiences and independent judgement to the Board and they are invited to serve on the Board committees of the Company. Through participation in Board meetings, taking the lead in managing issues involving potential conflicts of interests and serving on Board committees, the independent non-executive directors have made various contributions to the effective direction of the Company and provided adequate checks and balances to safeguard the interests of both the Group and the shareholders.

The biographical details of the directors of the Company are set out under "Directors and Senior Management Biographies" in this annual report. None of the members of the Board is related to one another.

The Company has received written annual confirmation from all of its independent non-executive directors in respect of their independence pursuant to the requirements of the Listing Rules. The Company considers all independent non-executive directors to be independent in accordance with the independence guidelines set out in the Listing Rules.

## A3. CHAIRMAN AND CHIEF EXECUTIVE OFFICER

There are two key aspects of the management of the Company – the management of the Board and the day-to-day management of the Group's business.

The Company supports that there should be a clear division of these responsibilities to ensure a balance of power and authority, so that power is not concentrated in any one individual. Currently, Ms. Li Xiaolin takes up the role of Chairman of the Board and is responsible for the management of the Board whereas Mrs. Maria Leung is the Chief Executive Officer of the Company, taking care of the day-to-day management of the Group's business.

## A4. APPOINTMENT AND RE-ELECTION OF DIRECTORS

The code provision A.4.1 of the CG Code stipulates that non-executive directors should be appointed for a specific term, subject to re-election. Currently, the non-executive director and the independent non-executive directors of the Company are not appointed for a specific term, but they are subject to retirement by rotation and re-election by shareholders at annual general meeting pursuant to the Company's bye-laws (the "Bye-laws"). Accordingly, the Board considers that the Company meets the objective of the code provision A.4.1.

# CORPORATE GOVERNANCE REPORT

The code provision A.4.2 of the CG Code requires every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. Pursuant to the Bye-laws, all directors, including those appointed for a specific term but excluding the Chairman of the Board, shall retire from office by rotation at least once every three years. The Board considers that, though there is a deviation from the code provision A.4.2 of the CG Code, the aforementioned provision in the Bye-laws is appropriate to the Company since the continuous leadership by the Chairman of the Board allows effective and efficient planning and implementation of business decisions and strategies which is vital for stability and growth of the Group.

Pursuant to the foregoing retirement provision in the Bye-laws, Mr Zhao Xinyan, Mr Clive William Oxley and Mr Wong Kwok Tai shall retire by rotation at the forthcoming 2009 annual general meeting and, being eligible, they will offer themselves for re-election. The Board recommended the re-election of these three retiring directors. The Company's circular, sent together with this annual report, contains detailed information of the above three directors.

The Company has not set up a nomination committee and the Board as a whole is responsible for reviewing the Board composition, developing and formulating the relevant procedures for nomination and appointment of directors, monitoring the succession planning of directors and assessing the independence of independent non-executive directors. The Company has adopted "Director Nomination Procedures" as written guidelines in providing formal, considered transparent procedures to the Board for evaluating and selecting candidates for directorships. Where vacancies on the Board exist, the Board will carry out the selection process by making reference to the skills, experience, professional knowledge, personal integrity and time commitments of the proposed candidates, the Company's needs and other relevant statutory requirements and regulations.

Besides, there are also procedures and process of appointment, re-election and removal of directors laid down in the Bye-laws. In accordance with the Bye-laws, any new director appointed to fill a casual vacancy or as an addition to the Board shall submit himself/herself for re-election by shareholders at the first general meeting of the Company held after his/her appointment.

During the eight months ended 31 December 2008, the Board, through its meetings held on 26 August 2008 (with the presence of all directors, except for Mr Clive William Oxley and Mr Cheng Chi), 25 September 2008 (with all the then executive directors present) and 30 December 2008 (with the presence of all directors), performed the following work regarding matters relating to nomination of directors:

(i) review of the structure, size and composition of the Board to ensure that it has a balance of expertise, skills and experience appropriate to the requirements for the business of the Group; recommendation of the re-election of the retiring directors standing for re-election at the 2008 annual general meeting of the Company; and assessment of the independence of all the Company's independent non-executive directors; and

# CORPORATE GOVERNANCE REPORT

(ii) re-designation of Mr Liu Genyu from chief executive officer to chief operating officer; re-designation of Mr Cheng Chi from an executive director to a non-executive director of the Company; and appointment of Mrs Maria Leung as the chief executive officer of the Company; and

(iii) acceptance of the resignation of Mr Lai Leong as the vice-chairman of the Company.

## A5. INDUCTION AND CONTINUING DEVELOPMENT FOR DIRECTORS

Each newly appointed director receives induction on the first occasion of his/her appointment, so as to ensure that he/she has appropriate understanding of the business and operations of the Group and that he/she is fully aware of his/her responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

The existing directors are continually updated with legal and regulatory developments, and the business and market changes to facilitate the discharge of their responsibilities. Continuing briefings and professional development to directors will be arranged whenever necessary.

## A6. BOARD MEETINGS

*A6.1 Board Practices and Conduct of Meetings*

Schedules for regular Board meetings are normally agreed with the directors in advance in order to facilitate them to attend. In addition to the above, notice of at least 14 days is given of a regular Board meeting. For other Board and committee meetings, reasonable notice is generally given.

Draft agenda of each Board meeting is usually sent to all directors together with the notice in order to give them an opportunity to include any other matters in the agenda for discussion in the meeting.

Board papers together with all appropriate, complete and reliable information are sent to all directors at least 3 days before each Board meeting to keep the directors apprised of the latest developments and financial position of the Group and to enable them to make informed decisions. The Board and each director also have separate and independent access to the senior management whenever necessary.

The Chief Executive Officer, Financial Controller, Company Secretary and other relevant senior management normally attend regular Board meetings and, where necessary, other Board and committee meetings to advise on business developments, financial and accounting matters, statutory compliance, corporate governance and other major aspects of the Group.

The Company Secretary is responsible to keep minutes of all Board meetings. Draft minutes are normally circulated to directors for comments within a reasonable time after each meeting and the final version is open for directors' inspection.

# CORPORATE GOVERNANCE REPORT

According to the current Board practice, any material transaction, which involves a conflict of interest for a substantial shareholder or a director, will be considered and dealt with by the Board at a duly convened Board meeting. The Bye-laws contain provisions requiring directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such directors or any of their associates have a material interest.

*A6.2 Directors' Attendance Records*

During the eight months ended 31 December 2008, the Board has met regularly with a total of 4 Board meetings for reviewing and considering the financial and operating performance, business development and prospects of the Group.

The attendance records of each director at these four Board meetings are set out below:

| Name of Director | Attendance/Number of Board Meetings |
|---|---|
| ***Executive directors*** | |
| Ms Li Xiaolin | 4/4 |
| Mr Lai Leong | 4/4 |
| Mr Zhao Xinyan | 3/4 |
| Mr Wang Hao | 4/4 |
| Mr Clive William Oxley | 3/4 |
| Mr Liu Genyu | 4/4 |
| ***Non-executive director*** | |
| Mr Cheng Chi *(Note)* | 2/4 |
| ***Independent non-executive directors*** | |
| Dr Chow King Wai | 4/4 |
| Mr Chu Kar Wing | 4/4 |
| Mr Wong Kwok Tai | 4/4 |

*Note:* Mr Cheng Chi has been re-designated from an executive director to a non-executive director of the Company with effect from 1 November 2008.

# CORPORATE GOVERNANCE REPORT

*A6.3 Model Code for Securities Transactions*

The Company has adopted its own code of conduct regarding directors' dealings in the Company's securities (the "Own Code") on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules. Each director has been given a copy of the Own Code. Specific enquiry has been made of all the Company's directors and they have confirmed their compliance with the Own Code and the Model Code throughout the eight months ended 31 December 2008.

The Company has also established written guidelines on no less exacting terms than the Model Code (the "Employees Written Guidelines") for securities transactions by employees who are likely to be in possession of unpublished price-sensitive information of the Company and/or its securities. No incident of non-compliance of the Employees Written Guidelines by relevant employees was noted by the Company.

In case when the Company is aware of any restricted period for dealings in the Company's securities, the Company will notify its directors and relevant employees in advance.

## B. BOARD COMMITTEES

The Board has established three Board committees, namely, the Remuneration Committee, the Audit Committee and the Executive Committee, for overseeing particular aspects of the affairs of the Group. All Board committees have been established with defined written terms of reference, which are posted on the Company's website "www.cpne.com.hk" and are available to shareholders upon request. All the Board committees should report to the Board on their decisions or recommendations made.

The practices, procedures and arrangements in conducting meetings of Board committees follow in line with, so far as practicable, those of the Board meetings set out in section A6.1 above.

All Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expenses.

# CORPORATE GOVERNANCE REPORT

## B1. REMUNERATION COMMITTEE

The Remuneration Committee comprises the three independent non-executive directors, namely Mr Chu Kar Wing, Dr Chow King Wai and Mr Wong Kwok Tai. The chairman of the Remuneration Committee is Mr Chu Kar Wing.

The principal responsibilities of the Remuneration Committee include making recommendations to the Board on the Company's remuneration policy and structure and the remuneration packages of directors and members of senior management. The Remuneration Committee is also responsible for establishing transparent procedures for developing such remuneration policy and structure to ensure that no director or any of his/her associates will participate in deciding his/her own remuneration, which remuneration will be determined by reference to the performance of the individual and the Company as well as market practice and conditions.

During the eight months ended 31 December 2008, no meeting was held among the members of the Remuneration Committee. However, the Committee has previously reviewed the remuneration policy and structure of the Group generally, and the remuneration packages of the directors and senior management of the Group and made relevant recommendations to the Board.

Details of the remuneration of each director of the Company for the eight months ended 31 December 2008 are set out in note 16 to the financial statements contained in this annual report.

## B2. AUDIT COMMITTEE

The Audit Committee comprises a total of three members, being the three independent non-executive directors, namely Mr Chu Kar Wing, Dr Chow King Wai and Mr Wong Kwok Tai, with Mr Wong Kwok Tai possessing the appropriate accounting and financial management expertise as required under Rule 3.10(2) of the Listing Rules. The chairman of the Audit Committee is Mr Chu Kar Wing. None of the members of the Audit Committee is a former partner of the Company's existing external auditor.

The main duties of the Audit Committee are reviewing the financial statements and reports of the Group and considering any significant or unusual items raised by the financial officers of the Group or external auditor before submission to the Board; reviewing the relationship with and the terms of appointment of the external auditor and making the relevant recommendation to the Board; and reviewing the Company's financial reporting system, internal control system and risk management system.

# CORPORATE GOVERNANCE REPORT

During the eight months ended 31 December 2008, the Audit Committee has met once (with the presence of all the Committee members) and performed the following major works:

– Review and discussion of the annual financial statements, results announcement and annual report for the year ended 30 April 2008, the related accounting principles and practices adopted by the Group and the relevant audit findings; and

– Discussion and recommendation of the re-appointment of the external auditor.

### B3. EXECUTIVE COMMITTEE

The Executive Committee comprises all the executive directors of the Company with the Chairman of the Board, Ms Li Xiaolin, acting as the chairman of such Committee. The Executive Committee operates as a general management committee under the direct authority of the Board to increase the efficiency for the business decision. It monitors the execution of the Company's strategic plans and operations of all business units of the Group and discusses and makes decisions on matters relating to the management and day-to-day operations of the Group.

## C. DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING IN RESPECT OF THE FINANCIAL STATEMENTS

The directors have acknowledged their responsibilities for preparing the financial statements of the Company for the eight months ended 31 December 2008.

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, price sensitive announcements and other disclosures required under the Listing Rules and other regulatory requirements. The management has provided such explanation and information to the Board as necessary to enable the Board to make an informed assessment of the financial information and position of the Group put forward to the Board for approval.

There are no material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

## D. INTERNAL CONTROLS

The Board is responsible for maintaining an adequate internal control system of the Group to safeguard the interests of the Company's shareholders and assets and, with the support of the Audit Committee, for reviewing the effectiveness of such system on an annual basis.

The Board has conducted a review of the effectiveness of the internal control system of the Group for the eight months ended 31 December 2008. The senior management reviews and evaluates the control process and monitors any risk factors on a regular basis and reports to the Board and the Audit Committee on any findings and measures to address the variances and identified risks.

# CORPORATE GOVERNANCE REPORT

## E. EXTERNAL AUDITOR AND AUDITOR'S REMUNERATION

At the annual general meeting of the Company held on 26 September 2008, CCIF CPA Limited retired and ceased to act as auditor of the Company. Subsequently, at the special general meeting of the Company held on 9 March 2009, PricewaterhouseCoopers was appointed as the new auditor of the Company.

The statement of the external auditor of the Company about its reporting responsibilities on the Company's financial statements for the eight months ended 31 December 2008 is set out in the section headed "Independent Auditor's Report" in this annual report.

The fees paid/payable to PricewaterhouseCoopers in respect of audit services and non-audit services for the eight months ended 31 December 2008 are analysed below:

| **Type of services provided by the external auditor** | **Fees paid/payable** |
|---|---|
| *Audit services:* | |
| Audit fee for the eight months ended 31 December 2008 | HK$2,300,000 |
| *Non-audit services:* | |
| Review fee for the six months ended 31 October 2008 | HK$400,000 |
| TOTAL: | HK$2,700,000 |

## F. COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The Company believes that effective communication with shareholders is essential for enhancing investor relations and investors' understanding of the Group's business performance and strategies. The Group also recognizes the importance of transparency and timely disclosure of corporate information, which enables shareholders and investors to make the best investment decision.

As a channel to promote effective communication, the Group maintains a website at "www.cpne.com.hk" where information on the Company's announcements, financial information and other information are posted. Shareholders and investors may write directly to the Company at its principal place of business in Hong Kong for any inquiries. Inquiries are dealt with in an informative and timely manner.

The Board welcomes views of shareholders and encourages them to attend general meetings to raise any concerns they may have to the Board or the management directly. The Chairman of the Board as well as the chairman and/or other members of the Audit Committee and the Remuneration Committee are normally present at annual general meeting and other shareholders' meetings of the Company to answer questions raised. During the eight months ended 31 December 2008, the Company held one shareholders' meeting, which is the annual general meeting held on 26 September 2008. The Chairman of the Board and the chairman of the Audit Committee and Remuneration Committee had attended this general meeting.

# CORPORATE GOVERNANCE REPORT

## G. SHAREHOLDERS' RIGHTS

As one of the measures to safeguard shareholders' interests and rights, separate resolutions are proposed at shareholders' meetings on each substantial issue, including the election of individual directors, for shareholders' consideration and voting. Besides, various rights of shareholders, including the right for proposing resolutions, are contained in the Bye-laws.

Upon implementation of the amendments to the Listing Rules with effect from 1 January 2009, all resolutions proposed at shareholder meetings of listed issuers shall be voted by poll. The poll voting results will be posted on the websites of the Stock Exchange (www.hkexnews.hk) and of the Company (www.cpne.com.hk) after each shareholders' meeting.

# REPORT OF THE DIRECTORS

The directors have pleasure in presenting their annual report and the audited financial statements of the Company and of the Group for the eight months period ended 31 December 2008.

## PRINCIPAL ACTIVITIES

The Group is principally engaged in the development, construction, ownership, operation and management of clean energy power plants in the People's Republic of China (the "PRC"), including but not limited to the following types of energy generation – wind power generation, hydro power generation and waste-to-energy power generation. The Group is also engaged in investment holding in the clean energy power industry, sale of clean energy power generating equipment and property investments. The principal activities of the Company's subsidiaries are set out in note 22 to the financial statements.

## SEGMENT INFORMATION

An analysis of the Group's revenue and contribution to results by principal activities and geographical area of operations for the eight months period ended 31 December 2008 is set out in note 6 to the financial statements.

## RESULTS AND DIVIDENDS

The Group's profit for the eight months period ended 31 December 2008 are set out in the consolidated income statement on page 45.

The directors do not recommend the payment of any dividend for the eight months period ended 31 December 2008.

## SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets and liabilities of the Group for the last five financial years period is set out on page 126 of this annual report. This summary does not form part of the audited financial statements.

## PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Company and of the Group during the eight months period ended 31 December 2008 are set out in note 17 to the financial statements.

## CAPITAL STRUCTURE

Details of the movements in the Company's share capital and options granted under during the eight months period ended 31 December 2008, together with the reasons thereof, and details of the share option scheme of the Company are set out in note 30 to the financial statements. Further details are also disclosed under the heading "Share Option Schemes" below.

## SHARE CAPITAL

Details of the movements in share capital of the Company are set out in note 30 to the financial statements.

## DONATIONS

Charitable and other donations made by the Group during the period amounted to HK$100,000.

# REPORT OF THE DIRECTORS

## PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the bye-laws of the Company or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

## RESERVES

Details of the movements in the reserves of the Company and the Group during the period are set out in note 31 to the financial statements and in the consolidated statement of changes in equity.

## DISTRIBUTABLE RESERVES

As at 31 December 2008, the Company had no reserves available for distribution.

## PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

During the eight months period ended 31 December 2008, the Company repurchased its own listed shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") as follows:

| Month of Repurchase | Number of Shares Repurchased | Highest Price Paid per Share | Lowest Price Paid per Share | Aggregate Price Paid |
|---|---|---|---|---|
| | | HK$ | HK$ | HK$ |
| September 2008 | 23,580,000 | 0.60 | 0.46 | 12,589,400 |

The repurchased shares were cancelled and accordingly, the issued share capital of the Company was reduced by the nominal value of these shares.

Except as disclosed above, neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the eight months period ended 31 December 2008.

## MAJOR CUSTOMERS AND SUPPLIERS

During the eight months period ended 31 December 2008, sales to the Group's five largest customers accounted for approximately 85% of the total sales for the period and sales to the largest customer included therein amounted to approximately 32% of the total sales.

Purchases from the Group's five largest suppliers accounted for approximately 71% of the total purchases for the period and purchases from the largest supplier included therein amounted to approximately 39% of the total purchases.

As far as the directors are aware, none of the directors of the Company or their associates (as defined in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules")), nor any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or suppliers.

# REPORT OF THE DIRECTORS

## DIRECTORS

The directors of the Company during the eight months period ended 31 December 2008 and up to the date of this report are:

**Executive Directors:**

Ms. Li Xiaolin *(Chairman)*
Mr. Lai Leong *(Vice-Chairman)* (resigned as Vice-Chairman on 31 December 2008)
Mr. Zhao Xinyan
Mr. Wang Hao
Mr. Clive William Oxley OBE, ED
Mr. Liu Genyu *(Chief Operating Officer)*

**Non-Executive Director:**

Mr. Cheng Chi (re-designated from Executive Director on 1 November 2008)

**Independent Non-Executive Directors:**

Dr. Chow King Wai
Mr. Chu Kar Wing
Mr. Wong Kwok Tai

Pursuant to clause 87 of the bye-laws of the Company, Mr. Zhao Xinyan, Mr. Clive William Oxley and Mr. Wong Kwok Tai shall retire from office by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

## DIRECTORS' SERVICE CONTRACTS

As at 31 December 2008, none of the Directors had any existing or proposed service contracts with any member of the Group.

No director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

## EMOLUMENT POLICY FOR DIRECTORS

The emoluments payable to directors of the Company are determined in accordance with their duties and responsibilities within the Company and the Company's performance, by a remuneration committee of the board of directors according to its terms of reference.

