



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

Interim Report 2009

*For identification purposes only

CORPORATE INFORMATION

Chairman of the Board

Ms. Li Xiaolin

Chief Executive Officer

Mr. Liu Genyu (redesignated from
Chief Operating Officer with effect from
10 June 2009)

Executive Directors

Ms. Li Xiaolin
Mr. Zhao Xinyan
Mr. Wang Hao
Mr. Clive William Oxley *OBE, ED*
Mr. Liu Genyu

Non-Executive Director

Mr. Cheng Chi

Independent Non-Executive Directors

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

Company Secretary

Mr. Chiang Chi Kin, Stephen

Audit Committee

Mr. Chu Kar Wing (*Chairman*)
Dr. Chow King Wai
Mr. Wong Kwok Tai

Remuneration Committee

Mr. Chu Kar Wing (*Chairman*)
Dr. Chow King Wai
Mr. Wong Kwok Tai

Auditor

PricewaterhouseCoopers
(*Certified Public Accountants*)
22/F., Prince's Building
Central, Hong Kong

Registered Office

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head Office and Principal Place of Business in Hong Kong

Suites 904-5, 9/F., Great Eagle Centre
23 Harbour Road
Wanchai, Hong Kong

Principal Share Registrar

The Bank of Bermuda Limited
Bank of Bermuda Buildings
6 Front Street
Hamilton HM 11
Bermuda

Hong Kong Branch Share Registrar and Transfer Office

Tricor Tengis Limited
26/F., Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

Principal Banker

The Standard Chartered Bank Limited

Company Website

www.cpne.com.hk

Stock Code

735

INTERIM RESULTS

The Board of Directors (the “Board”) of China Power New Energy Development Company Limited (the “Company”) is pleased to present the unaudited interim results of the Company and its subsidiaries (together, the “Group”) for the six months ended 30 June 2009 (the “Interim Period”). The interim financial information has not been audited but has been reviewed by the Audit Committee of the Company and PricewaterhouseCoopers.

Business Review for the Six Months Ended 30 June 2009

For the six months ended 30 June 2009, the Group recorded revenue and tariff adjustment of approximately HK\$561,527,000 (for the six months ended 31 October 2008: HK\$1,061,436,000), representing a decrease of 47% over the previous interim period in last year. The decrease was mainly attributed to the negative impact of the financial tsunami and natural climate change.

For the six months ended 30 June 2009, finance costs of the Group (mainly comprise interest expenses on borrowings in respect of the operation of new operating power projects) amounted to HK\$52,156,000 (for the six months ended 31 October 2008: HK\$61,730,000), and the increase in fair value of financial assets at fair value through profit or loss amounted to HK\$12,668,000 (for the six months ended 31 October 2008: decrease of HK\$80,726,000). The Group’s net profit for the period was HK\$61,336,000 (for the six months ended 31 October 2008: HK\$46,622,000). The Group’s profit attributable to equity holders of the Company amounted to approximately HK\$42,955,000 (for the six months ended 31 October 2008: HK\$22,033,000). Basic earnings per share was HK0.612 cents (for the six months ended 31 October 2008: HK0.313 cents).

Business Environment

As one of the world’s largest nations in energy production and consumption, the People’s Republic of China (the “PRC”) has been focused on enhancing its ability to provide stable energy supply in recent years, while making significant efforts to improve its energy structure with a strong emphasis on the development of new energy and renewable energy.

During the first half of 2009, the PRC government made dedicated efforts in the development of new energy sectors with a view to assuring the national energy security as well as creating a new niche for economic growth and relieving the environmental pressure.

Under the negative impact of the financial tsunami, electricity sales of certain power generation projects of the Group was affected by the slowdown in PRC’s economic growth during the Interim Period, but the clean energy projects were in sound operating conditions.