# REPORT OF THE DIRECTORS

## DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance to which the Company or any of its subsidiaries was a party and in which any director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the period or at any time during the eight months period ended 31 December 2008.

## POST BALANCE SHEET EVENTS

These is no significant post balance sheet events of the Group taken place during the period from 1 January 2009 up to the date of this report.

## DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 31 December 2008, the interests of the directors of the Company in the shares and underlying shares of the Company which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (the "SFO") (including interests and short positions which he/she was deemed or taken to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), to be notified to the Company and the Stock Exchange were as follows:

**(i) Long Position in Shares of the Company**

Ordinary shares of HK$0.1 each of the Company:

| Name | Nature of interest | Number of shares interested or deemed to be interested | Percentage of the Company's issued share capital as at 31 December 2008 |
|---|---|---|---|
| Mr. Lai Leong | Corporate interests *(Note)* | 603,026,000 | 8.59% |

*Note:* These shares were held through Wealth Success Limited, a company beneficially owned by Mr. Zhu Yi Cai (a former executive director of the Company) and Mr. Lai Leong as to 52% and 48%, respectively.

# REPORT OF THE DIRECTORS

**(ii) Long Position in Underlying Shares of the Company – physically settled unlisted equity derivatives**

Pursuant to the Company's share option schemes, the Company has granted options to the following directors of the Company to subscribe for shares of the Company, details of which as at 31 December 2008 were as follows:

| Name | Nature of interest | Number of underlying shares in respect of the share options granted | Percentage of underlying shares over the Company's issued share capital as at 31 December 2008 |
|---|---|---|---|
| Ms. Li Xiaolin | Beneficial owner | 23,000,000 | 0.33% |
| Mr. Zhao Xinyan | Beneficial owner | 18,000,000 | 0.26% |
| Mr. Wang Hao | Beneficial owner | 30,000,000 | 0.43% |
| Mr. Liu Genyu | Beneficial owner | 18,000,000 | 0.26% |

*Note:* The above options represent the personal interests held by Ms. Li Xiaolin, Mr. Zhao Xinyan, Mr. Wang Hao and Mr. Liu Genyu respectively as beneficial owners.

Save as disclosed above, as at 31 December 2008, none of the directors or chief executives of the Company or their associates had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporation(s) (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have been taken under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code to be notified to the Company and the Stock Exchange; nor had there been any grant or exercise of rights of such interests to/by them during the eight months period ended 31 December 2008.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from the share option scheme operated by the Company as set out in note 30 to the financial statements and save as disclosed in the section headed "Directors' interests in shares and underlying shares" above, at no time during the period was the Company or any of its subsidiaries a party to any arrangement to enable the Company's directors, their respective spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

## SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants for their contributions to the Group. Further details of the Scheme are disclosed in note 30 to the financial statements.

# REPORT OF THE DIRECTORS

The following table discloses movements in the Company's share options during the period:

| Name or category of participant | Number of share options: Outstanding at 1 May 2008 | Granted during the period | Exercised during the period | Lapsed during the period | Cancelled during the period | Outstanding at 31 December 2008 | Date of grant of share options | Exercise period of share options* | Exercise price of share options** HK$ per share |
|---|---|---|---|---|---|---|---|---|---|
| **Directors** | | | | | | | | | |
| Ms. Li Xiaolin | 23,000,000 | – | – | – | – | 23,000,000 | 8 June 2007 | 26 June 2007 to 7 June 2017 | 0.836 |
| Mr. Zhao Xinyan | 18,000,000 | – | – | – | – | 18,000,000 | 8 June 2007 | 15 June 2007 to 7 June 2017 | 0.836 |
| Mr. Wang Hao | 30,000,000 | – | – | – | – | 30,000,000 | 9 March 2007 | 26 March 2007 to 8 March 2017 | 0.63 |
| Mr. Liu Genyu | 18,000,000 | – | – | – | – | 18,000,000 | 8 June 2007 | 15 June 2007 to 7 June 2017 | 0.836 |
| | 89,000,000 | – | – | – | – | 89,000,000 | | | |
| **Other employees working under continuous employment contracts** | | | | | | | | | |
| In aggregate | 40,000,000 | – | – | – | – | 40,000,000 | 9 March 2007 | 22 March 2007 to 8 March 2017 | 0.63 |
| | 60,000,000 | – | – | – | – | 60,000,000 | 9 March 2007 | 23 March 2007 to 8 March 2017 | 0.63 |
| | 20,000,000 | – | – | – | – | 20,000,000 | 9 March 2007 | 28 March 2007 to 8 March 2017 | 0.63 |
| | 4,000,000 | – | – | – | – | 4,000,000 | 8 June 2007 | 20 June 2007 to 7 June 2017 | 0.836 |
| | 21,000,000 | – | – | – | – | 21,000,000 | 8 June 2007 | 28 June 2007 to 7 June 2017 | 0.836 |
| | 145,000,000 | – | – | – | – | 145,000,000 | | | |
| | 234,000,000 | – | – | – | – | 234,000,000 | | | |

Notes to the table of movements in the Company's share options during the period:

* The vesting period of the share options is from the date of the grant until the commencement of the exercise period.

** The number and/or exercise price of the share options is/are subject to adjustment in the case of rights or bonus issues, or other changes in the Company's share capital.

# REPORT OF THE DIRECTORS

## SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at 31 December 2008, the following parties had interests of 5% or more of the issued share capital of the Company according to the register of interests required to be kept by the Company pursuant to Section 336 of the SFO or as the Company was aware:

| Name | Nature of interest | *Note* | Number of shares interested or deemed to be interested | Percentage holding |
|---|---|---|---|---|
| China Power New Energy Limited | Beneficial owner | *1* | 2,003,464,400 | 28.54% |
| State-owned Assets Supervision and Administration Commission of The State Council, the PRC (中國國務院國有資產監督管理委員會) | Corporate interests | *1* | 2,003,464,400 | 28.54% |
| China Power Investment Corporation | Corporate interests | *1* | 2,003,464,400 | 28.54% |
| China Power International Holding Limited | Corporate interests | *1* | 2,003,464,400 | 28.54% |
| Tianying Holding Limited | Corporate interests | *1* | 2,003,464,400 | 28.54% |
| China National Offshore Oil Corporation | Corporate interests | *2* | 900,000,000 | 12.82% |
| Wealth Success Limited | Beneficial owner | *3* | 603,026,000 | 8.59% |
| Mr. Zhu Yi Cai | Corporate interests | *3* | 603,026,000 | 8.59% |
| Ecofin General Partner Limited | Investment manager | | 564,096,500 | 8.04% |
| EFMI Limited (formerly known as "EFM Limited") | Investment manager | | 564,096,500 | 8.04% |
| Ecofin Limited | Investment manager | | 776,500,000 | 11.06% |

*Notes:*

1. These shares were held by China Power New Energy Limited which was a wholly-owned subsidiary of Tianying Holding Limited which in turn was a wholly-owned subsidiary of China Power International Holding Limited. China Power International Holding Limited was a wholly-owned subsidiary of China Power Investment Corporation which in turn was wholly owned by State-owned Assets Supervision and Administration Commission of The State Council, the PRC (中國國務院國有資產監督管理委員會). Accordingly, Tianying Holding Limited, China Power International Holding Limited, China Power Investment Corporation and State-owned Assets Supervision and Administration Commission of The State Council, the PRC (中國國務院國有資產監督管理委員會) were deemed to be interested in these shares pursuant to Part XV of the SFO.

2. These shares were held by Shining East Investments Limited which was a wholly-owned subsidiary of Overseas Oil & Gas Corporation, Ltd. which in turn is a wholly-owned subsidiary of China National Offshore Oil Corporation. Accordingly, China National Offshore Oil Corporation was deemed to be interested in these shares pursuant to Part XV of the SFO.

3. These shares were held by Wealth Success Limited which was beneficially owned by Mr. Zhu Yi Cai and Mr. Lai Leong as to 52% and 48% respectively. Such interest was also disclosed as the interest of Mr. Lai Leong in the above section headed "Directors' interests in shares and underlying shares".

Save as disclosed above, as at 31 December 2008, no person, other than the directors of the Company whose interests were set out in the section headed "Directors' interests in shares and underlying shares" above, had registered an interest or a short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

# REPORT OF THE DIRECTORS

## CORPORATE GOVERNANCE

The Company's corporate governance principles and practices are set out in the Corporate Governance Report on pages 24 to 34 in this annual report.

## PUBLIC FLOAT

Based on information that is publicly available to the Company and to the best knowledge of the directors of the Company, there was sufficient public float of not less than 25% of the Company's issued shares as required under the Listing Rules throughout the eight months period ended 31 December 2008.

## ANNUAL REPORT

This Annual Report is printed in English and Chinese and is available on the Stock Exchange's website at http://www.hkexnews.hk under "Listed Company Information" and our Company's website at http://www.cpne.com.hk. Printed copies in both languages are posted to shareholders.

## AUDITOR

During the period, PricewaterhouseCoopers were appointed as the auditor of the Company to fill the casual vacancy following the retirement of CCIF CPA Limited, who had acted as the auditor of the Company for the past three years ended 30 April 2006, 2007 and 2008.

PricewaterhouseCoopers will retire at the forthcoming annual general meeting of the Company and a resolution will be proposed at the meeting to re-appoint PricewaterhouseCoopers as the auditor of the Company.

On behalf of the Board

**Li Xiaolin**
*Chairman*

Hong Kong
27 April 2009

# INDEPENDENT AUDITOR'S REPORT

羅兵咸永道會計師事務所

**PricewaterhouseCoopers**
22nd Floor, Prince's Building
Central, Hong Kong

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF CHINA POWER NEW ENERGY DEVELOPMENT COMPANY LIMITED**

*(incorporated in Bermuda with limited liability)*

We have audited the consolidated financial statements of China Power New Energy Development Company Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 45 to 125, which comprise the consolidated and company balance sheets as at 31 December 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the eight months period then ended, and a summary of significant accounting policies and other explanatory notes.

## DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

## AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

# INDEPENDENT AUDITOR'S REPORT

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

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

## OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2008 and of the Group's profit and cash flows for the eight months period then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

**PricewaterhouseCoopers**
*Certified Public Accountants*

Hong Kong, 27 April 2009

# CONSOLIDATED INCOME STATEMENT

FOR THE EIGHT MONTHS PERIOD ENDED 31 DECEMBER 2008

| | *Note* | **For the eight months period ended 31 December 2008 HK$'000** | For the year ended 30 April 2008 HK$'000 (Restated) *(Note 2.1(c))* |
|---|---|---|---|
| Revenue | *6* | **892,320** | 762,828 |
| Tariff adjustment | *6* | **367,939** | 196,876 |
| | | **1,260,259** | 959,704 |
| Other income | *7* | **66,130** | 3,819 |
| Other gains, net | *8* | **5,352** | 27,402 |
| Fuel costs | | **(714,062)** | (598,890) |
| Cost of power generating equipment sold | | **(102,778)** | – |
| Staff costs | *12* | **(69,064)** | (52,749) |
| Depreciation and amortisation | | **(120,126)** | (81,801) |
| Repairs and maintenance | | **(42,771)** | (13,500) |
| Consumables | | **(6,076)** | (1,034) |
| Fair value (loss)/gain on financial assets at fair value through profit or loss | | **(65,814)** | 25,786 |
| Impairment on property, plant and equipment | *17* | **–** | (17,302) |
| Impairment on intangible assets | *21* | **–** | (25,854) |
| Other operating expenses | | **(80,560)** | (85,705) |
| Operating profit | *9* | **130,490** | 139,876 |
| Finance costs, net | *10* | **(73,027)** | (66,787) |
| Share of (losses)/profits of associated companies | | **(1,663)** | 1,977 |
| Share of loss of a jointly controlled entity | | **–** | (1,487) |
| Profit before taxation | | **55,800** | 73,579 |
| Taxation | *11* | **(13,247)** | (30,884) |
| Profit for the period/year | | **42,553** | 42,695 |
| Attributable to: | | | |
| Equity holders of the Company | *13* | **10,962** | 6,931 |
| Minority interests | | **31,591** | 35,764 |
| | | **42,553** | 42,695 |
| Earnings per share for profit attributable to equity holders of the Company during the period/year (expressed in HK cents per share) | | | |
| – basic | *14* | **0.16** | 0.13 |
| – diluted | *14* | **0.16** | 0.13 |

# CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2008

| | Note | **As at 31 December 2008 HK$'000** | As at 30 April 2008 HK$'000 (Restated) *(Note 5)* |
|---|---|---|---|
| **ASSETS** | | | |
| Non-current assets | | | |
| Property, plant and equipment | *17* | **3,687,937** | 3,229,611 |
| Land use rights and leasehold land prepayments | *18* | **258,525** | 257,003 |
| Investment properties | *19* | **15,900** | 18,400 |
| Properties under development | *20* | **167,429** | 85,892 |
| Intangible assets | *21* | **1,192,671** | 1,104,689 |
| Interests in associated companies | *23* | **218,755** | 154,913 |
| Other long-term deposits and prepayments | *24* | **100,787** | 20,433 |
| Deferred income tax assets | *33* | **31,382** | 32,303 |
| | | **5,673,386** | 4,903,244 |
| Current assets | | | |
| Inventories | *25* | **171,927** | 199,920 |
| Accounts receivable | *26* | **142,932** | 230,643 |
| Prepayments, deposits and other receivables | *27* | **274,301** | 513,749 |
| Other financial assets | *28* | **70,187** | 131,061 |
| Pledged deposits | *29* | **170,491** | 52,629 |
| Cash and cash equivalents | *29* | **481,659** | 989,117 |
| | | **1,311,497** | 2,117,119 |
| Total assets | | **6,984,883** | 7,020,363 |
| **EQUITY** | | | |
| Capital and reserves attributable to equity holders of the Company | | | |
| Share capital | *30* | **702,010** | 704,368 |
| Share premium | | **3,619,370** | 3,629,601 |
| Reserves | *31* | **242,255** | 98,417 |
| | | **4,563,635** | 4,432,386 |
| Minority interests | | **222,167** | 179,166 |
| Total equity | | **4,785,802** | 4,611,552 |

# CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2008

| | Note | **As at 31 December 2008 HK$'000** | As at 30 April 2008 HK$'000 (Restated) *(Note 5)* |
|---|---|---|---|
| **LIABILITIES** | | | |
| Non-current liabilities | | | |
| Long-term bank and other borrowings | *32* | **942,632** | 1,063,933 |
| Deferred income tax liabilities | *33* | **7,187** | 7,398 |
| | | **949,819** | 1,071,331 |
| Current liabilities | | | |
| Accounts payable | *34* | **82,992** | 203,078 |
| Other payables and accrued charges | *35* | **305,309** | 414,716 |
| Short-term bank borrowings | *32* | **136,429** | 14,521 |
| Current portion of long-term bank and other borrowings | *32* | **713,187** | 704,050 |
| Taxation payable | | **11,345** | 1,115 |
| | | **1,249,262** | 1,337,480 |
| Total liabilities | | **2,199,081** | 2,408,811 |
| Total equity and liabilities | | **6,984,883** | 7,020,363 |
| Net current assets | | **62,235** | 779,639 |
| Total assets less current liabilities | | **5,735,621** | 5,682,883 |

**Li Xiaolin**
*Director*

**Zhao Xinyan**
*Director*

# BALANCE SHEET

AS AT 31 DECEMBER 2008

| | Note | **As at 31 December 2008 HK$'000** | As at 30 April 2008 HK$'000 (Restated) *(Note 5)* |
|---|---|---|---|
| **ASSETS** | | | |
| Non-current assets | | | |
| Property, plant and equipment | *17* | **409** | 579 |
| Interests in subsidiaries | *22* | **3,873,517** | 3,388,700 |
| | | **3,873,926** | 3,389,279 |
| Current assets | | | |
| Prepayments, deposits and other receivables | *27* | **1,278** | 6,463 |
| Other financial assets | *28* | **10,236** | 33,535 |
| Pledged deposits | *29* | **150,000** | – |
| Cash and cash equivalents | *29* | **93,362** | 753,620 |
| | | **254,876** | 793,618 |
| Total assets | | **4,128,802** | 4,182,897 |
| **EQUITY** | | | |
| Capital and reserves attributable to equity holders of the Company | | | |
| Share capital | *30* | **702,010** | 704,368 |
| Share premium | | **3,619,370** | 3,629,601 |
| Reserves | *31* | **(210,053)** | (168,583) |
| | | **4,111,327** | 4,165,386 |
| **LIABILITIES** | | | |
| Current liabilities | | | |
| Other payables and accrued charges | *35* | **17,475** | 17,511 |
| Total equity and liabilities | | **4,128,802** | 4,182,897 |
| Net current assets | | **237,401** | 776,107 |
| Total assets less current liabilities | | **4,111,327** | 4,165,386 |

**Li Xiaolin**
*Director*

**Zhao Xinyan**
*Director*

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE EIGHT MONTHS PERIOD ENDED 31 DECEMBER 2008

| | Attributable to equity holders of the Company | | | | | |
|---|---|---|---|---|---|---|
| | **Share capital** *(Note 30)* HK$'000 | **Share premium** *(Note 30)* HK$'000 | **Other reserves** *(Note 31)* HK$'000 | **Accumulated losses** *(Note 31)* HK$'000 | **Minority interests** HK$'000 | **Total** HK$'000 |
| **Balance at 1 May 2008, as previously reported** | **704,368** | **3,629,601** | **237,059** | **(138,642)** | **221,411** | **4,653,797** |
| Adjustments to the initial accounting for business combinations pursuant to HKFRS 3 *(Note 5)* | **–** | **–** | **–** | **–** | **(42,245)** | **(42,245)** |
| **Balance at 1 May 2008, as restated** | **704,368** | **3,629,601** | **237,059** | **(138,642)** | **179,166** | **4,611,552** |
| Currency translation differences and net income recognised directly in equity | **–** | **–** | **132,876** | **–** | **11,410** | **144,286** |
| Profit for the period | **–** | **–** | **–** | **10,962** | **31,591** | **42,553** |
| Total recognised income for the period | **–** | **–** | **132,876** | **10,962** | **43,001** | **186,839** |
| Repurchase of shares | **(2,358)** | **(10,231)** | **2,358** | **(2,358)** | **–** | **(12,589)** |
| Transfer | **–** | **–** | **(109,482)** | **109,482** | **–** | **–** |
| | **(2,358)** | **(10,231)** | **(107,124)** | **107,124** | **–** | **(12,589)** |
| **Balance at 31 December 2008** | **702,010** | **3,619,370** | **262,811** | **(20,556)** | **222,167** | **4,785,802** |
| Balance at 1 May 2007 | 322,102 | 115,500 | 25,544 | (141,520) | 349,114 | 670,740 |
| Currency translation differences | – | – | 100,014 | – | 40,876 | 140,890 |
| Realisation of reserves upon disposal of subsidiaries | – | – | (19,841) | – | – | (19,841) |
| Net income recognised directly in equity | – | – | 80,173 | – | 40,876 | 121,049 |
| Profit for the year | – | – | – | 6,931 | 35,764 | 42,695 |
| Total recognised income for the year | – | – | 80,173 | 6,931 | 76,640 | 163,744 |
| Acquisition of additional equity interest in a subsidiary | – | – | – | – | (89,073) | (89,073) |
| Contribution from a shareholder | – | – | 110,848 | – | – | 110,848 |
| Reserves arising from acquisition of a subsidiary | – | – | 6,814 | – | – | 6,814 |
| Acquisition of subsidiaries | – | – | – | – | 195,861 | 195,861 |
| Disposal of subsidiaries | – | – | – | – | (353,376) | (353,376) |
| Equity component of convertible notes | – | – | 620,516 | – | – | 620,516 |
| Issue of consideration shares | 60,900 | 592,550 | – | – | – | 653,450 |
| Issue of shares upon conversion of convertible notes | 128,347 | 1,501,654 | (620,516) | – | – | 1,009,485 |
| Issue of shares under placements, net of issuance costs | 194,000 | 1,424,883 | – | – | – | 1,618,883 |
| Employee share option benefits | – | – | 9,752 | – | – | 9,752 |
| Exercise of share options | 100 | 655 | (125) | – | – | 630 |
| Repurchase of shares | (1,081) | (5,641) | 1,081 | (1,081) | – | (6,722) |
| Transfer | – | – | 2,972 | (2,972) | – | – |
| | 382,266 | 3,514,101 | 131,342 | (4,053) | (246,588) | 3,777,068 |
| Balance at 30 April 2008, as restated | 704,368 | 3,629,601 | 237,059 | (138,642) | 179,166 | 4,611,552 |

# CONSOLIDATED CASH FLOW STATEMENT

FOR THE EIGHT MONTHS PERIOD ENDED 31 DECEMBER 2008

| | Note | For the eight months period ended 31 December 2008 HK$'000 | For the year ended 30 April 2008 HK$'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash generated from operations | *36(a)* | **445,469** | 301,907 |
| Interest paid | | **(88,052)** | (88,661) |
| PRC income tax paid | | **(2,262)** | (19,293) |
| Hong Kong profits tax paid | | **–** | (815) |
| Net cash generated from operating activities | | **355,155** | 193,138 |
| **Cash flows from investing activities** | | | |
| Capital injection to an associated company | | **(62,208)** | (7,188) |
| Payments for property, plant and equipment | | **(529,127)** | (121,326) |
| Payments for investment properties | | **–** | (19,297) |
| Payments for properties under development | | **(70,931)** | (3,899) |
| Proceeds from disposal of property, plant and equipment | | **–** | 414 |
| Payments for land use rights and leasehold land prepayments | | **(3,513)** | (9,900) |
| Increase in other long-term deposits and prepayments | | **(100,787)** | – |
| Acquisition of subsidiaries, net of cash acquired | *36(c)* | **–** | (435,831) |
| Disposal of subsidiaries, net of cash disposed | *36(b)* | **20,433** | (19,565) |
| Interest received | | **5,529** | 21,874 |
| Increase in pledged deposits | | **(117,862)** | (52,629) |
| Net cash used in investing activities | | **(858,466)** | (647,347) |
| **Cash flows from financing activities** | | | |
| Issue of new shares | | **–** | 1,618,883 |
| Exercise of share options | | **–** | 630 |
| New bank and other borrowings | | **312,650** | 217,941 |
| New loan from a minority shareholder of a subsidiary | | **–** | 42,630 |
| Repurchase of shares | | **(12,589)** | (6,722) |
| Repayment of bank and other borrowings | | **(334,231)** | (560,536) |
| Repayment of loan from a minority shareholder of a subsidiary | | **–** | (119,897) |
| Net cash (used in)/generated from financing activities | | **(34,170)** | 1,192,929 |
| Net (decrease)/increase in cash and cash equivalents | | **(537,481)** | 738,720 |
| Cash and cash equivalents at beginning of the period/year | | **989,117** | 146,553 |
| Exchange gains on cash and cash equivalents | | **30,023** | 103,844 |
| Cash and cash equivalents at end of the period/year | 29 | **481,659** | 989,117 |

# NOTES TO THE FINANCIAL STATEMENTS

## 1 GENERAL INFORMATION

China Power New Energy Development Company Limited (the "Company") is a limited liability company incorporated in Bermuda. The Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company and its subsidiaries (together, the "Group") are principally engaged in the development, construction, ownership, operation and management of clean energy power plants in the People's Republic of China (the "PRC"), including but not limited to the following types of energy generation – wind power generation, hydro power generation and waste-to-energy power generation. The Group is also engaged in investment holding in the clean energy power industry, sale of clean energy power generating equipment and property investments.

These consolidated financial statements are presented in Hong Kong dollars, unless otherwise stated, and have been approved for issue by the Board of Directors on 27 April 2009.

The financial year end date of the Company was changed from 30 April to 31 December during the period so as to be coterminous with that of the subsidiaries established in the PRC which have adopted a financial year end date falling on 31 December. These financial statements cover a period of eight months from 1 May 2008 to 31 December 2008. Accordingly, the comparative figures presented for the consolidated income statement, consolidated statement of changes in equity, consolidated cash flow statement and the related notes are not for a comparable time period.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

### 2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). These consolidated financial statements are prepared under the historical cost convention except that investment properties, available-for-sale financial assets and financial assets at fair value through profit or loss are measured at fair value as appropriate.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

# NOTES TO THE FINANCIAL STATEMENTS

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.1 Basis of preparation (Continued)

(a) The following amendments to standards and interpretations are mandatory for financial period beginning 1 May 2008.

| | |
|---|---|
| HKAS 39 and HKFRS 7 (Amendments) | Reclassification of Financial Assets |
| HK(IFRIC)-Int 11 | HKFRS 2 – Group and Treasury Share Transactions |
| HK(IFRIC)-Int 12 | Service Concession Arrangements |
| HK(IFRIC)-Int 14 | HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction |

The adoption of the above amendments to standards and interpretations did not have any significant financial impact to the Group.

(b) The following new standards, amendments to standards and interpretations have been issued but are not effective for the period and have not been early adopted:

| | |
|---|---|
| HKAS 1 (Revised) | Presentation of Financial Statements[1] |
| HKAS 23 (Revised) | Borrowing Costs[1] |
| HKAS 27 (Revised) | Consolidated and Separate Financial Statements[2] |
| HKAS 32 and HKAS 1 (Amendments) | Puttable Financial Instruments and Obligations Arising on Liquidation[1] |
| HKAS 39 (Amendment) | Eligible Hedged Items[2] |
| HKFRS 1 (Revised) | First-time Adoption of Hong Kong Financial Reporting Standards[2] |
| HKFRS 1 and HKAS 27 (Amendments) | Cost of Investments in a Subsidiary, Jointly Controlled Entities or Associates[2] |
| HKFRS 2 (Amendment) | Share-based Payment Vesting Conditions and Cancellations[1] |
| HKFRS 3 (Revised) | Business Combinations[2] |
| HKFRS 7 (Amendment) | Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments[1] |
| HKFRS 8 | Operating Segments[1] |
| HK(IFRIC)-Int 9 and HKAS 39 | Embedded Derivatives[5] |
| HK(IFRIC)-Int 13 | Customer Loyalty Programmes[3] |
| HK(IFRIC)-Int 15 | Agreements for the Construction of Real Estate[1] |
| HK(IFRIC)-Int 16 | Hedges of a Net Investment in a Foreign Operation[4] |
| HK(IFRIC)-Int 17 | Distributions of Non-cash Assets to Owners[2] |
| HK(IFRIC)-Int 18 | Transfers of Assets from Customers[6] |

1 Effective for annual periods beginning on or after 1 January 2009
2 Effective for annual periods beginning on or after 1 July 2009
3 Effective for annual periods beginning on or after 1 July 2008
4 Effective for annual periods beginning on or after 1 October 2008
5 Effective for annual periods ending on or after 30 June 2009
6 Effective for transfer of assets from customers received on or after 1 July 2009

# NOTES
# TO THE FINANCIAL STATEMENTS

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.1 Basis of preparation (Continued)

(b) The effect that the adoption of HKFRS 3 (Revised), HKAS 27 (Revised) and HK(IFRIC)-Int 17 will have on the results and financial position of the Group will depend on the incidence and timing of transactions within the scope of these standards and interpretations occurring on or after 1 January 2010.

The directors anticipate that the adoption of other new standards, amendments to standards and interpretations in future periods will have no significant financial impact to the Group.

In addition, HKICPA also published a number of amendments for the existing standards under its annual improvement project. These amendments are also not expected to have a significant financial impact to the Group.

(c) Changes in presentation of the consolidated income statement

In previous years, the Group presented an analysis of expenses on the face of its consolidated income statement using a classification based on their function within the Group.

Following the acquisitions of certain power generation businesses recently, the directors reviewed the presentation of the Group's consolidated income statement taking into account of the changes in the Group's core operations and the presentation adopted by certain companies within the same industry, and concluded that to present an analysis of expenses using a classification based on their nature would be more appropriate to the Group's circumstances and more relevant to users of the Group's financial statements. Consequently, the presentation of the consolidated income statement for the period from 1 May 2008 to 31 December 2008 has been revised and the comparative figures have been reclassified in order to conform to the current period's presentation. The changes in presentation of the consolidated income statement did not have any impact on the Group's profit for the period or the calculation of the Group's earnings per share.

### 2.2 Consolidation

The consolidated financial statements include the financial statements of the Company and all of its subsidiaries made up to 31 December.

*(a) Subsidiaries*

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

# NOTES TO THE FINANCIAL STATEMENTS

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.2 Consolidation (Continued)

*(a)* *Subsidiaries* (Continued)

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interests. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary in the consolidated financial statements to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet the investments in subsidiaries are stated at cost less provision for impairment losses (Note 2.9). The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

*(b)* *Minority interests*

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group that are recorded in the consolidated income statement. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

*(c)* *Associated companies*

Associated companies are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associated companies are accounted for using the equity method of accounting and is initially recognised at cost. The Group's investments in associated companies include goodwill identified on acquisition, net of any accumulated impairment loss (Note 2.8(i)).

# NOTES TO THE FINANCIAL STATEMENTS

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.2 Consolidation (Continued)

(c) *Associated companies* (Continued)

The Group's share of its associated companies' post-acquisition profits or losses is recognised in the consolidated income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investments. When the Group's share of losses in an associate equals or exceeds its interest in the associated companies, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associated companies.

Unrealised gains on transactions between the Group and its associated companies are eliminated to the extent of the Group's interests in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associated companies have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains or losses in investments in associated companies are recognised in the consolidated income statement.

### 2.3 Foreign currency translation

(a) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollar ("HK$"), which is the Company's functional and the Group's presentation currency.

(b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where the items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Translation differences on non-monetary financial assets such as equities classified as available-for-sale are included in the available-for-sale reserve in equity.

# NOTES
# TO THE FINANCIAL STATEMENTS

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.3 Foreign currency translation (Continued)

*(c) Group companies*

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholder's equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the consolidated income statement as part of the gain or loss on sales.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

### 2.4 Property, plant and equipment

Property, plant and equipment other than construction in progress (see Note 2.5 below) are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. Cost comprises purchase price, costs transferred from construction in progress and any directly attributable costs of bringing the assets to the condition for their intended use.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are expensed in the income statement during the financial period in which they are incurred.

Depreciation of property, plant and equipment (other than construction in progress) is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

| | |
|---|---|
| Buildings | 14 – 50 years |
| Dam | 50 years |
| Power generators and equipment | 5 – 25 years |
| Others | 3 – 17 years |

# NOTES
# TO THE FINANCIAL STATEMENTS

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.4 Property, plant and equipment (Continued)

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.9). Such impairment losses are recognised in the income statement.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the income statement.

### 2.5 Construction in progress

Construction in progress represents property, plant and equipment under construction and pending installation and is stated at cost less accumulated impairment losses, if any. Cost includes the costs of construction of buildings, the costs of plant and machinery and interest charges arising from borrowings used to finance these assets during the period of construction or installation and testing. No provision for depreciation is made on construction in progress until such time as the relevant assets are completed and are available for the intended use. When the assets concerned are brought into use, the costs are transferred to other property, plant and equipment and depreciated in accordance with the policy as stated in Note 2.4 above.

### 2.6 Investment properties

Property that is held for long-term rental yields or for capital appreciation or both is classified as investment property. Investment property comprises land held under operating leases and buildings held under finance leases. Land held under operating leases are classified and accounted for as investment property when the rest of the definition of investment property is met. The operating lease is accounted for as if it were a finance lease.

Investment property is measured initially at its cost, including related transaction costs. After initial recognition, investment property is carried at fair value, representing open market value determined annually by independent external professional valuers. Fair value is determined based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. Changes in fair values are recorded in the income statement as part of other gains/losses.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the income statement during the financial period in which they are incurred.

Gain or loss on disposal of an investment property is determined by comparing the proceeds and the carrying amount of the investment property and is recognised in the income statement.

# NOTES TO THE FINANCIAL STATEMENTS

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.7 Land use rights and leasehold land prepayments

Land use rights and leasehold land prepayments are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Cost mainly represents consideration paid for the rights to use the land on which various plants and buildings are situated and up-front prepayment made for operating leases. Amortisation of land use rights and leasehold land prepayments is calculated on a straight-line basis over the period of the lease.

### 2.8 Intangible assets

*(i) Goodwill*

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill is tested for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose (Note 2.9).

*(ii) Patents and franchise*

Acquired patents and franchise that have definite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses, if any. Amortisation is calculated using the straight-line method to allocate the costs of acquired patents and franchise over their estimated useful lives of 25 years.

### 2.9 Impairment of investments in subsidiaries, associated companies and non-financial assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are at least tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

# NOTES TO THE FINANCIAL STATEMENTS

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.9 Impairment of investments in subsidiaries, associated companies and non-financial assets (Continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generated unit) in prior years. A reversal of an impairment loss is recognised immediately in the income statement.

### 2.10 Financial assets

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets. The classification depends on the purposes for which the financial assets were acquired. Management determine the classification of its financial assets at initial recognition.

(a) *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

(b) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. The Group's loans and receivables mainly comprise bank balances, deposits with banks and trade and other receivables with fixed or determinable payments included in the consolidated balance sheet.

(c) *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Investments are initially recognised at fair value plus transaction cost for all financial assets not carried at fair value through profit or loss. Financial assets at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method, less any provision for impairment.

# NOTES TO THE FINANCIAL STATEMENTS

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.10 Financial assets (Continued)

Gains or losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are presented in the income statement within other gains/losses, in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement as part of other income when the Group's right to receive payments is established.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences on monetary securities are recognised in the income statement; translation differences on non-monetary securities are recognised in equity. Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in equity.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as gains and losses from investment securities. Dividends on available-for-sale equity instruments are recognised in the income statement as part of other income when the Group's right to receive payments is established.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group established fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement. Impairment testing of accounts and other receivables is described in Note 2.13.

# NOTES TO THE FINANCIAL STATEMENTS

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.11 Inventories

Inventories comprise (a) coal, oil, consumable supplies and spare parts held for consumption and usage; and (b) inventories for manufacturing of power generating equipment.

(a) Coal, oil, consumable supplies and spare parts held for consumption and usage are stated at the lower of cost and net realisable value after provision for obsolete items, and are expensed to fuel costs or repairs and maintenance expense when used, or capitalised to property, plant and equipment when installed, as appropriate. Cost is determined using the weighted average method. Cost comprises purchase price and other costs incurred in bringing the inventories to their present location and condition and excludes borrowing costs.

(b) Inventories for manufacturing of power generating equipment are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overhead. It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

### 2.12 Properties under development

Properties under development are investments in buildings of which construction work and development have not been completed. Prepayments for leasehold land (land use rights) for the buildings are classified as land use rights and leasehold land prepayments and accounted for in accordance with accounting policies described in Note 2.7. Properties under development comprise construction costs and amounts capitalised in respect of amortisation of leasehold land prepayments and borrowing costs incurred in the acquisition of qualifying assets during the construction period and up to the end of construction.

On completion, the properties are reclassified to investment properties or completed properties held for sale at the then carrying amount. Any difference between the fair value of the investment property and its carrying amount at the date of reclassification is recognised in the income statement.

# NOTES TO THE FINANCIAL STATEMENTS

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.13 Accounts and other receivables

Accounts and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of accounts and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within other operating expenses. When a receivable is uncollectible, it is written off against the allowance account for receivables. Subsequently recoveries of amounts previously written off are credited to other gains in the income statement.

### 2.14 Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits held at call with banks.

### 2.15 Financial liabilities and equity

Financial liabilities and equity instruments issued by the Group are classified according to the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. Financial liabilities (including accounts payable) are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method. An equity instrument is any contract that does not meet the definition of financial liability and evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Ordinary shares are classified as equity. Incremental costs, net of tax, directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

### 2.16 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

# NOTES TO THE FINANCIAL STATEMENTS

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.17 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised directly in equity. In this case, the tax is also recognised in equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the places where the Company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or a liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associated companies, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

### 2.18 Employee benefits

(a) *Pension obligations*

The Group's contributions to the Mandatory Provident Fund Scheme established under the Hong Kong Mandatory Provident Fund Schemes Ordinance are expensed as incurred. Both the Group and its employees in Hong Kong are required to contribute 5% of each individual's relevant income with a maximum amount of HK$1,000 per month as a mandatory contribution. Employees may also elect to contribute more than the minimum as a voluntary contribution. The assets of the scheme are held separately from those of the Group and managed by independent professional fund managers.

# NOTES
# TO THE FINANCIAL STATEMENTS

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.18 Employee benefits (Continued)

*(a) Pension obligations* (Continued)

For employees in Mainland China, the Group contributes on a monthly basis to various defined contribution plans organised by the relevant municipal and provincial governments in the PRC based on certain percentage of the relevant employees' monthly salaries. The municipal and provincial governments undertake to assume the retirement benefit obligations payable to all existing and future retired employees under these plans and the Group has no further constructive obligation for post-retirement benefits beyond the contributions made. Contributions to these plans are expensed as incurred.

All contributions to pension plans are fully and immediately vested and the Group had no unvested benefits available to reduce its future contributions.

*(b) Bonus entitlements*

The expected cost of bonus payments is recognised as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made. Liabilities of bonus plan are expected to be settled within twelve months and are measured at the amounts expected to be paid when they are settled.

*(c) Share-based compensation*

The Group operates an equity-settled, share-based compensation plan, under which the entity receives service from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market service and performance vesting conditions (for example, profitability, sales growth targets and remaining employees of the entity over a specific time period). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each balance sheet date, the entity revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision of original estimates, if any, in the income statement, with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

# NOTES TO THE FINANCIAL STATEMENTS

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.19 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligations using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

### 2.20 Operating lease

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made or received under operating leases (net of any incentives received from the lessor) are charged or credited to the income statement on a straight-line basis over the period of the lease.

### 2.21 Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. All other borrowing costs are charged to the income statement in the period in which they are incurred.

### 2.22 Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographic segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

### 2.23 Financial guarantee contracts

Financial guarantee contract liabilities are measured initially at their fair values and are subsequently measured at the higher of (i) the amount initially recognised less, where appropriate, cumulative amortization recognised in the income statement over the period of the relevant liabilities and (ii) the amounts of which the Group is obligated to reimburse the recipient under the financial guarantee contracts.

### 2.24 Revenue and income recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax and discounts and after eliminating sales within the Group.

# NOTES TO THE FINANCIAL STATEMENTS

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.24 Revenue and income recognition (Continued)

The Group recognises revenue and income when the amount can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below.

(a) Sales of electricity and revenue from heat supply by thermal power plants are recognised when electricity and heat capacity are generated and transmitted.