In July 2009, the National Development and Reform Commission promulgated the “Notice on Rectifications to the Wind Power Generation Grid Rate Policy” (《關於完善風力發電上網電價政策的通知》) followed by the “National Wind Power Generation Pole Grid Rate Schedule” (《全國風力發電標杆上網電價表》), in a bid to regulate wind power tariff, encourage the development of high-quality resources and inhibit the development of poor-quality ones.

Operating Power Generation Projects

The Group focuses on environmentally-friendly energy projects and includes a small portion of property investments. As at 30 June 2009, the Group owned and operated the following power plants held by its subsidiaries or associated companies:

| Project | Company name | Nature of business | 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 Jiuquan 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.

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 Interim Period, the transmission of electricity generated by Phase I of the Gansu Power Project was affected by the slow progress in the development of the Gansu provincial power grid. This problem is expected to be resolved as the PRC government has announced increases in investment in regional grids.

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

| | |
|--------------------------|--------|
| Installed capacity (MW) | 100.5 |
| Average tariff (RMB/kWh) | 0.4616 |
| Latest tariff (RMB/kWh) | 0.4616 |
| Gross generation (MWh) | 81,296 |
| Net generation (MWh) | 78,483 |

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, are operating smoothly.

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

| | |
|--------------------------|--------|
| Installed capacity (MW) | 49.5 |
| Average tariff (RMB/kWh) | 0.54 |
| Latest tariff (RMB/kWh) | 0.54 |
| Gross generation (MWh) | 59,252 |
| Net generation (MWh) | 57,711 |

Gansu Beida Bridge No. 5 Wind Power Project (甘肅北大橋第五風電場項目) and Gansu Qiaowan Sannan Wind Power Project (甘肅橋灣三南風電場項目)

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

- Gansu Beida Bridge No. 5 Wind Farm (developed by the Group as sole investor) with an installed capacity of 200MW; and
- Gansu Qiaowan Sannan Wind Farm with an installed capacity of 100MW.

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.

Shanghai Sea Wind Power Plant (上海海風發電廠)

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, the PRC, comprising 33 wind turbines each with an output of 3MW and a total installed capacity of 99MW. Construction of the project has fully commenced. Installation of the first generating unit was completed in March 2009 and installation and testing of three generating units was completed in July.

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.

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, the PRC. This power plant has four hydropower generating units with a unit capacity of 75MW and a total installed capacity of 300MW.

Waterfall in the region this year was recorded the lowest in recent years and the electricity generated by Shaxikou Plant was adversely affected. Although Shaxikou Plant implemented various effective measures to offset part of the abovementioned impact, the revenue was significantly affected as compared to the previous interim period in last year.

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

| | |
|--------------------------|---------|
| Installed capacity (MW) | 300 |
| Average tariff (RMB/kWh) | 0.18 |
| Latest tariff (RMB/kWh) | 0.18 |
| Gross generation (MWh) | 370,594 |
| Net generation (MWh) | 363,546 |

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 100%, 85% and 79% 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) respectively, with installed capacities of 100MW, 15MW and 7.2MW respectively.

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

| | |
|--------------------------|---------|
| Installed capacity (MW) | 122.2 |
| Average tariff (RMB/kWh) | 0.339 |
| Latest tariff (RMB/kWh) | 0.339 |
| Gross generation (MWh) | 134,549 |
| Net generation (MWh) | 129,698 |

The Group has 51% equity interest in Zhangping Huakou Hydro Power Company Limited (“HuaKou”) (漳平市華口水電有限公司). Huakou owns Huakou Hydro Power Station (華口水電站), which is located in the river of Jiu Long Jiang Bei Xi (漳平市九龍江北溪) with a total installed capacity of 36.6MW. The project is under construction.

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, the PRC, 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 plant commenced operation in the third quarter of 2008, and was put into commercial operation in January 2009.

The following table sets out key operational statistics of the Zhongdian Hongze Reproductive Substance Thermal Power Plant for the Interim Period:

| | |
|--------------------------|--------|
| Installed capacity (MW) | 15 |
| Average tariff (RMB/kWh) | 0.746 |
| Latest tariff (RMB/kWh) | 0.746 |
| Gross generation (MWh) | 40,970 |
| Net generation (MWh) | 37,840 |

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 government, 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.

As a result of stabilised coal prices and increased waste treatment fee during the Interim Period, the power plant has been generating steady income. The Group will continue to strengthen its management over the power plant in order to lower costs.

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

| | |
|---------------------------------------|---------|
| Installed capacity (MW) | 36 |
| Average tariff (RMB/kWh) | 0.58 |
| Latest tariff (RMB/kWh) | 0.58 |
| Gross generation (MWh) | 106,660 |
| Net generation (MWh) | 89,136 |
| Waste treatment volume (tons) | 200,265 |
| Average waste treatment fee (RMB/ton) | 89 |

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

The Group owns a waste incineration power plant in Deqing, Zhejiang Province, the PRC. The plant has 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 construction of the project has been completed, and it commenced commercial operation in July 2009.

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 expected to commence operation in the fourth quarter 2009.

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

In August 2008, the Group and an independent third party (the "Third Party") (collectively, the "Parties"), made a successful bid for the Build-Own-Transfer agreement (the "Agreement") with 海口市環境衛生管理局 (Haikou City Environmental Hygiene Management Bureau) (the "Bureau") whereby the Bureau granted the Parties the right to invest, construct, operate and maintain a waste incineration plant in Haikou City, Hainan Island, the PRC (the "Hainan Project") for a period of 27 years from the date of the Agreement.

In accordance with the Agreement, the Parties established a project company, of which 70% and 30% equity interests are held by the Group and the Third Party respectively, for the purpose of carrying out the development, construction, operation and management of Hainan Project. It is planned that 2 sets of grate boilers each with a daily waste treatment capacity of 600 tons will be installed, to be equipped with 2 steam turbine units each of 12MW.

Natural Gas Power Project

Dongguan Dong Xin Natural Gas and Oil Power Plant (東莞東興天然氣及燃油發電廠) ("Dongguan Dong Xin")

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 district accounting for a substantial portion of Dongguan's electricity consumption. The electricity generated by this power plant is transmitted to the grid of the Dongguan City Electricity Supply Bureau for supplying electricity and heat to nearby industrial and commercial users. This plant has power generating units with a capacity of 360MW.

During the Interim Period, the power plant was affected by declining demand for electricity in Guangdong Province due to the continuous global economic downturn. Nevertheless, the power plant continued to provide stable revenue to the Group on the back of the superior performance of its power generating units, availability of tariff subsidies and enhanced internal management.

Meanwhile, the power plant obtained the cogeneration of heat and power certificate and centrally administered by Guangdong Provincial Power Dispatching Centre, which can secure the electricity generation in the future.

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

| | |
|---|---------|
| Installed capacity (MW) | 360 |
| Average tariff (RMB/kWh) | 0.87 |
| In which: approved on-grid tariff (RMB/kWh) | 0.62 |
| Gross generation (MWh) | 284,101 |
| Net generation (MWh) | 276,220 |
| Steam volume (tons) | 17,149 |
| Steam price (RMB/ton) | 325 |

Other Power Generation Projects

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, the PRC. Occupying an area of approximately 53,000 square metres and operating five coal-fired boilers and three steam turbine units with an installed capacity of 30MW, this power plant supplies heat to more than 60 customers.

With fuel costs stabilising and the Group making adjustments to the operating mode of the plant in a timely manner to squeeze production costs, the plant was able to generate operating profit for the Group.

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

| | |
|--------------------------|---------|
| Installed capacity (MW) | 30 |
| Average tariff (RMB/kWh) | 0.4804 |
| Latest tariff (RMB/kWh) | 0.4998 |
| Gross generation (MWh) | 70,006 |
| Net generation (MWh) | 60,994 |
| Steam volume (tons) | 255,828 |
| Steam price (RMB/ton) | 165 |

FUTURE PLAN

With increasing appreciation of the importance of clean energy, the PRC government is expected to continue introducing measures to promote development in this sector. The Group believes that there are significant development potential and prospects in this business segment. To this end, the Group will develop clean-energy power generation as a major business approach and concentrate its resources and efforts on clean energy projects.