(b) Tariff adjustment represents subsidy received and receivable from relevant local government authorities in respect of the Group's natural gas and oil power generation business. Tariff adjustment is recognised at its fair value where there is a reasonable assurance that the additional tariff will be received and the Group will comply with all attached conditions, if any.

(c) Revenue from the sales of power generating equipment are recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and titles has passed.

(d) Rubbish handling income and repairs and maintenance management fee income are recognised when services are rendered.

(e) Operating lease rental income is recognised on a straight-line basis over the lease periods.

(f) Interest income is recognised on a time-proportion basis using the effective interest method.

(g) Dividend income is recognised when the right to receive payment is established.

### 2.25 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate.

### 2.26 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the financial statements in the period in which the dividends are approved by the Company's shareholders or directors as appropriate.

# NOTES TO THE FINANCIAL STATEMENTS

## 3 FINANCIAL RISK MANAGEMENT

### 3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risks (including: foreign exchange risk, cash flow and fair value interest rate risks and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The use of financial derivatives to hedge certain risk exposures is governed by the Group's policies approved by the Board of Directors. The Group does not use derivative financial instruments for speculative purposes.

(a) *Foreign exchange risk*

The Group mainly operates in Hong Kong and the PRC with transactions mainly settled in HK$, Renminbi ("RMB") or US dollar ("US$"). Foreign exchange risk arises when future commercial translation or recognised assets and liabilities are denominated in a currency that is not the entity's functional currency. Certain of the Group's PRC subsidiaries are exposed to foreign exchange risk primarily with respect to US$.

Management has a policy to require group companies to manage their foreign exchange risk against functional currency. It mainly includes managing the exposures arise from sales and purchases made by the relevant group companies in currencies other than their own functional currencies. The Group also manages its foreign exchange risk by performing regular reviews of the Group's net foreign exchange exposures. The Group has not used any forward foreign exchange contracts or currency borrowings to hedge its exposure.

At 31 December 2008, if US dollar had weakened/strengthened by 5% against RMB, with all other variables held constant, post-tax profit for the period would have been HK$2,225,000 (for the year ended 30 April 2008: HK$2,892,000) lower/higher, mainly as a result of foreign exchange losses/gains on translation of US dollar-denominated cash and cash equivalents for certain subsidiaries in the PRC.

(b) *Interest rate risks*

The Group's income and operating cash flows are substantially independent of changes in market interest rates and the Group has no significant interest-bearing assets except for certain interest-bearing receivables and the pledged deposits and bank balances, details of which have been disclosed in Notes 27 and 29 respectively. The Group's exposure to changes in interest rates is mainly attributable to its borrowings, details of which have been disclosed in Note 32. Borrowings carried at floating rates expose the Group to cash flow interest rate risk whereas borrowings carried at fixed rates expose the Group to fair value interest rate risk. The Group has not used any interest rate swaps to hedge its exposure to interest rate risk.

At 31 December 2008, if the interest rates on bank and other borrowings had been 50 basis points higher/lower than the prevailing rate announced by the People's Bank of China, with all other variables held constant, post-tax profit for the period would have been HK$7,494,000 (for the year ended 30 April 2008: HK$7,781,000) lower/higher, mainly as a result of higher/lower interest expense on floating rate bank and other borrowings.

# NOTES TO THE FINANCIAL STATEMENTS

## 3 FINANCIAL RISK MANAGEMENT (Continued)

### 3.1 Financial risk factors (Continued)

*(c) Price risk*

The Group is exposed to equity securities price risk in respect of investments held by the Group which are classified as financial assets at fair value through profit or loss. The Group's financial assets at fair value through profit or loss represent equity securities listed in Hong Kong and the volatility of stock market is generally significant recently. At 31 December 2008, if the quoted market price/fair value of the equity investments held by the Group had increased/decreased by 10% to 30%, with all other variables held constant, the post-tax profit for the period would have been HK$4,404,000 to HK$13,211,000 (for the year ended 30 April 2008: HK$13,106,000 to HK$39,318,000) higher/lower, mainly as a result of the changes in fair value of financial assets at fair value through profit or loss.

The Group also exposes to commodity price risk mainly in relation to the coal and oil price. The Group has not used any forward contracts to hedge its exposure.

*(d) Credit risk*

The carrying amounts of cash at bank and term deposits, financial assets at fair value through profit or loss, available-for-sale financial assets and receivables included in the consolidated balance sheet represent the Group's maximum exposure to credit risk in relation to its financial assets.

Most of the Group's cash at bank and term deposits and available-for sales financial assets, are held in financial institutions, which management believes are of high credit quality. The Group's financial assets at fair value through profit or loss are also listed on a recognised stock exchange. Management does not expect any losses from non-performance by these counterparties.

The Group is exposed to significant concentration of credit risk in terms of electricity sales as majority of the Group's sales of electricity were made to provincial power grid companies. The Group normally grants credit terms ranging from 30 to 60 days to these power grid companies and the Group normally does not require collaterals from trade debtors. Ageing analysis of the Group's trade receivable is disclosed in Note 26. Management makes periodic collective assessment as well as individual assessment on the recoverability of accounts and other receivables based on historical payment records, the length of the overdue period, the financial strength of the debtors and whether there are any disputes with the relevant debtors. The Group's historical experience in collection of accounts and other receivables falls within the recorded allowances and the directors are of the opinion that adequate provision for uncollectible receivables has been made.

# NOTES TO THE FINANCIAL STATEMENTS

## 3 FINANCIAL RISK MANAGEMENT (Continued)

### 3.1 Financial risk factors (Continued)

*(e) Liquidity risk*

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents and the availability of funding through an adequate amount of committed credit facilities.

The Group's primary cash requirements have been for construction of power plants, additions of and upgrades on property, plant and equipment, payment on related debts and payment for purchases and operating expenses. The Group finances its working capital requirements through a combination of internal resources and short-term and long-term bank borrowings.

The table below analyses the Group's and the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

| | Within 1 year HK$'000 | Between 1 and 2 years HK$'000 | Between 2 and 5 years HK$'000 | Over 5 years HK$'000 |
|---|---|---|---|---|
| **Group** | | | | |
| **At 31 December 2008** | | | | |
| Bank and other borrowings | **934,626** | **162,517** | **438,642** | **964,942** |
| Accounts payable | **82,992** | **–** | **–** | **–** |
| Other payables and accrued charges | **305,309** | **–** | **–** | **–** |
| **At 30 April 2008** | | | | |
| Bank and other borrowings | 847,475 | 204,197 | 835,617 | 801,034 |
| Accounts payable | 203,078 | – | – | – |
| Other payables and accrued charges | 414,716 | – | – | – |
| **Company** | | | | |
| **At 31 December 2008** | | | | |
| Other payables and accrued charges | **17,475** | **–** | **–** | **–** |
| **At 30 April 2008** | | | | |
| Other payables and accrued charges | 17,511 | – | – | – |

# NOTES TO THE FINANCIAL STATEMENTS

## 3 FINANCIAL RISK MANAGEMENT (Continued)

### 3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group manages the capital structure and makes adjustments to it in the light of changes in economic condition. In order to maintain or adjust the capital structure, the Group may adjust the dividend payments to shareholders, return capital to shareholders, issue new shares, sell assets to reduce debt or to obtain bank borrowings.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total bank and other borrowings (including current and non-current borrowings as shown in the consolidated balance sheet) less cash and cash equivalents and pledged deposits. Total capital is calculated as "equity", as shown in the consolidated balance sheet, plus net debt.

During the period, the Group's strategy, which was unchanged from last year, was to maintain gearing ratio at a minimum level. The table below analyses the Group's capital structure as at 31 December 2008 and 30 April 2008.

| | **As at 31 December 2008 HK$'000** | As at 30 April 2008 HK$'000 |
|---|---|---|
| Total bank and other borrowings *(Note 32)* | **1,792,248** | 1,782,504 |
| Less: Cash and cash equivalents and pledged deposits *(Note 29)* | **652,150** | 1,041,746 |
| Net debt | **1,140,098** | 740,758 |
| Total equity | **4,785,802** | 4,611,552 |
| Total capital | **5,925,900** | 5,352,310 |
| Gearing ratio | **19%** | 14% |

The increase in the gearing ratio during the period was resulted primarily from the use up of cash for capital investments in the construction and development of new power plants and properties under development.

# NOTES TO THE FINANCIAL STATEMENTS

## 3 FINANCIAL RISK MANAGEMENT (Continued)

### 3.3 Fair value estimation

The carrying amounts of the Group's current financial assets, including cash and cash equivalents, pledged deposits, receivables and other financial assets, and the Group's current financial liabilities including accounts payable, other payables and accrued charges, and current borrowings, approximate their fair values due to their short maturities.

The fair value of financial instruments traded in active markets (such as trading securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as market approach based on a price/book multiple derived from comparable companies, are used to determine fair value for the remaining financial instruments.

The nominal values less any estimated credit adjustments for financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate available to the Group for similar financial instruments.

## 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements used in preparing the financial statements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

### (a) Useful lives, residual values and depreciation charge of property, plant and equipment

The Group's management determines the estimated useful lives, residual values and related depreciation charges for the Group's property, plant and equipment, other than construction in progress. This estimate is based on the historical experience of the actual useful lives and residual values of property, plant and equipment of similar nature and functions. It could change significantly as a result of technological advancement and innovations in the power industry. Management will adjust the depreciation charge where useful lives or residual values vary with previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives and actual residual values may differ from estimated residual values. Periodic review could result in a change in depreciable lives and residual values and therefore depreciation expense in the future periods.

# NOTES TO THE FINANCIAL STATEMENTS

## 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

### (b) Impairment of non-financial assets

The Group tests at least annually whether goodwill has suffered any impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts have been determined based on value-in-use calculations or fair value less costs to sell. These calculations require the use of judgements and estimates.

Management judgement is required in the area of asset impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related asset values may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs to sell and net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test and as a result affect the Group's financial condition and results of operations. If there is a significant adverse change in the projected performance and resulting future cash flow projections, it may be necessary to take an impairment charge to the income statement.

### (c) Tariff adjustment

Tariff adjustment represents additional tariff subsidised by the relevant local government authorities which is variable from time to time and somehow a fixed amount may not be available at a financial reporting date. Management periodically evaluates the estimate for additional tariff based on historical tariff adjustment that were made available to the Group, taking into account the latest industry practice and market and economic conditions, and records any adjustments in the period when such estimate is changed.

### (d) Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the balance sheet cannot be derived from active markets, they are determined using valuation techniques including the market approach based on a price/book multiple derived from comparable companies. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

# NOTES
# TO THE FINANCIAL STATEMENTS

## 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

### (e) Current and deferred income tax

The Group is subject to income taxes in various jurisdictions. Judgement is required in determining the provision for income taxes in each of these jurisdictions. There are transactions and calculations during the ordinary course of business for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised when management considers it is probable that future taxable profits will be available against which the temporary differences or tax losses can be utilised. When the expectation is different from the original estimate, such differences will impact the recognition of deferred tax assets and taxation charges in the period in which such estimate is changed.

## 5 RESTATEMENT OF CERTAIN COMPARATIVE FINANCIAL INFORMATION

(a) In accordance with HKFRS 3 "Business Combinations", certain provisionally estimated fair value of assets and liabilities acquired on the acquisition of Worldtron Limited and Tianhong Holding Limited in August 2007 and January 2008 respectively were used for the preparation of the consolidated financial statements for the year ended 30 April 2008. The fair value exercise for these acquisitions that was determined provisionally as of 30 April 2008 was re-assessed and completed during the current period and the comparative consolidated balance sheet as at 30 April 2008 has been restated to reflect the revised fair value of assets and liabilities acquired (also see Notes 21 and 33). The effect of the reassessed fair values was as follows:

| | HK$'000 |
|---|---|
| Increase in goodwill | 34,794 |
| Decrease in deferred tax assets | 70,408 |
| Increase in deferred tax liabilities | 6,631 |
| Decrease in minority interests | 42,245 |

(b) In addition to the above, the comparative information of the Company's interests in subsidiaries and share premium have been restated, and certain comparative information included in the consolidated financial statements, including mainly tariff adjustment, land use rights and leasehold land prepayments, properties under development, and related party information, have been changed to conform to the current period's presentation.

# NOTES TO THE FINANCIAL STATEMENTS

## 6 REVENUE, TARIFF ADJUSTMENT AND SEGMENT INFORMATION

### (a) Revenue and tariff adjustment

Revenue and tariff adjustment recognised during the period are as follows:

| | **For the eight months period ended 31 December 2008 HK$'000** | For the year ended 30 April 2008 HK$'000 |
|---|---|---|
| Sales of electricity to provincial power grid companies *(note (i))* | **671,676** | 648,196 |
| Heat supply by thermal power plants to other companies | **80,663** | 74,777 |
| Sales of power generating equipment | **120,431** | – |
| Rental income from investment properties *(note (ii))* | **–** | 23,298 |
| Rubbish handling income | **19,535** | 7,744 |
| Others | **15** | 8,813 |
| Total revenue | **892,320** | 762,828 |
| Tariff adjustment *(note (iii))* | **367,939** | 196,876 |
| | **1,260,259** | 959,704 |

*Notes:*

(i) Pursuant to the power purchase agreements entered into between the Group and the respective provincial power grid companies, the Group's sales of electric power were made to these power grid companies at the tariff rates agreed with the respective provincial power grid companies as approved by the relevant government authorities.

(ii) Rental income from investment properties represented revenue derived from the relevant subsidiaries of the Group which had been disposed of during the year ended 30 April 2008.

(iii) The amount represents additional tariff received and receivable from the relevant local government authorities.

# NOTES
# TO THE FINANCIAL STATEMENTS

## 6 REVENUE, TARIFF ADJUSTMENT AND SEGMENT INFORMATION (Continued)

### (b) Primary reporting format – Business segments

Business segment information is chosen as the primary reporting format.

For the year ended 30 April 2008, the Group principally operated in four business segments, which was the operation of power generation business, property development and investment business, securities investments business and other business. In view of the growth of the power generation segment during the eight months period ended 31 December 2008, the Group has decided to further divide the power generation segment into four separate reporting segments, namely natural gas and oil power generation business, wind power generation and related business, hydro power generation business and other power generation business.

The segment information for the year ended 30 April 2008 has been restated to separately present the performance of each type of power generation business as mentioned above.

Segment assets consist primarily of property, plant and equipment, land use rights and leasehold land prepayments, investment properties, properties under development, intangible assets, other long-term deposits and prepayments, inventories, accounts receivable, prepayments, deposits and other receivables and other financial assets. Unallocated assets mainly comprise cash and cash equivalents held at corporate level.

Segment liabilities comprise operating liabilities. Unallocated liabilities mainly comprise corporate liabilities.

Capital expenditure comprises additions to property, plant and equipment, land use rights and leasehold land prepayments, investment properties, properties under development and intangible assets, including additions resulting from acquisitions through business combinations.

# NOTES TO THE FINANCIAL STATEMENTS

## 6 REVENUE, TARIFF ADJUSTMENT AND SEGMENT INFORMATION (Continued)

### (b) Primary reporting format – Business segments (Continued)

| | For the eight months period ended 31 December 2008 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Natural gas and oil power generation business HK$'000 | Wind power generation and related business HK$'000 | Hydro power generation business HK$'000 | Other power generation business HK$'000 | Property development and investments HK$'000 | Securities investments HK$'000 | Others HK$'000 | Total HK$'000 |
| Segment revenue | 422,008 | 181,136 | 104,319 | 184,842 | – | – | 15 | 892,320 |
| Tariff adjustment | 367,939 | – | – | – | – | – | – | 367,939 |
| | 789,947 | 181,136 | 104,319 | 184,842 | – | – | 15 | 1,260,259 |
| Segment results | 116,941 | 50,861 | 12,159 | (1,822) | (2,801) | (68,242) | (358) | 106,738 |
| Unallocated income less expenses | | | | | | | | 23,752 |
| Interest income | | | | | | | | 5,529 |
| Interest expense | (39,384) | (28,915) | – | (9,715) | (542) | – | – | (78,556) |
| Share of losses of associated companies | – | – | (1,663) | – | – | – | – | (1,663) |
| Profit before taxation | | | | | | | | 55,800 |
| Depreciation and amortisation | 32,687 | 31,178 | 32,043 | 21,444 | 2,319 | 170 | 2,470 | 122,311 |
| Capital expenditure | 4,586 | 420,418 | 15,532 | 95,077 | 77,540 | – | 2,099 | 615,252 |

# NOTES TO THE FINANCIAL STATEMENTS

## 6 REVENUE, TARIFF ADJUSTMENT AND SEGMENT INFORMATION (Continued)

### (b) Primary reporting format – Business segments (Continued)

For the year ended 30 April 2008

| | Natural gas and oil power generation business HK$'000 | Wind power generation and related business HK$'000 | Hydro power generation business HK$'000 | Other power generation business HK$'000 | Property development and investments HK$'000 | Securities investments HK$'000 | Others HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|---|---|
| Segment revenue | 431,576 | 20,380 | 36,166 | 243,914 | 21,979 | – | 8,813 | 762,828 |
| Tariff adjustment | 196,876 | – | – | – | – | – | – | 196,876 |
| | 628,452 | 20,380 | 36,166 | 243,914 | 21,979 | – | 8,813 | 959,704 |
| Segment results | 117,480 | 5,212 | 10,460 | (3,518) | 17,043 | 25,786 | 2,100 | 174,563 |
| Unallocated income less expenses | | | | | | | | (34,687) |
| Interest income | | | | | | | | 21,874 |
| Interest expense | (47,751) | (9,018) | – | (13,303) | (18,589) | – | – | (88,661) |
| Share of profits of associated companies | – | – | 1,977 | – | – | – | – | 1,977 |
| Share of loss of a jointly controlled entity | (1,487) | – | – | – | – | – | – | (1,487) |
| Profit before taxation | | | | | | | | 73,579 |
| Depreciation and amortisation | 60,210 | 6,934 | 10,804 | 121 | 1,467 | 251 | 2,970 | 82,757 |
| Impairment of property, plant and equipment | – | – | – | 17,302 | – | – | – | 17,302 |
| Impairment of intangible assets | – | – | – | 25,854 | – | – | – | 25,854 |
| Capital expenditure | 1,210,262 | 1,006,410 | 1,148,281 | 861,131 | 264,739 | – | – | 4,490,823 |

# NOTES TO THE FINANCIAL STATEMENTS

## 6 REVENUE, TARIFF ADJUSTMENT AND SEGMENT INFORMATION (Continued)

### (b) Primary reporting format – Business segments (Continued)

| | As at 31 December 2008 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Natural gas and oil power generation business HK$'000 | Wind power generation and related business HK$'000 | Hydro power generation business HK$'000 | Other power generation business HK$'000 | Property development and investments HK$'000 | Securities investments HK$'000 | Others HK$'000 | Total HK$'000 |
| Segment assets | 1,812,249 | 1,566,617 | 1,283,670 | 920,883 | 344,578 | 48,081 | 1,063 | 5,977,141 |
| Interests in associated companies | – | 125,515 | 93,240 | – | – | – | – | 218,755 |
| Deferred income tax assets | 1,628 | – | 23,371 | 6,383 | – | – | – | 31,382 |
| Pledged deposits | 20,491 | – | – | – | 150,000 | – | – | 170,491 |
| Cash and cash equivalents | 47,528 | 74,228 | 55,427 | 31,599 | 21,212 | 7,652 | 45 | 237,691 |
| Unallocated assets | | | | | | | | 349,423 |
| Total assets | | | | | | | | 6,984,883 |
| Segment liabilities | 111,000 | 114,201 | 24,708 | 84,979 | 573 | 3,588 | 24,304 | 363,353 |
| Bank and other borrowings | 652,585 | 698,063 | – | 317,199 | 124,401 | – | – | 1,792,248 |
| Deferred income tax liabilities | – | 6,631 | – | – | – | – | 556 | 7,187 |
| Taxation payable | – | 4,555 | 5,155 | 1,328 | – | – | 307 | 11,345 |
| Unallocated liabilities | | | | | | | | 24,948 |
| Total liabilities | | | | | | | | 2,199,081 |

# NOTES
# TO THE FINANCIAL STATEMENTS

## 6 REVENUE, TARIFF ADJUSTMENT AND SEGMENT INFORMATION (Continued)

### (b) Primary reporting format – Business segments (Continued)

| | As at 30 April 2008 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Natural gas and oil power generation business HK$'000 | Wind power generation and related business HK$'000 | Hydro power generation business HK$'000 | Other power generation business HK$'000 | Property development and investments HK$'000 | Securities investments HK$'000 | Others HK$'000 | Total HK$'000 |
| Segment assets | 2,127,662 | 1,358,611 | 1,238,988 | 689,122 | 27,812 | 138,105 | 1,824 | 5,582,124 |
| Interests in associated companies | – | 61,658 | 93,255 | – | – | – | – | 154,913 |
| Deferred income tax assets | 1,600 | – | 24,335 | 6,368 | – | – | – | 32,303 |
| Pledged deposits | 38,706 | 13,905 | – | – | – | – | 18 | 52,629 |
| Cash and cash equivalents | 51,629 | 53,447 | 32,683 | 53,873 | 1,306 | 835 | 2 | 193,775 |
| Unallocated assets | | | | | | | | 1,004,619 |
| Total assets | | | | | | | | 7,020,363 |
| Segment liabilities | 245,883 | 168,170 | 23,231 | 73,202 | 16,263 | 4,000 | 24,665 | 555,414 |
| Bank and other borrowings | 915,940 | 518,288 | – | 337,334 | 10,942 | – | – | 1,782,504 |
| Deferred income tax liabilities | – | 6,631 | – | – | – | – | 767 | 7,398 |
| Taxation payable | – | – | – | 807 | – | – | 308 | 1,115 |
| Unallocated liabilities | | | | | | | | 62,380 |
| Total liabilities | | | | | | | | 2,408,811 |

### (c) Secondary reporting format – Geographical segments

Substantially all of the Group's assets, liabilities and capital expenditure are located or utilised in the PRC except that cash and cash equivalents held at corporate level in the amount of HK$205,445,000 (30 April 2008: HK$755,816,000) were deposited in Hong Kong, investment properties of HK$15,900,000 (30 April 2008: HK$18,400,000) were situated in Hong Kong and the Group's financial assets at fair value through profit or loss in the amount of HK$44,037,000 (30 April 2008: HK$131,061,000) were relating to equity securities listed in Hong Kong. Accordingly, no secondary segment information is presented.

# NOTES TO THE FINANCIAL STATEMENTS

## 7 OTHER INCOME

| | For the eight months period ended 31 December 2008 HK$'000 | For the year ended 30 April 2008 HK$'000 |
|---|---|---|
| Government grants *(note)* | **37,923** | 75 |
| Refund of value added tax *(note)* | **11,196** | – |
| Repairs and maintenance management fee income | **8,031** | – |
| Dividend income from financial assets at fair value through profit or loss | **803** | 49 |
| Others | **8,177** | 3,695 |
| | **66,130** | 3,819 |

*Note:*

During the period, government grants and refunds were received from the relevant government authorities for encouraging the Group to operate environmental-friendly power plants.

## 8 OTHER GAINS, NET

| | For the eight months period ended 31 December 2008 HK$'000 | For the year ended 30 April 2008 HK$'000 |
|---|---|---|
| Fair value (loss)/gain on investment properties *(Note 19)* | **(2,500)** | 2,134 |
| Gain on disposal of subsidiaries | **–** | 24,368 |
| Others | **7,852** | 900 |
| | **5,352** | 27,402 |

# NOTES TO THE FINANCIAL STATEMENTS

## 9 OPERATING PROFIT

Operating profit is stated after charging the following:

| | **For the eight months period ended 31 December 2008 HK$'000** | For the year ended 30 April 2008 HK$'000 |
|---|---|---|
| Amortisation of land use rights and leasehold land prepayments *(Note 18)* | **3,685** | 2,482 |
| Less: Amounts capitalised in properties under development | **(2,185)** | (956) |
| Amortisation of land use rights and leasehold land prepayments, net | **1,500** | 1,526 |
| Amortisation of intangible assets *(Note 21)* | **272** | 274 |
| Auditor's remuneration | **2,700** | 1,991 |
| Depreciation of property, plant and equipment *(Note 17)* | **118,354** | 80,001 |
| Exchange losses, net | **–** | 3,214 |
| Loss on disposal of property, plant and equipment | **–** | 341 |
| Operating lease rental in respect of leasehold land and buildings | **6,874** | 5,753 |
| Staff costs including directors' emoluments *(Note 12)* | **69,064** | 52,749 |

## 10 FINANCE COSTS, NET

| | **For the eight months period ended 31 December 2008 HK$'000** | For the year ended 30 April 2008 HK$'000 |
|---|---|---|
| Interest income from | | |
| – bank deposits | **5,070** | 17,928 |
| – others | **459** | 3,946 |
| | **5,529** | 21,874 |
| Interest expense on | | |
| – bank borrowings wholly repayable within five years | **(11,259)** | (18,476) |
| – bank borrowings not wholly repayable within five years | **(29,113)** | (9,435) |
| – other borrowings wholly repayable within five years | **(36,276)** | (41,516) |
| – loan from a minority shareholder of a subsidiary *(Note 38)* | **(11,404)** | (19,197) |
| – others | **–** | (37) |
| | **(88,052)** | (88,661) |
| Less: Amounts capitalised in property, plant and equipment and properties under development | **9,496** | – |
| | **(78,556)** | (88,661) |
| Finance costs, net | **(73,027)** | (66,787) |

# NOTES TO THE FINANCIAL STATEMENTS

## 10 FINANCE COSTS, NET (Continued)

Amounts capitalised are borrowing costs related to funds borrowed specifically for the purpose of obtaining qualifying assets. The weighted average interest rate on such capitalised borrowings is approximately 5.27% (for the year ended 30 April 2008: Nil) per annum.

## 11 TAXATION

No Hong Kong profits tax has been provided for as the Group did not have any estimated assessable profit in Hong Kong for the period (for the year ended 30 April 2008: Nil).

The provision for PRC current income tax is calculated based on the statutory tax rate of 25% on the estimated assessable income for the period with effect from 1 January 2008. Before 1 January 2008, PRC current income tax was calculated based on the statutory tax rate of 33% on the estimated assessable income.

Certain subsidiaries of the Group are entitled to a two-year exemption from income tax starting from year 2008 followed by a 50% reduction in income tax rate at 12.5% towards year 2012, and at 25% thereafter.

The amount of taxation charged to the consolidated income statement represents:

| | **For the eight months period ended 31 December 2008 HK$'000** | For the year ended 30 April 2008 HK$'000 |
|---|---|---|
| PRC current income tax | **10,018** | 25,177 |
| Under/(over) provision in prior years | **2,474** | (29) |
| Deferred income tax *(Note 33)* | **755** | 5,736 |
| | **13,247** | 30,884 |

# NOTES TO THE FINANCIAL STATEMENTS

## 11 TAXATION (Continued)

The taxation on the Group's profit before taxation differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

| | **For the eight months period ended 31 December 2008 HK$'000** | For the year ended 30 April 2008 HK$'000 |
|---|---|---|
| Profit before taxation | **55,800** | 73,579 |
| Less: Share of losses/(profits) of associated companies | **1,663** | (1,977) |
| Share of loss of a jointly controlled entity | **–** | 1,487 |
| | **57,463** | 73,089 |
| Tax calculated at domestic tax rates applicable to profits in respective jurisdictions | **22,966** | 16,349 |
| Effect of lower tax rate for companies under tax holiday | **(38,091)** | – |
| Income not subject to taxation | **(4,399)** | (36,165) |
| Expenses not deductible for taxation purposes | **24,255** | 32,310 |
| Tax loss not recognised | **8,879** | 15,464 |
| Recognition of tax loss not recognised in prior years | **–** | (291) |
| Under/(over) provision in prior years | **2,474** | (29) |
| Others | **(2,837)** | 3,246 |
| Taxation | **13,247** | 30,884 |

The weighted average applicable tax rate for the period ended 31 December 2008 is 40.0% (for the year ended 30 April 2008: 22.4%). The fluctuation in the weighted average applicable tax rate arose mainly because of the change in the relative profitability of the companies within the Group.

Share of taxation attributable to associated companies for the period ended 31 December 2008 of HK$552,000 (for the year ended 30 April 2008: HK$579,000) are included in the Group's share of profits less losses of associated companies for the period.

# NOTES TO THE FINANCIAL STATEMENTS

## 12 STAFF COSTS

| | For the eight months ended 31 December 2008 HK$'000 | For the year ended 30 April 2008 HK$'000 |
|---|---|---|
| Wages, salaries and bonuses | **55,083** | 40,705 |
| Share-based compensation expenses *(Note 31)* | **–** | 9,752 |
| Pension costs – defined contribution plans | **3,493** | 384 |
| Staff welfare | **10,488** | 1,908 |
| | **69,064** | 52,749 |

## 13 PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of a loss of HK$41,470,000 (for the year ended 30 April 2008: loss of HK$46,791,000).

## 14 EARNINGS PER SHARE

### (a) Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of shares in issue during the period.

| | For the eight months ended 31 December 2008 | For the year ended 30 April 2008 |
|---|---|---|
| Profit attributable to equity holders of the Company (HK$'000) | **10,962** | 6,931 |
| Weighted average number of shares in issue (shares in thousands) | **7,037,809** | 5,187,275 |
| Basic earnings per share (HK cents) | **0.16** | 0.13 |

# NOTES TO THE FINANCIAL STATEMENTS

## 14 EARNINGS PER SHARE (Continued)

### (b) Diluted

Diluted earnings per share is calculated based on the weighted average number of shares in issue during the period plus the weighted average number of shares deemed to be issued at no consideration if all outstanding options had been exercised.

Diluted earnings per share for the eight months period ended 31 December 2008 equals to the basic earnings per share for the period as the potential ordinary shares outstanding during the period has an anti-dilutive effect on the basic earnings per share for the period.

The calculation of the diluted earnings per share for the year ended 30 April 2008 is as follows:

| | For the year ended 30 April 2008 |
|---|---|
| Profit attributable to equity holders of the Company *(HK$'000)* | 6,931 |
| Weighted average number of shares in issue *(shares in thousands)* | 5,187,275 |
| Adjustment for share options *(shares in thousands)* | 98,127 |
| Adjusted weighted average number of shares for diluted earnings per share *(shares in thousands)* | 5,285,402 |
| Diluted earnings per share *(HK cents)* | 0.13 |

## 15 DIVIDEND

The Board of Directors of the Company does not recommend the payment of a dividend for the eight months period ended 31 December 2008 (for the year ended 30 April 2008: Nil).

# NOTES TO THE FINANCIAL STATEMENTS

## 16 EMOLUMENTS FOR DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

### (a) Directors' emoluments

The remuneration of each of the directors of the Company for the period ended 31 December 2008 is set out below:

| Name of director | Fees | Basic salary, housing allowance, other allowances and benefits in kind | Share-based compensation expenses | Discretionary bonuses | Employer's contribution to pension scheme | Total |
|---|---|---|---|---|---|---|
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| **Chairman** | | | | | | |
| Ms. Li Xiaolin | – | – | – | – | – | – |
| **Executive directors** | | | | | | |
| Mr. Lai Leong | – | 1,072 | – | – | 8 | 1,080 |
| Mr. Zhao Xinyan | – | – | – | – | – | – |
| Mr. Wang Hao | – | 630 | – | – | – | 630 |
| Mr. Oxley Clive William | – | 720 | – | – | – | 720 |
| Mr. Liu Genyu | – | 713 | – | – | – | 713 |
| **Non-executive director** | | | | | | |
| Mr. Cheng Chi *(note)* | – | – | – | – | – | – |
| **Independent non-executive directors** | | | | | | |
| Dr. Chow King Wai | 40 | – | – | – | – | 40 |
| Mr. Chu Kar Wing | 40 | – | – | – | – | 40 |
| Mr. Wong Kwok Tai | 40 | – | – | – | – | 40 |
| Total | 120 | 3,135 | – | – | 8 | 3,263 |

*Note:*

Mr. Cheng Chi has been re-designated from an executive director to a non-executive director of the Company with effect from 1 November 2008.

## 16 EMOLUMENTS FOR DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS (Continued)

### (a) Directors' emoluments (Continued)

The remuneration of each of the directors of the Company for the year ended 30 April 2008 is set out below:

| Name of director | Fees | Basic salary, housing allowance, other allowances and benefits in kind | Share-based compensation expenses | Discretionary bonuses | Employer's contribution to pension scheme | Total |
|---|---|---|---|---|---|---|
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| **Chairman** | | | | | | |
| Ms. Li Xiaolin | – | – | 2,670 | – | – | 2,670 |
| **Executive directors** | | | | | | |
| Mr. Lai Leong | 108 | 2,360 | – | – | 12 | 2,480 |
| Mr. Zhao Xinyan | – | – | 2,090 | – | – | 2,090 |
| Mr. Wang Hao | – | – | – | – | – | – |
| Mr. Oxley Clive William | – | 1,040 | – | – | – | 1,040 |
| Mr. Liu Genyu | – | – | – | – | – | – |
| Mr. Cheng Chi | – | – | – | – | – | – |
| **Independent non-executive directors** | | | | | | |
| Dr. Chow King Wai | 65 | – | – | – | – | 65 |
| Mr. Chu Kar Wing | 65 | – | – | – | – | 65 |
| Mr. Wong Kwok Tai | 60 | – | – | – | – | 60 |
| Total | 298 | 3,400 | 4,760 | – | 12 | 8,470 |

None of the directors of the Company waived any emoluments during the period ended 31 December 2008 or the year ended 30 April 2008.

# NOTES TO THE FINANCIAL STATEMENTS

## 16 EMOLUMENTS FOR DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS (Continued)

### (b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the period include 2 (for the year ended 30 April 2008: 3) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining 3 (for the year ended 30 April 2008: 2) individuals during the period/year are as follows:

| | For the eight months ended 31 December 2008 HK$'000 | For the year ended 30 April 2008 HK$'000 |
|---|---|---|
| Basic salaries, housing allowance, other allowances, and benefits in kind | **2,672** | 2,441 |
| Employers' contributions to pension schemes | **17** | 24 |
| | **2,689** | 2,465 |

The emoluments fell within the following bands:

| | Number of individuals | |
|---|---|---|
| | For the eight months ended 31 December 2008 | For the year ended 30 April 2008 |
| Nil to HK$1,000,000 | **2** | – |
| HK$1,000,001 to HK$2,000,000 | **1** | 2 |

(c) During the period/year, no emoluments have been paid by the Group to the directors or any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

# NOTES TO THE FINANCIAL STATEMENTS

## 17 PROPERTY, PLANT AND EQUIPMENT

| | Group | | | | | | Company |
|---|---|---|---|---|---|---|---|
| | Buildings HK$'000 | Dam HK$'000 | Power generators and equipment HK$'000 | Others HK$'000 | Construction in progress HK$'000 | Total HK$'000 | Others HK$'000 |
| Cost | | | | | | | |
| At 1 May 2008 | 524,903 | 590,758 | 1,968,013 | 121,793 | 142,252 | 3,347,719 | 911 |
| Exchange adjustments | 12,153 | 12,856 | 15,699 | 3,193 | 3,384 | 47,285 | – |
| Additions | 1,227 | – | 378,860 | 9,351 | 145,179 | 534,617 | – |
| Transfer | (4,818) | – | 4,827 | 4,786 | (4,795) | – | – |
| At 31 December 2008 | 533,465 | 603,614 | 2,367,399 | 139,123 | 286,020 | 3,929,621 | 911 |
| Accumulated depreciation and impairment losses | | | | | | | |
| At 1 May 2008 | 12,858 | 3,008 | 84,693 | 17,549 | – | 118,108 | 332 |
| Exchange adjustments | 1,024 | 675 | 1,433 | 2,090 | – | 5,222 | – |
| Depreciation charge for the period | 11,084 | 13,717 | 81,883 | 11,670 | – | 118,354 | 170 |
| At 31 December 2008 | 24,966 | 17,400 | 168,009 | 31,309 | – | 241,684 | 502 |
| Net book value | | | | | | | |
| At 31 December 2008 | 508,499 | 586,214 | 2,199,390 | 107,814 | 286,020 | 3,687,937 | 409 |

# NOTES
# TO THE FINANCIAL STATEMENTS

## 17 PROPERTY, PLANT AND EQUIPMENT (Continued)

| | Group | | | | | | Company |
|---|---|---|---|---|---|---|---|
| | Buildings<br>HK$'000 | Dam<br>HK$'000 | Power generators and equipment<br>HK$'000 | Others<br>HK$'000 | Construction in progress<br>HK$'000 | Total<br>HK$'000 | Others<br>HK$'000 |
| **Cost** | | | | | | | |
| At 1 May 2007 | 22,991 | – | 66,386 | 19,363 | 31,866 | 140,606 | 81 |
| Exchange adjustments | 24,620 | 16,092 | 105,272 | 1,145 | 8,023 | 155,152 | – |
| Additions | 2,485 | – | 8,221 | 16,822 | 94,380 | 121,908 | 830 |
| Acquisition of subsidiaries | 455,855 | 574,801 | 1,875,270 | 17,883 | 9,315 | 2,933,124 | – |
| Reclassification | 18,467 | (135) | (87,742) | 69,432 | (22) | – | – |
| Disposals | – | – | (87) | (587) | – | (674) | – |
| Disposal of subsidiaries | – | – | – | (2,397) | – | (2,397) | – |
| Transfer | 485 | – | 693 | 132 | (1,310) | – | – |
| At 30 April 2008 | 524,903 | 590,758 | 1,968,013 | 121,793 | 142,252 | 3,347,719 | 911 |
| **Accumulated depreciation and impairment losses** | | | | | | | |
| At 1 May 2007 | 771 | – | 4,328 | 13,749 | – | 18,848 | 81 |
| Exchange adjustments | 1,039 | 45 | 1,976 | 109 | – | 3,169 | – |
| Depreciation charge for the year | 11,048 | 2,963 | 61,157 | 4,833 | – | 80,001 | 251 |
| Disposals | – | – | (70) | (490) | – | (560) | – |
| Disposal of subsidiaries | – | – | – | (652) | – | (652) | – |
| Impairment losses *(note (i))* | – | – | 17,302 | – | – | 17,302 | – |
| At 30 April 2008 | 12,858 | 3,008 | 84,693 | 17,549 | – | 118,108 | 332 |
| **Net book value** | | | | | | | |
| At 30 April 2008 | 512,045 | 587,750 | 1,883,320 | 104,244 | 142,252 | 3,229,611 | 579 |

# NOTES
# TO THE FINANCIAL STATEMENTS

## 17 PROPERTY, PLANT AND EQUIPMENT (Continued)

*Notes:*

(i) During the year ended 30 April 2008, an impairment loss of HK$17,302,000 was recognised by the Group in respect of certain power generators and equipment due to technical obsolescence.

(ii) As at 31 December 2008, certain of the Group's property, plant and equipment with carrying value of HK$1,182,888,000 (30 April 2008: HK$1,169,806,000) were situated on leasehold land in the PRC leased from China Power Investment Corporation (中國電力投資集團公司) ("CPI Group") which held the rights on the leasehold land under long-term leases. The remaining period of the Group's rights on the leasehold land as at 31 December 2008 was 47 years (30 April 2008: 48 years).

(iii) As at 31 December 2008, the legal title of certain of the Group's buildings with carrying amount of HK$166,603,000 (30 April 2008: HK$170,086,000) had not been transferred to the Group subject to certain administrative procedures to be completed by the relevant local government authorities. However, the directors are of the opinion that the risks and rewards of using these assets have been transferred to the Group.

## 18 LAND USE RIGHTS AND LEASEHOLD LAND PREPAYMENTS

| | Group | |
|---|---|---|
| | **As at 31 December 2008 HK$'000** | As at 30 April 2008 HK$'000 |
| Cost | | |
| At beginning of the period/year | **259,658** | 11,224 |
| Exchange adjustments | **1,737** | 6,032 |
| Acquisition of subsidiaries | **–** | 232,502 |
| Additions | **3,513** | 9,900 |
| At end of the period/year | **264,908** | 259,658 |
| Accumulated amortisation and impairment losses | | |
| At beginning of the period/year | **2,655** | 103 |
| Exchange adjustments | **43** | 70 |
| Amortisation for the period/year | **3,685** | 2,482 |
| At end of the period/year | **6,383** | 2,655 |
| Net book amount | | |
| At end of the period/year | **258,525** | 257,003 |

The amount represents cost of the land use rights and leasehold land prepayments in respect of land located in the PRC where certain of the Group's property, plant and equipment and properties under development are built on. As at 31 December 2008, the remaining period of the land use rights ranged between 23 to 48 years (30 April 2008: 24 to 49 years).

As at 31 December 2008, land use rights and leasehold land prepayments in respect of properties under development amounting to HK$159,624,000 (30 April 2008: Nil) were pledged as security for certain bank borrowings of the Group (Note 32 (viii)).

# NOTES TO THE FINANCIAL STATEMENTS

## 19 INVESTMENT PROPERTIES

| | Group | |
|---|---|---|
| | **As at 31 December 2008 HK$'000** | As at 30 April 2008 HK$'000 |
| At beginning of the period/year | **18,400** | 545,849 |
| Exchange adjustments | **–** | 38,802 |
| Disposal of subsidiaries | **–** | (568,485) |
| Additions | **–** | 19,297 |
| Disposals | **–** | (19,197) |
| Fair value (loss)/gain | **(2,500)** | 2,134 |
| At end of the period/year | **15,900** | 18,400 |

The investment properties are revalued at 31 December 2008 by BMI Appraisals Limited, an independent qualified professional firm of valuers, based on current prices in an active market.

The Group's interests in investment properties at their net book values are analysed as follows:

| | Group | |
|---|---|---|
| | **As at 31 December 2008 HK$'000** | As at 30 April 2008 HK$'000 |
| In Hong Kong, held on leases of over 50 years | **15,900** | 18,400 |

As at 31 December 2008, the investment properties of the Group were pledged as security for certain bank borrowings of the Group (Note 32 (iv)).

# NOTES TO THE FINANCIAL STATEMENTS

## 20 PROPERTIES UNDER DEVELOPMENT

| | Group | |
|---|---|---|
| | **As at 31 December 2008 HK$'000** | As at 30 April 2008 HK$'000 |
| At beginning of the period/year | **85,892** | – |
| Exchange adjustments | **4,415** | 2,259 |
| Acquisition of subsidiaries | **–** | 78,778 |
| Additions | **77,122** | 4,855 |
| At end of the period/year | **167,429** | 85,892 |

As at 31 December 2008, the properties under development of the Group were pledged as security for certain bank borrowings of the Group (Note 32 (viii)).

## 21 INTANGIBLE ASSETS

**Group**

| | **Goodwill HK$'000** | **Patents and franchise HK$'000** | **Total HK$'000** |
|---|---|---|---|
| Cost | | | |
| At 1 May 2008, as previously reported | **1,042,041** | **53,982** | **1,096,023** |
| Adjustments to the initial accounting for business combinations pursuant to HKFRS 3 *(Note 5)* | **34,794** | **–** | **34,794** |
| At 1 May 2008, as restated | **1,076,835** | **53,982** | **1,130,817** |
| Exchange adjustments | **94,022** | **4,757** | **98,779** |
| Disposal of a subsidiary | **(8,567)** | **–** | **(8,567)** |
| At 31 December 2008 | **1,162,290** | **58,739** | **1,221,029** |
| Accumulated amortisation and impairment losses | | | |
| At 1 May 2008 | **–** | **26,128** | **26,128** |
| Exchange adjustments | **–** | **1,958** | **1,958** |
| Amortisation charge for the year | **–** | **272** | **272** |
| At 31 December 2008 | **–** | **28,358** | **28,358** |
| Net book amount | | | |
| At 31 December 2008 | **1,162,290** | **30,381** | **1,192,671** |

# NOTES TO THE FINANCIAL STATEMENTS

## 21 INTANGIBLE ASSETS (Continued)

**Group**

| | Goodwill | Patents and franchise | Total |
|---|---|---|---|
| | HK$'000 | HK$'000 | HK$'000 |
| Cost | | | |
| At 1 May 2007 | 85,231 | – | 85,231 |
| Acquisition of subsidiaries | 827,550 | 53,982 | 881,532 |
| Acquisition of additional equity interest in a subsidiary | 208,927 | – | 208,927 |
| Disposal of subsidiaries | (44,873) | – | (44,873) |
| At 30 April 2008 | 1,076,835 | 53,982 | 1,130,817 |
| Accumulated amortisation and impairment losses | | | |
| At 1 May 2007 | – | – | – |
| Amortisation charge for the year | – | 274 | 274 |
| Impairment losses *(note)* | – | 25,854 | 25,854 |
| At 30 April 2008 | – | 26,128 | 26,128 |
| Net book amount | | | |
| At 30 April 2008, as restated | 1,076,835 | 27,854 | 1,104,689 |

*Note:*

During the year ended 30 April 2008, an impairment loss was recognised in respect of certain patents and franchise relating to a waste incineration power plant as the directors are of the opinion that the carrying amount of the relevant intangible assets exceeded their recoverable amount.

# NOTES
# TO THE FINANCIAL STATEMENTS

## 21 INTANGIBLE ASSETS (Continued)

A segment-level summary of goodwill allocation at cost before impairment is presented below:

| | Group | |
|---|---|---|
| | **As at 31 December 2008 HK$'000** | As at 30 April 2008 HK$'000 |
| Natural gas and oil power generation | **592,784** | 547,957 |
| Wind power generation | **392,418** | 356,817 |
| Other power generation | **177,088** | 163,494 |
| Property development and investments | **–** | 8,567 |
| | **1,162,290** | 1,076,835 |

For the purposes of impairment reviews, the recoverable amount of goodwill is determined based on value-in-use calculations. The value-in-use calculations use pre-tax cash flow projections based on financial budgets approved by management for the purposes of impairment reviews covering a five-year period.

There are a number of assumptions and estimates involved in the preparation of cash flow projections for the period covered by the approved budget. Management prepared the financial budgets taking into account actual and prior year performance and market development expectations. The pre-tax discount rate used for value-in-use calculations for goodwill is 9%. Management estimates the discount rate using pre-tax rates that reflect market assessments of the time value of money and the specific risks relating to the cash-generating unit. Other key assumptions applied in the impairment tests include the expected tariff rates, demand for electricity in the region where the power plants are located and fuel costs.

At 31 December 2008, if the pre-tax discount rate applied to the discounted cash flows had been 1% higher/lower, with all other variables held constant, goodwill will be impaired by approximately HK$24,622,000 or otherwise no impairment charge will be required.

At 31 December 2008, if the budgeted fuel costs applied to the discounted cash flows had been 8% higher/lower, goodwill will be impaired by approximately HK$25,853,000 or otherwise no impairment charge will be required.

# NOTES TO THE FINANCIAL STATEMENTS

## 22 INTERESTS IN SUBSIDIARIES

| | Company | |
|---|---|---|
| | **As at 31 December 2008 HK$'000** | As at 30 April 2008 HK$'000 |
| Unlisted investments, at cost | **166** | 166 |
| Less: Impairment losses *(note (i))* | **(88)** | (88) |
| | **78** | 78 |
| Amounts due from subsidiaries *(note (ii))* | **3,908,001** | 3,423,902 |
| Less: Impairment losses *(note (i))* | **(34,562)** | (35,280) |
| | **3,873,439** | 3,388,622 |
| | **3,873,517** | 3,388,700 |

*Notes:*

(i) Movements in the impairment losses:

| | Company | |
|---|---|---|
| | **As at 31 December 2008 HK$'000** | As at 30 April 2008 HK$'000 |
| At beginning of the period/year | **35,368** | 37,654 |
| Amounts reversed during the period/year | **(718)** | (2,286) |
| At end of the period/year | **34,650** | 35,368 |

(ii) The amounts due from subsidiaries are unsecured and interest-free. Except for an amount totalling HK$42,441,000 (30 April 2008: HK$51,047,000) which is repayable on demand, the amounts due from subsidiaries are considered as capital in nature.

# NOTES TO THE FINANCIAL STATEMENTS

## 22 INTERESTS IN SUBSIDIARIES (Continued)

*Notes:* (Continued)

(iii) The following is a list of principal subsidiaries as at 31 December 2008:

| Name of companies | Place of establishment and operation | Paid up/ issued capital | Equity interest attributable to the Group | Type of legal entity | Principal activities |
|---|---|---|---|---|---|
| **Interests held directly:** | | | | | |
| Sunny Apex Limited | Hong Kong | 10,000 shares of HK$1 each | 100% | Limited liability company | Holding of a motor vehicle |
| Lucky Talent Limited | British Virgin Islands/ Hong Kong | 1 share of US$1 | 100% | Limited liability company | Securities trading |
| **Interests held indirectly:** | | | | | |
| Deluxe Vantage Limited | British Virgin Islands/ Hong Kong | 1 share of US$1 | 100% | Limited liability company | Property holdings |
| Newton Group Investment Limited | Hong Kong | 2 shares of HK$1 each | 100% | Limited liability company | Holding of a motor vehicle |
| China Power (New Energy) Holdings Limited | Hong Kong | 1 share of HK$1 | 100% | Limited liability company | Investment holdings |
| Oriental Board Limited | Hong Kong | 1 share of HK$1 | 100% | Limited liability company | Consultancy |
| Zhongdian Hongze Thermal Power Company Limited ("中電(洪澤)熱電有限公司") | PRC | RMB30,000,000 | 60% | Sino-foreign equity joint venture | Generation and sale of electricity |
| Zhongdian Hongze Reproductive Substance Thermal Power Company Limited ("中電(洪澤)生物質熱電有限公司") | PRC | RMB26,000,000 | 100% | Wholly foreign-owned enterprise | Generation and sale of electricity |
| 上海龍圖實業發展有限公司 | PRC | RMB60,000,000 | 100% | Limited liability company | Property development |
| China Power International New Energy Holding Limited ("中電國際新能源控股有限公司") | PRC | US$56,250,000 | 100% | Wholly foreign-owned enterprise | Investment holdings |

# NOTES TO THE FINANCIAL STATEMENTS

## 22 INTERESTS IN SUBSIDIARIES (Continued)

*Notes:* (Continued)

(iii) The following is a list of principal subsidiaries as at 31 December 2008: (Continued)

| Name of companies | Place of establishment and operation | Paid up/ issued capital | Equity interest attributable to the Group | Type of legal entity | Principal activities |
|---|---|---|---|---|---|
| **Interests held indirectly:** (Continued) | | | | | |
| CPI (Fujian) Power Development Limited ("中電(福建)電力開發有限公司") | PRC | RMB632,750,000 | 100% | Wholly foreign-owned enterprise | Generation and sale of electricity |
| Gansu China Power Jiuquan Wind Power Company Limited ("甘肅中電酒泉風力發電有限公司") | PRC | RMB139,003,619 | 90% | Sino-foreign equity joint venture | Generation and sale of electricity |
| Gansu China Power Jiuquan Second Wind Power Company Limited ("甘肅中電酒泉第二風力發電有限公司") | PRC | RMB146,899,600 | 100% | Foreign enterprise | Generation and sale of electricity |
| 東莞市科偉環保電力有限公司 ("Kewei") | PRC | RMB60,000,000 | 40% *(note)* | Foreign enterprise | Generation and sale of electricity |
| 甘肅中電科耀新能源裝備有限公司 | PRC | RMB9,100,000 | 51% | Sino-foreign equity joint-venture | Manufacturing of equipment |
| 東莞東城東興熱電有限公司 | PRC | USD43,435,965 | 80% | Sino-foreign equity joint-venture | Generation and sale of electricity |
| 浙江德清縣佳能垃圾焚燒發電有限公司 | PRC | RMB54,900,000 | 100% | Wholly-owned foreign enterprise | Generation and sale of electricity |
| Yunnan Shuangxing Green Energy Company Limited ("雲南雙星綠色能源有限公司") | PRC | RMB116,800,000 | 60% | Sino-foreign equity joint-venture | Generation and sale of electricity |

*Note:*

In accordance with the relevant terms as stipulated in the shareholders' agreement dated 1 August 2007, the Group has attained a majority voting power to control the financial and operating policies of Kewei. Consequently, Kewei is accounted for as a subsidiary of the Group.

# NOTES TO THE FINANCIAL STATEMENTS

## 23 INTERESTS IN ASSOCIATED COMPANIES

| | Group | |
|---|---|---|
| | **As at 31 December 2008 HK$'000** | As at 30 April 2008 HK$'000 |
| Share of net assets | **218,755** | 154,913 |

*Notes:*

(i) The following are the details of the associated companies as at 31 December 2008:

| Name of companies | Place of establishment and operation | Paid up capital | Equity interest attributable to the Group | Type of legal entity | Principal activities |
|---|---|---|---|---|---|
| **Interests held indirectly:** | | | | | |
| 福建壽寧牛頭山水電有限公司 (Fujian Shou Ning Niu Tou Shan Hydro Power Company Limited) | PRC | RMB112,550,000 | 33% | Limited liability company | Generation and sale of electricity |
| 上海東海風力發電有限公司 (Shanghai Dong Hai Wind Power Electric Generating Company Limited) | PRC | RMB460,000,000 | 24% | Limited liability company | Generation and sale of electricity |

# NOTES TO THE FINANCIAL STATEMENTS

## 23 INTERESTS IN ASSOCIATED COMPANIES (Continued)

*Notes:* (Continued)

(ii) The following is an extract of the aggregate operating results and financial position of the associated companies, based on a set of unaudited management accounts of the associated companies for the period prepared by management of the Group in accordance with those relevant accounting policies as set out in Note 2.

| | **For the eight months period ended 31 December 2008 HK$'000** | For the year ended 30 April 2008 HK$'000 |
|---|---|---|
| **Operating results** | | |
| Revenue | **54,458** | 23,564 |
| (Loss)/profit before taxation | **(3,528)** | 7,745 |
| (Loss)/profit before taxation | **(1,644)** | 5,991 |

| | **As at 31 December 2008 HK$'000** | As at 30 April 2008 HK$'000 |
|---|---|---|
| **Financial position** | | |
| Non-current assets | **961,623** | 825,757 |
| Current assets | **533,213** | 241,369 |
| Current liabilities | **(362,483)** | (139,418) |
| Long-term liabilities | **(483,141)** | (507,509) |
| Net assets | **649,212** | 420,199 |

(iii) No dividend income was received from the associated companies for the period (for the year ended 30 April 2008: Nil).

# NOTES TO THE FINANCIAL STATEMENTS

## 24 OTHER LONG-TERM DEPOSITS AND PREPAYMENTS

| | Group | |
|---|---|---|
| | **As at 31 December 2008 HK$'000** | As at 30 April 2008 HK$'000 |
| Prepayment for construction of power plants | **47,646** | – |
| Prepayment for acquisition of additional equity interest in an associated company *(note)* | **53,141** | – |
| Prepayment for acquisition of a property *(Note 36(b))* | **–** | 20,433 |
| | **100,787** | 20,433 |

*Note:*

During the period, the Group proposed to acquire an additional 17% equity interest in an associated company at a consideration of RMB46,742,000 (approximately HK$53,141,000). As at 31 December 2008, the transaction was not yet completed and the consideration paid was recorded as a prepayment.

## 25 INVENTORIES

| | Group | |
|---|---|---|
| | **As at 31 December 2008 HK$'000** | As at 30 April 2008 HK$'000 |
| Raw materials | **99,706** | 116,122 |
| Work in progress | **10,151** | 25,910 |
| Spare parts and consumables | **62,070** | 57,888 |
| | **171,927** | 199,920 |

# NOTES TO THE FINANCIAL STATEMENTS

## 26 ACCOUNTS RECEIVABLE

| | Group | |
|---|---|---|
| | **As at 31 December 2008 HK$'000** | As at 30 April 2008 HK$'000 |
| Accounts receivable from provincial power grid companies | **66,811** | 159,051 |
| Accounts receivable from other companies | **20,744** | – |
| Tariff adjustment receivable from the relevant government authorities | **54,649** | 70,032 |
| | **142,204** | 229,083 |
| Notes receivables *(note (i))* | **728** | 1,560 |
| | **142,932** | 230,643 |

The carrying values of accounts receivable approximate their fair values due to their short maturities. All the above receivables are denominated in RMB.

The Group normally grants 30 to 60 days credit period to customers from the end of the month in which the sales are made. The ageing analysis of accounts receivable is as follows:

| | Group | |
|---|---|---|
| | **As at 31 December 2008 HK$'000** | As at 30 April 2008 HK$'000 |
| 1 to 3 months | **126,666** | 215,074 |
| 4 to 6 months | **15,538** | 8,154 |
| 7 to 9 months | **–** | 5,830 |
| Over 1 year | **–** | 25 |
| | **142,204** | 229,083 |

The credit quality of accounts receivable that are neither past due nor impaired can be assessed by reference to the historical information about counterparty default rates. The existing counterparties do not have significant default in the past.

# NOTES TO THE FINANCIAL STATEMENTS

## 26 ACCOUNTS RECEIVABLE (Continued)

As of 31 December 2008, receivables of HK$18,412,000 (30 April 2008: HK$24,279,000) were past due but not considered to be impaired because the relevant debtors have no recent history of default. The ageing analysis of these receivables is as follows:

| | Group | |
|---|---|---|
| | **As at 31 December 2008 HK$'000** | As at 30 April 2008 HK$'000 |
| Over due | | |
| Less than 1 month | **2,874** | 7,662 |
| 1 to 3 months | **–** | 2,608 |
| 4 to 6 months | **15,538** | 14,009 |
| | **18,412** | 24,279 |

*Notes:*

(i) Notes receivable represent commercial acceptance notes and are with maturity period of 180 to 360 days (30 April 2008: 60 to 90 days).

(ii) During the period, no provision for impairment of accounts receivable was made by the Group and there was no write-off of accounts receivable during the period.

# NOTES TO THE FINANCIAL STATEMENTS

## 27 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

| | Group | | Company | |
|---|---|---|---|---|
| | **As at 31 December 2008 HK$'000** | As at 30 April 2008 HK$'000 | **As at 31 December 2008 HK$'000** | As at 30 April 2008 HK$'000 |
| Prepayments and deposits | **76,556** | 190,346 | **849** | 6,463 |
| Value added tax receivable | **25,140** | 10,114 | **–** | – |
| Amounts due from a shareholder *(note (i))* | **20,233** | 49,182 | **–** | – |
| Amounts due from minority shareholders of subsidiaries *(note (i))* | **52,719** | 47,133 | **–** | – |
| Loan to an associated company *(note (ii))* | **28,422** | – | **–** | – |
| Amount due from CPI Finance Company ("CPIF") *(note (iii))* | **23,071** | 22,756 | **–** | – |
| Other receivables | **48,160** | 194,218 | **429** | – |
| | **274,301** | 513,749 | **1,278** | 6,463 |
| Denominated in: | | | | |
| HK$ | **7,192** | 8,955 | **1,278** | 6,463 |
| RMB | **267,109** | 504,794 | **–** | – |
| | **274,301** | 513,749 | **1,278** | 6,463 |

*Notes:*

(i) Except for an amount due from a shareholder of HK$13,347,000 (30 April 2008: HK$42,480,000) which bears interest at floating rates based on daily bank deposit rates, the amounts due from a shareholder and minority shareholders of subsidiaries are unsecured, interest-free and are repayable on demand.

(ii) The loan to an associated company is unsecured, carries interest at 6.138% per annum (30 April 2008: Nil) and is repayable by 16 December 2009.

(iii) The amount due from CPIF, a subsidiary of a shareholder, is unsecured, carries interest at rate of 3.42% per annum and is repayable on demand.

# NOTES TO THE FINANCIAL STATEMENTS

## 28 OTHER FINANCIAL ASSETS

| | Group | | Company | |
|---|---|---|---|---|
| | **As at 31 December 2008** | As at 30 April 2008 | **As at 31 December 2008** | As at 30 April 2008 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| Financial assets at fair value through profit or loss | | | | |
| Listed equity securities | | | | |
| – in Hong Kong | **44,037** | 131,061 | **10,236** | 33,535 |
| Available-for-sale financial assets | **26,150** | – | **–** | – |
| | **70,187** | 131,061 | **10,236** | 33,535 |
| Denominated in: | | | | |
| HK$ | **44,037** | 131,061 | **10,236** | 33,535 |
| RMB | **26,150** | – | **–** | – |
| | **70,187** | 131,061 | **10,236** | 33,535 |

# NOTES TO THE FINANCIAL STATEMENTS

## 29 PLEDGED DEPOSITS AND CASH AND CASH EQUIVALENTS

| | Group | | Company | |
|---|---|---|---|---|
| | **As at 31 December 2008** | As at 30 April 2008 | **As at 31 December 2008** | As at 30 April 2008 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| Cash at bank and in hand | **289,169** | 229,503 | **20,598** | 17,180 |
| Time deposits with initial term of less than three months | **362,981** | 812,243 | **222,764** | 736,440 |
| | **652,150** | 1,041,746 | **243,362** | 753,620 |
| Less: Pledged deposits | **(170,491)** | (52,629) | **(150,000)** | – |
| Cash and cash equivalents | **481,659** | 989,117 | **93,362** | 753,620 |
| Denominated in: | | | | |
| HK$ | **362,139** | 755,944 | **243,362** | 753,620 |
| RMB | **244,392** | 226,677 | **–** | – |
| US$ | **45,619** | 59,125 | **–** | – |
| | **652,150** | 1,041,746 | **243,362** | 753,620 |

*Notes:*

(i) The weighted average effective interest rate on time deposits, with maturity ranging from 1 to 3 months, was 1.08% per annum during the period ended 31 December 2008 (for the year ended 30 April 2008: 4.36% per annum). Cash at bank earns interest at floating rates based on daily bank deposit rates.

(ii) The Group's cash and cash equivalents denominated in RMB are deposited with banks in the PRC. The conversion of these RMB denominated balances into foreign currencies and the remittance of funds out of the PRC is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

(iii) As at 31 December 2008, the pledged deposits of the Group with carrying amount of approximately HK$170,491,000 (30 April 2008: HK$52,629,000) were pledged as security for certain notes payable (Note 34) and short-term borrowings (Note 32(viii)) of the Group.

# NOTES TO THE FINANCIAL STATEMENTS

## 30 SHARE CAPITAL

### (a) Authorised and issued capital

| | Company Number of shares (of HK$0.10 each) | Nominal amount HK$'000 |
|---|---|---|
| Authorised: | | |
| At 1 May 2007 | 6,000,000,000 | 600,000 |
| Increase in authorised share capital *(note (i))* | 4,000,000,000 | 400,000 |
| At 30 April 2008 and 31 December 2008 | 10,000,000,000 | 1,000,000 |
| Issued and fully paid: | | |
| At 1 May 2007 | 3,221,023,400 | 322,102 |
| Issue of consideration shares *(note (ii))* | 609,000,000 | 60,900 |
| Issue of shares upon placements *(note (iii))* | 1,940,000,000 | 194,000 |
| Issue of shares upon conversion of convertible notes *(note (iv))* | 1,283,464,400 | 128,347 |
| Exercise of share options *(note (v))* | 1,000,000 | 100 |
| Repurchase of shares *(note (vi))* | (10,807,800) | (1,081) |
| At 30 April 2008 and 1 May 2008 | 7,043,680,000 | 704,368 |
| Repurchase of shares *(note (vi))* | (23,580,000) | (2,358) |
| At 31 December 2008 | 7,020,100,000 | 702,010 |

*Notes:*

(i) Pursuant to a resolution passed at the special general meeting on 1 June 2007, the authorised share capital of the Company was increased to HK$1,000,000,000 by the creation of an additional 4,000,000,000 ordinary share of HK$0.1 each, ranking pari passu with the existing ordinary shares of the Company in all respects.

(ii) On 2 May and 1 August 2007, the Company issued 395,000,000 and an aggregate 214,000,000 shares of HK$0.1 each to a shareholder and a third party respectively as the purchase consideration for the acquisitions of 44% equity interest in Tianhan Development Limited and 40% equity interest each in Worldton Limited and in Skycosmos Investment Limited respectively. The fair value of the shares issued amounted to HK$0.95 and HK$1.30 per share respectively. The premium on issue of shares of HK$592,550,000 was credited to the share premium account. These new shares rank pari passu in all respects with the existing shares.

# NOTES TO THE FINANCIAL STATEMENTS

## 30 SHARE CAPITAL (Continued)

### (a) Authorised and issued capital (Continued)

*Notes:* (Continued)

(iii) On 14 May 2007, the Company completed a placement of 640,000,000 shares of HK$0.1 each at a subscription price of HK$0.905 per share. Accordingly 640,000,000 shares of HK$0.1 each were issued at a premium of HK$0.805 each. The premium on issue of shares of HK$515,200,000 was credited to the share premium account. These shares rank pari passu in all respects with the existing shares.

On 5 November 2007, the Company completed another placement of an aggregate of 1,300,000,000 shares of HK$0.1 each at a subscription price of HK$0.81 per share. Accordingly, 1,300,000,000 shares of HK$0.1 each were issued at a premium of HK$0.71 each. The premium on issue of shares of HK$923,000,000 was credited to the share premium account. These shares rank pari passu in all respects with the existing shares.

(iv) On 25 January 2008, the Company issued HK$1,630,000,000 convertible notes at a conversion price of HK$1.27 per share. On 11 March 2008, all these convertible notes were being converted into 1,283,464,400 shares of HK$0.1 each. The premium on issue of these shares upon conversion of HK$1,501,654,000 was credited to the share premium account. These shares rank pari passu in all respects with the existing shares.

(v) On 5 September 2007, 1,000,000 shares of HK$0.1 each were issued at a price of HK$0.63 each for cash upon the exercise of the relevant options to subscribe for 1,000,000 shares of the Company under the share option scheme of the Company (also see Note 30(b) below). These new shares rank pari passu in all respects with the existing shares.

(vi) During the period/year, the Company repurchased its own ordinary shares on the Stock Exchange as follows:

| Month/year | Number of shares repurchased | Highest price paid per share | Lowest price paid per share | Aggregate consideration paid |
|---|---|---|---|---|
| | | HK$ | HK$ | HK$'000 |
| September 2008 | **23,580,000** | **0.60** | **0.46** | **12,589** |
| March 2008 | 8,627,800 | 0.65 | 0.62 | 5,446 |
| April 2008 | 2,180,000 | 0.59 | 0.57 | 1,262 |
| | 10,807,800 | | | 6,708 |

During the period, the Company repurchased a total of 23,580,000 (for the year ended 30 April 2008: 10,807,800) of its own shares on the Stock Exchange at a price ranging from HK$0.46 (for the year ended 30 April 2008: HK$0.57) to HK$0.60 (for the year ended 30 April 2008: HK$0.65) per share, at an aggregate consideration, before expenses, of approximately HK$12,589,000 (for the year ended 30 April 2008: HK$6,708,000). The shares repurchased were cancelled and an amount equivalent to the nominal value of these shares of HK$2,358,000 (for the year ended 30 April 2008: HK$1,081,000) was transferred from the Company's accumulated losses to the capital redemption reserve. The premium paid on the repurchased shares were charged against share premium.

# NOTES
# TO THE FINANCIAL STATEMENTS

## 30 SHARE CAPITAL (Continued)

### (b) Share option scheme

The Company operates a share option scheme (the "Scheme"). The purpose of the Scheme is to enable the Company to grant options to eligible participants, thereby as an incentive or rewards for their contribution to the Group. Eligible participants of the Scheme include the directors, employees, suppliers, customers and shareholders of the Group. Unless otherwise terminated or amended, the Scheme will remain in force for ten years from date of adoption to 31 October 2012.

Pursuant to the Scheme, the total number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and options granted and yet to be exercised under any other schemes shall not exceed 30% of the issued share capital of the Company from time to time. The maximum number of shares issued and to be issued upon exercise of the options granted to each participant in any 12-month period must not exceed 1% of the issued share capital of the Company at any time. The offer of a grant of options may be accepted within 21 days from the date of the offer with signed acceptance letter comprising consideration of HK$1.00 received by the Company. The exercise period of the share options granted is determinable by the directors, but no later than 10 years from the date of the grant. The subscription price for the shares in respect of which options are granted is determinable by the directors, but in any case must be at the highest of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the date of the grant; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's shares.

All of the options were vested to the option holders immediately from the date of grant.

# NOTES TO THE FINANCIAL STATEMENTS

## 30 SHARE CAPITAL (Continued)

### (b) Share option scheme (Continued)

Details of the options granted under the option scheme outstanding as at 31 December 2008 are as follows:

| Date of grant | Expiry date | Exercise price | **Number of shares subject to the options at 31 December 2008** | Number of shares subject to the options at 30 April 2008 |
|---|---|---|---|---|
| Directors | | | | |
| 9 March 2007 | 8 March 2017 | 0.630 | **30,000,000** | 30,000,000 |
| 8 June 2007 | 7 June 2017 | 0.836 | **36,000,000** | 36,000,000 |
| 8 June 2007 | 7 June 2017 | 0.836 | **23,000,000** | 23,000,000 |
| | | | **89,000,000** | 89,000,000 |
| Senior management and other employees | | | | |
| 9 March 2007 | 8 March 2017 | 0.630 | **40,000,000** | 40,000,000 |
| 9 March 2007 | 8 March 2017 | 0.630 | **60,000,000** | 60,000,000 |
| 9 March 2007 | 8 March 2017 | 0.630 | **20,000,000** | 20,000,000 |
| 8 June 2007 | 7 June 2017 | 0.836 | **4,000,000** | 4,000,000 |
| 8 June 2007 | 7 June 2017 | 0.836 | **21,000,000** | 21,000,000 |
| | | | **145,000,000** | 145,000,000 |
| | | | **234,000,000** | 234,000,000 |

## 30 SHARE CAPITAL (Continued)

### (b) Share option scheme (Continued)

Movements in the number of share options outstanding and their related weighted average exercise price are as follows:

| | **For the eight months period ended 31 December 2008** | | For the year ended 30 April 2008 | |
|---|---|---|---|---|
| | **Average exercise price in HK$ per share** | **Number of options** | Average exercise price in HK$ per share | Number of options |
| At beginning of the period/year | **0.704** | **234,000,000** | 0.630 | 151,000,000 |
| Granted | **–** | **–** | 0.836 | 84,000,000 |
| Exercised | **–** | **–** | 0.630 | (1,000,000) |
| At end of the period/year | **0.704** | **234,000,000** | 0.704 | 234,000,000 |

Consideration in connection with all options granted was received. Save as mentioned above, no other share options granted under the option scheme were cancelled or exercised during the period. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

The fair value of options granted under the option scheme determined using the Black-Scholes Option Pricing Model were as follows:

| | Date of grant of share options | |
|---|---|---|
| | 8 June 2007 | 9 March 2007 |
| Option value | HK$0.1161 | HK$0.125 |
| Significant inputs into the valuation model: | | |
| Exercise price | HK$0.836 | HK$0.63 |
| Share price at grant date | HK$0.82 | HK$0.63 |
| Expected volatility *(note)* | 82.86% | 86.47% |
| Risk-free interest rate | 3.968% | 3.751% |
| Expected life of options | 10 years | 10 years |
| Expected dividend yield | 0% | 0% |

*Note:*

The expected volatility is estimated based on the historical volatility of the Company (calculated based on the weighted average remaining life of the share option), adjusted for any expected changes to future volatility based on publicly available information. Expected dividends are based on historical dividends.

# NOTES TO THE FINANCIAL STATEMENTS

## 31 RESERVES

### Group

| | Note | Capital redemption reserve HK$'000 | Statutory reserves *(note)* HK$'000 | Contributed surplus HK$'000 | Share-based compensation reserve HK$'000 | Exchange reserve HK$'000 | Accumulated losses HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|---|---|
| At 1 May 2008 | | **1,081** | **2,875** | **110,848** | **28,513** | **93,742** | **(138,642)** | **98,417** |
| Currency translation differences | | **–** | **–** | **–** | **–** | **132,876** | **–** | **132,876** |
| Repurchase of shares | *30(a)(vi)* | **2,358** | **–** | **–** | **–** | **–** | **(2,358)** | **–** |
| Transfer | | **–** | **1,366** | **(110,848)** | **–** | **–** | **109,482** | **–** |
| Profit for the period | | **–** | **–** | **–** | **–** | **–** | **10,962** | **10,962** |
| At 31 December 2008 | | **3,439** | **4,241** | **–** | **28,513** | **226,618** | **(20,556)** | **242,255** |

| | Note | Capital redemption reserve HK$'000 | Statutory reserves *(note)* HK$'000 | Contributed surplus HK$'000 | Share-based compensation reserves HK$'000 | Convertible notes equity reserve HK$'000 | Exchange reserve HK$'000 | Accumulated losses HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|---|---|---|
| At 1 May 2007 | | – | – | – | 18,886 | – | 6,658 | (141,520) | (115,976) |
| Contribution from a shareholder | | – | – | 110,848 | – | – | – | – | 110,848 |
| Reserves arising from acquisition of a subisidiary | | – | – | – | – | – | 6,814 | – | 6,814 |
| Realisation of reserves upon disposal of subsidiaries | | – | (123) | – | – | – | (19,718) | – | (19,841) |
| Equity component of convertible notes | *30(a)(iv)* | – | – | – | – | 620,516 | – | – | 620,516 |
| Share issued upon conversion of convertible notes | *30(a)(iv)* | – | – | – | – | (620,516) | – | – | (620,516) |
| Employee share option benefits | | – | – | – | 9,752 | – | – | – | 9,752 |
| Shares issued under share option scheme | | – | – | – | (125) | – | – | – | (125) |
| Transfer | | – | 2,998 | – | – | – | (26) | (2,972) | – |
| Repurchase of shares | *30(a)(vi)* | 1,081 | – | – | – | – | – | (1,081) | – |
| Currency translation differences | | – | – | – | – | – | 100,014 | – | 100,014 |
| Profit for the year | | – | – | – | – | – | – | 6,931 | 6,931 |
| At 30 April 2008 | | 1,081 | 2,875 | 110,848 | 28,513 | – | 93,742 | (138,642) | 98,417 |

# NOTES TO THE FINANCIAL STATEMENTS

## 31 RESERVES (Continued)

### Company

| | Note | Capital redemption reserve HK$'000 | Share-based compensation reserve HK$'000 | Convertible note equity reserve HK$'000 | Accumulated losses HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|
| At 1 May 2008 | | **1,081** | **28,513** | **–** | **(198,177)** | **(168,583)** |
| Repurchase of shares | *30(a)(vi)* | **2,358** | **–** | **–** | **(2,358)** | **–** |
| Loss for the period | | **–** | **–** | **–** | **(41,470)** | **(41,470)** |
| At 31 December 2008 | | **3,439** | **28,513** | **–** | **(242,005)** | **(210,053)** |
| At 1 May 2007 | | – | 18,886 | – | (150,305) | (131,419) |
| Equity component of convertible notes | | – | – | 620,516 | – | 620,516 |
| Shares issued upon conversion of convertible notes | | – | – | (620,516) | – | (620,516) |
| Shares issued under share option scheme | | – | (125) | – | – | (125) |
| Employee share option benefits | | – | 9,752 | – | – | 9,752 |
| Repurchase of shares | *30(a)(vi)* | 1,081 | – | – | (1,081) | – |
| Loss for the year | | – | – | – | (46,791) | (46,791) |
| At 30 April 2008 | | 1,081 | 28,513 | – | (198,177) | (168,583) |

*Note:*

Statutory reserves are non-distributable and the transfers of these funds are determined by the Board of Directors of the relevant PRC subsidiaries and associated company in accordance with the relevant laws and regulations in the PRC.

# NOTES TO THE FINANCIAL STATEMENTS

## 32 BANK AND OTHER BORROWINGS

Bank and other borrowings are analysed as follows:

| | Group | |
|---|---|---|
| | **As at 31 December 2008 HK$'000** | As at 30 April 2008 HK$'000 |
| Non-current borrowings | | |
| Long term bank borrowings, secured *(note (iv))* | **10,710** | 10,942 |
| Long term bank borrowings, unsecured *(note (v))* | **844,724** | 656,796 |
| Long-term other borrowings, unsecured *(note (vi))* | **687,831** | 731,635 |
| Loan from a minority shareholder of a subsidiary, unsecured *(note (vii))* | **112,554** | 368,610 |
| | **1,655,819** | 1,767,983 |
| Less: current portion of long-term bank borrowings | | |
| – secured | **(345)** | (340) |
| – unsecured | **(59,118)** | (5,585) |
| current portion of long-term other borrowings | | |
| – unsecured | **(653,724)** | (698,125) |
| | **(713,187)** | (704,050) |
| Non-current portion | **942,632** | 1,063,933 |
| Current borrowings | | |
| Short-term bank borrowings, secured *(note (viii))* | **113,691** | – |
| Short-term bank borrowings, unsecured | **22,738** | 14,521 |
| | **136,429** | 14,521 |
| Current portion of long-term borrowings | **713,187** | 704,050 |
| | **849,616** | 718,571 |
| Total borrowings | **1,792,248** | 1,782,504 |

Except for the long-term bank borrowings of HK$10,710,000 (30 April 2008: HK$10,942,000) which are denominated in HK$, all borrowings are denominated in RMB.

# NOTES TO THE FINANCIAL STATEMENTS

## 32 BANK AND OTHER BORROWINGS (Continued)

*Notes:*

(i) The repayment terms of the non-current borrowings are analysed as follows:

| | Group | |
|---|---|---|
| | **As at 31 December 2008** | As at 30 April 2008 |
| | **HK$'000** | HK$'000 |
| Wholly repayable within five years | **170,537** | 55,081 |
| Not wholly repayable within five years | **1,485,282** | 1,712,902 |
| | **1,655,819** | 1,767,983 |

(ii) The Group's non-current borrowings were repayable as follows:

| | Group | |
|---|---|---|
| | **As at 31 December 2008** | As at 30 April 2008 |
| | **HK$'000** | HK$'000 |
| Within one year | **713,187** | 704,050 |
| In the second year | **93,570** | 69,602 |
| In the third to fifth year | **290,950** | 654,542 |
| After the fifth year | **558,112** | 339,789 |
| | **1,655,819** | 1,767,983 |

(iii) The effective interest rates of the Group's HK$-denominated long-term bank borrowing is 2.4% (30 April 2008: 2.1%) per annum. The effective interest rates of the Group's RMB-denominated bank and other borrowings are as follows:

| | Group | |
|---|---|---|
| | **As at 31 December 2008** | As at 30 April 2008 |
| Long-term bank borrowings, at floating rates | **5.4%** | 7.4% |
| Short-term bank borrowings, at floating rates | **5.1%** | 6.0% |

# NOTES TO THE FINANCIAL STATEMENTS

## 32 BANK AND OTHER BORROWINGS (Continued)

*Notes:* (Continued)

(iv) Long-term bank borrowings of HK$10,710,000 (30 April 2008: HK10,942,000) are secured by the investment properties of the Group with a carrying amount of HK$15,900,000 (30 April 2008: HK$18,400,000) and a personal guarantee given by a director of the Company.

(v) Unsecured long-term bank borrowings of HK$844,724,000 (30 April 2008: HK$656,796,000) are guaranteed by a shareholder, China Power International Holding Limited.

(vi) Long-term other borrowings represent borrowings obtained from certain PRC local financial bureaus and are guaranteed by certain former shareholders and minority shareholders of certain subsidiaries of the Group. The borrowings carry interest at rates ranging from 5.31% to 5.40% (30 April 2008: 7.47% to 7.56%) per annum.

(vii) Loan from a minority shareholder of a subsidiary of HK$112,554,000 (30 April 2008: HK$368,610,000) is unsecured, bears interest at 5.76% (30 April 2008: 7.83%) per annum and is repayable on 31 July 2012.

(viii) Short-term bank borrowings of HK$113,691,000 (30 April 2008: Nil) are secured as follows:

– bank deposit of the Group amounting to HK$150,000,000 (30 April 2008: Nil);
– properties under development of the Group with a carrying amount of HK$327,053,000 (including the relevant portion of land use rights); and
– a corporate guarantee given by the Company.

# NOTES TO THE FINANCIAL STATEMENTS

## 33 DEFERRED INCOME TAX

Deferred income taxes are calculated in respect of temporary differences under the liability method using the tax rates enacted or substantively enacted by the balance sheet date.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority. The following amounts, determined after appropriate offsetting, are shown in the balance sheet:

| | Group | |
|---|---|---|
| | **As at 31 December 2008 HK$'000** | As at 30 April 2008 HK$'000 (Restated) *(Note 5)* |
| Deferred income tax assets | **31,382** | 32,303 |
| Deferred income tax liabilities | **(7,187)** | (7,398) |
| Net deferred income tax assets | **24,195** | 24,905 |

The net movement on the deferred income tax assets is as follows:

| | Group | |
|---|---|---|
| | **As at 31 December 2008 HK$'000** | As at 30 April 2008 HK$'000 (Restated) *(Note 5)* |
| At beginning of the period/year | **24,905** | (190,741) |
| Exchange adjustments | **45** | (7,554) |
| Acquisitions of subsidiaries (also see below) | **–** | 25,318 |
| Disposal of subsidiaries | **–** | 203,618 |
| Charged to the consolidated income statement *(Note 11)* | **(755)** | (5,736) |
| At end of the period/year | **24,195** | 24,905 |

# NOTES TO THE FINANCIAL STATEMENTS

## 33 DEFERRED INCOME TAX (Continued)

The movement in deferred tax assets and liabilities during the period/year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred tax assets:

| | Depreciation allowances HK$'000 (Restated) | Other tax benefits HK$'000 (Restated) | Revaluation of investment properties HK$'000 | Others HK$'000 | Total HK$'000 (Restated) |
|---|---|---|---|---|---|
| Deferred tax arising from: | | | | | |
| At 1 May 2008, as previously reported | **31,463** | **70,408** | **–** | **840** | **102,711** |
| Adjustments to the initial accounting for business combinations pursuant to HKFRS 3 *(Note 5)* | **–** | **(70,408)** | **–** | **–** | **(70,408)** |
| At 1 May 2008, as restated | **31,463** | **–** | **–** | **840** | **32,303** |
| Exchange adjustments | **45** | **–** | **–** | **–** | **45** |
| Charged to the consolidated income statement | **(951)** | **–** | **–** | **(15)** | **(966)** |
| At 31 December 2008 | **30,557** | **–** | **–** | **825** | **31,382** |
| At 30 April 2007 | – | – | (190,741) | – | (190,741) |
| Exchange adjustments | 5,930 | – | (13,507) | 23 | (7,554) |
| Acquisition of subsidiaries | 26,630 | – | – | 5,319 | 31,949 |
| Disposal of subsidiaries | – | – | 203,618 | – | 203,618 |
| Charged/(credited) to the consolidated income statement | (1,097) | – | 630 | (4,502) | (4,969) |
| At 30 April 2008, as restated | 31,463 | – | – | 840 | 32,303 |

# NOTES TO THE FINANCIAL STATEMENTS

## 33 DEFERRED INCOME TAX (Continued)

Deferred tax liabilities – Accelerated depreciation allowances:

| | Group | |
|---|---|---|
| | **As at 31 December 2008 HK$'000** | As at 30 April 2008 HK$'000 (Restated) *(Note 5)* |
| At beginning of the period/year | **(767)** | – |
| Adjustments to the initial accounting for business combinations pursuant to HKFRS 3 *(Note 5)* | **(6,631)** | – |
| At beginning of the period/year, as restated | **(7,398)** | – |
| Credited/(charged) to the consolidated income statement | **211** | (767) |
| Acquisitions of subsidiaries | **–** | (6,631) |
| At end of the period/year | **(7,187)** | (7,398) |

Deferred income tax assets are recognised for tax losses carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. As at 31 December 2008, the Group has unrecognised tax losses of HK$37,026,000 (30 April 2008: HK$28,858,000) for Hong Kong profits tax purposes with no expiry date and unrecognised tax losses of HK$44,320,000 (30 April 2008: HK$13,829,000) for the PRC corporate income tax that will expire within five years.

Deferred income tax liabilities to the extent of HK$13,323,000 (30 April 2008: HK$3,071,000) have not been recognised for the withholding tax and other taxes that would be payable on the unremitted earnings of certain subsidiaries because the directors consider that the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Unremitted earnings totaled HK$133,229,000 as at 31 December 2008 (30 April 2008: HK$30,712,000).

# NOTES TO THE FINANCIAL STATEMENTS

## 34 ACCOUNTS PAYABLE

| | Group | |
|---|---|---|
| | **As at 31 December 2008** | As at 30 April 2008 |
| | **HK$'000** | HK$'000 |
| Accounts payable *(note (i))* | **23,876** | 91,378 |
| Notes payable *(note (ii))* | **59,116** | 111,700 |
| | **82,992** | 203,078 |

The carrying amounts of accounts payable and notes payable approximate their fair values due to their short maturities. All these payables are denominated in RMB.

*Notes:*

(i) The normal credit period for accounts payable generally ranges from 60 to 180 days. Ageing analysis of accounts payable is as follows:

| | Group | |
|---|---|---|
| | **As at 31 December 2008** | As at 30 April 2008 |
| | **HK$'000** | HK$'000 |
| Current to 3 months | **22,847** | 86,080 |
| 4 to 6 months | **–** | 2,770 |
| 7 to 12 months | **666** | 381 |
| Over 1 year | **363** | 2,147 |
| | **23,876** | 91,378 |

(ii) Notes payable are normally with maturity period of 90 to 180 days (30 April 2008: 90 to 180 days).

As at 31 December 2008, notes payable of HK$57,414,000 (30 April 2008: HK$52,629,000) were drawn under the banking facilities which were secured by a bank deposit of the Group amounting to HK$20,491,000 and a corporate guarantee given by a minority shareholder of a subsidiary.

# NOTES
# TO THE FINANCIAL STATEMENTS

## 35 OTHER PAYABLES AND ACCRUED CHARGES

| | Group | | Company | |
|---|---|---|---|---|
| | **As at 31 December 2008** | As at 30 April 2008 | **As at 31 December 2008** | As at 30 April 2008 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| Construction cost payable | **141,477** | 114,965 | **–** | – |
| Salaries and staff welfare payable | **20,872** | 11,836 | **240** | – |
| Value added tax payable | **7,619** | 18,690 | **–** | – |
| Repairs and maintenance expenses payable | **15,945** | 31,240 | **–** | – |
| Other payables and accrued operating expenses | **89,708** | 64,845 | **4,312** | 3,864 |
| Amounts due to a shareholder and its subsidiaries *(note)* | **1,502** | 137,461 | **–** | – |
| Amounts due to subsidiaries *(note)* | **–** | – | **12,923** | 13,647 |
| Amounts due to minority shareholders *(note)* | **28,186** | 35,679 | **–** | – |
| | **305,309** | 414,716 | **17,475** | 17,511 |
| Denominated in: | | | | |
| HK$ | **45,389** | 9,624 | **17,475** | 17,511 |
| RMB | **259,920** | 405,092 | **–** | – |
| | **305,309** | 414,716 | **17,475** | 17,511 |

*Note:*

Balances are unsecured, interest-free and repayable on demand.

# NOTES
# TO THE FINANCIAL STATEMENTS

## 36 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

### (a) Reconciliation of profit before taxation to cash generated from operations

| | **For the eight months period ended 31 December 2008 HK$'000** | For the year ended 30 April 2008 HK$'000 |
|---|---|---|
| Profit before taxation | **55,800** | 73,579 |
| Adjustments for: | | |
| Interest income | **(5,529)** | (21,874) |
| Interest expense | **78,556** | 88,661 |
| Depreciation and amortisation | **120,126** | 81,801 |
| Impairment loss on property, plant and equipment | **–** | 17,302 |
| Impairment loss on intangible assets | **–** | 25,854 |
| Loss on disposal of property, plant and equipment | **–** | 341 |
| Fair value loss /(gain) of investment properties | **2,500** | (2,134) |
| Realisation of statutory reserves | **–** | (123) |
| Gain on disposal of subsidiaries | **–** | (24,368) |
| Share of losses/(profits) of associated companies | **1,663** | (1,977) |
| Share of loss of a jointly controlled entity | **–** | 1,487 |
| Share-based compensation expenses | **–** | 9,752 |
| Fair value loss on other financial assets | **65,814** | – |
| Operating profit/(loss) before working capital changes | **318,930** | 248,301 |
| Increase in other financial assets | **(4,940)** | (131,061) |
| Decrease/(increase) in inventories | **31,556** | (380,642) |
| Decrease/(increase) in accounts receivable | **91,822** | (149,444) |
| Decrease in prepayments, deposits and other receivables | **248,605** | 74,610 |
| Decrease in amount due from an associated company | **–** | 2,624 |
| (Decrease)/increase in account payables | **(123,706)** | 68,931 |
| (Decrease)/increase in other payables and accrued charges | **(116,798)** | 568,588 |
| Cash generated from operations | **445,469** | 301,907 |

# NOTES
# TO THE FINANCIAL STATEMENTS

## 36 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

### (b) Disposal of subsidiaries

| | **For the eight months period ended 31 December 2008 HK$'000** | For the year ended 30 April 2008 HK$'000 |
|---|---|---|
| Net assets disposed of: | | |
| Property, plant and equipment | **–** | 1,745 |
| Investment properties | **–** | 568,485 |
| Interests in associated companies | **–** | 7,489 |
| Inventories | **–** | 1,619,813 |
| Other prepayments | **20,433** | – |
| Goodwill | **8,567** | 44,873 |
| Deferred income tax assets | **–** | 2,704 |
| Accounts and other receivables | **–** | 38,516 |
| Cash and cash equivalents | **–** | 19,665 |
| Other payables and accrued charges | **–** | (1,228,805) |
| Taxation payable | **–** | (16,154) |
| Bank and other borrowings | **–** | (500,262) |
| Minority interests | **–** | (353,376) |
| Deferred income tax liabilities | **–** | (206,327) |
| | **29,000** | (1,634) |
| Assignment of amounts due from subsidiaries | **–** | 151,723 |
| Realisation of exchange reserves | **–** | (19,718) |
| | **29,000** | 130,371 |
| Consideration | **29,000** | 154,739 |
| Gain on disposal of subsidiaries | **–** | 24,368 |
| Satisfied by: | | |
| Consideration for acquisition of a subsidiary | **–** | 154,639 |
| Cash | **29,000** | 100 |
| | **29,000** | 154,739 |
| Cash consideration | **29,000** | 100 |
| Sales consideration receivable included in prepayments, deposits and other receivables | **(8,567)** | – |
| Cash and cash equivalents disposed | **–** | (19,665) |
| Cash inflow/(outflow) on disposal of subsidiaries | **20,433** | (19,565) |

# NOTES TO THE FINANCIAL STATEMENTS

## 36 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

(c) There was no acquisitions during the eight months period ended 31 December 2008. Details of the Group's acquisitions for the year ended 30 April 2008 were disclosed in the Group's annual report for the year ended 30 April 2008.

## 37 COMMITMENTS

### (a) Capital commitments

| | Group | | Company | |
|---|---|---|---|---|
| | **As at 31 December 2008 HK$'000** | As at 30 April 2008 HK$'000 | **As at 31 December 2008 HK$'000** | As at 30 April 2008 HK$'000 |
| Contracted but not provided for in respect of | | | | |
| – property, plant and equipment | **221,287** | 63,038 | **–** | – |
| – investment in an associated company | **1,688** | 61,658 | **–** | – |
| – construction of properties under development | **34,592** | 85,536 | **–** | – |
| | **257,567** | 210,232 | **–** | – |

### (b) Commitments under operating leases

Future aggregate minimum lease payments under non-cancellable operating leases are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **As at 31 December 2008 HK$'000** | As at 30 April 2008 HK$'000 | **As at 31 December 2008 HK$'000** | As at 30 April 2008 HK$'000 |
| Land and buildings | | | | |
| Not later than one year | **6,794** | 8,846 | **1,392** | 1,937 |
| Later than one year and not later than five years | **8,602** | 10,398 | **–** | 888 |
| After five years | **3,043** | 2,700 | **–** | – |
| | **18,439** | 21,944 | **1,392** | 2,825 |

Generally, the Group's operating leases are for terms of 1 to 7 years.

# NOTES TO THE FINANCIAL STATEMENTS

## 38 RELATED PARTY TRANSACTIONS

As at 31 December 2008, CPI Group had a 28.54% equity interest in the Company as the single largest shareholder. The remaining shares are widely held. Accordingly, the directors are of the opinion that CPI Group is able to exercise significant influence over the Company.

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control.

The following is a summary of significant related party transactions which, in the opinion of the directors, are entered into in the ordinary course of the Group's business in addition to the related party information shown elsewhere in these financial statements. Management of the Group are of the opinion that meaningful information relating to related party transactions has been adequately disclosed.

### (a) Transactions with related parties

| | **For the eight months period ended 31 December 2008 HK$'000** | For the year ended 30 April 2008 HK$'000 |
|---|---|---|
| Interest expense to a minority shareholder of a subsidiary | **11,404** | 19,197 |

Interest expense to a minority shareholder of a subsidiary was charged based on outstanding loan balance at 5.76% (30 April 2008: 7.83%) per annum.

### (b) Period-end balances with related parties

Details of the balances with related parties are disclosed in the respective notes to the financial statements.

### (c) Key management compensation

| | **For the eight months period ended 31 December 2008 HK$'000** | For the year ended 30 April 2008 HK$'000 |
|---|---|---|
| Basic salaries, housing allowance, other allowances, discretionary bonus and benefits in kind | **4,293** | 7,449 |
| Employer's contributions to pension schemes | **16** | 48 |
| Share-based compensation | **–** | 6,850 |
| | **4,309** | 14,347 |

## 39 APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors on 27 April 2009.

# FINANCIAL SUMMARY

## RESULTS

| | Eight months period ended 31 December HK$'000 | Year ended 30 April 2008 HK$'000 | 2007 HK$'000 | 2006 HK$'000 | 2005 HK$'000 |
|---|---|---|---|---|---|
| | | (Restated) | | | |
| REVENUE AND TARIFF ADJUSTMENT | **1,260,259** | 959,704 | 121,492 | 37,254 | 39,609 |
| PROFIT/(LOSS) BEFORE TAXATION | **55,800** | 73,579 | (61,508) | (24,754) | 16,543 |
| TAXATION | **(13,247)** | (30,884) | (10,314) | 999 | (5,001) |
| PROFIT/(LOSS) FOR THE PERIOD/YEAR | **42,553** | 42,695 | (71,822) | (23,755) | 11,542 |
| ATTRIBUTABLE TO: | | | | | |
| EQUITY HOLDERS OF THE COMPANY | **10,962** | 6,931 | (38,160) | (24,885) | 21,231 |
| MINORITY INTERESTS | **31,591** | 35,764 | (33,662) | 1,130 | (9,689) |
| EARNINGS/(LOSS) PER SHARE FOR PROFIT/(LOSS) ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY (HK CENTS) | **0.16** | 0.13 | (1.40) | (1.10) | 1.10 |

## ASSETS, LIABILITIES AND MINORITY INTERESTS

| | As at 31 December HK$'000 | As at 30 April 2008 HK$'000 | 2007 HK$'000 | 2006 HK$'000 | 2005 HK$'000 |
|---|---|---|---|---|---|
| | | (Restated) | | | |
| NON-CURRENT ASSETS | **5,673,386** | 4,903,244 | 790,360 | 176,730 | 227,043 |
| CURRENT ASSETS | **1,311,497** | 2,117,119 | 1,598,501 | 105,353 | 21,459 |
| TOTAL ASSETS | **6,984,883** | 7,020,363 | 2,388,861 | 282,083 | 248,502 |
| CURRENT LIABILITIES | **(1,249,262)** | (1,337,480) | (1,252,073) | (139,955) | (137,944) |
| NON-CURRENT LIABILITIES | **(949,819)** | (1,071,331) | (466,048) | (13,660) | (15,935) |
| NET ASSETS | **4,785,802** | 4,611,552 | 670,740 | 128,468 | (94,623) |
| MINORITY INTERESTS | **222,167** | 179,166 | 349,114 | (17,774) | (18,904) |