The Group's future efforts will focus on:

1. Strengthening marketing initiatives and increase the output of power generation, thereby further uplifting operational revenue;
2. Researching on the new energy development plan of the PRC government in depth, keeping track on the preferential policies to the industry and continue to strengthen the effort on project development;
3. Strengthening construction management to ensure safety production;
4. Improving corporate management procedures with an aim to enhance company's competitiveness; and
5. Arranging funds to ensure better fund utilization and allocating funds efficiently.

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").

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue and Tariff Adjustment

For the six months ended 30 June 2009, revenue and tariff adjustment were approximately HK\$561,527,000 (for the six months ended 31 October 2008: HK\$1,061,436,000), representing a decrease of 47% from the previous interim period in last year. The decrease was mainly attributable on two areas: (1) electricity demand declined under the negative impact of the financial tsunami and (2) revenue of Shaxikou Plant was adversely affected by the change of natural climate.

Fuel Costs

For the six months ended 30 June 2009, fuel costs of the Group were approximately HK\$229,546,000 (for the six months ended 31 October 2008: HK\$627,098,000), representing a decrease of 63% from the previous interim period in last year. The decrease was mainly due to the decline in fuel demand in line with the lower level of power generation coupled with the fall in fuel prices.

Depreciation and Amortisation

For the six months ended 30 June 2009, depreciation and amortisation of the Group were approximately HK\$98,034,000 (for the six months ended 31 October 2008: HK\$78,155,000), representing an increase of 25% over the previous interim period in last year. Depreciation charges arose mainly from power generating units, property, plants and other equipment.

Staff Costs

For the six months ended 30 June 2009, staff costs of the Group were approximately HK\$41,413,000 (for the six months ended 31 October 2008: HK\$43,019,000), representing a decrease of 4% over the previous interim period in last year. The decrease reflected mainly the Group's cost control efforts.

Repairs and Maintenance

For the six months ended 30 June 2009, expenditure on repairs and maintenance of the Group was approximately HK\$18,617,000 (for the six months ended 31 October 2008: HK\$26,898,000), representing a decrease of 31% from the previous interim period in last year. The decrease reflected mainly the Group's cost control efforts.

Operating Profit

For the six months ended 30 June 2009, operating profit of the Group was approximately HK\$123,632,000 (for the six months ended 31 October 2008: HK\$108,657,000), representing an increase of 14% over the previous interim period in last year. The growth was mainly attributable to the increase in the fair value of the financial assets at fair value through profit or loss.

Finance Costs, Net

For the six months ended 30 June 2009, net finance costs of the Group amounted to approximately HK\$50,279,000 (for the six months ended 31 October 2008: HK\$56,938,000), representing a decrease of 12% from the previous interim period in last year.

Income Tax

For the six months ended 30 June 2009, income tax of the Group was approximately HK\$11,047,000 (for the six months ended 31 October 2008: HK\$6,907,000), representing an increase of 60% from the previous interim period in last year.

Profit Attributable to the Equity Holders of the Company

For the six months ended 30 June 2009, profit attributable to equity holders of the Group was approximately HK\$42,955,000 (for the six months ended 31 October 2008: HK\$22,033,000), representing an increase of 95% from the previous interim period in last year. The growth was mainly attributable to the increase in the fair value of the financial assets at fair value through profit or loss.

Segment Information

The Group has the following major segments: power generation, property development and investment, and securities investment.

The Group is principally engaged in the development, construction, ownership and management of clean energy power plants and sale of clean energy power generating equipment in the PRC. The power generation business is further evaluated based on the types of energy generation (natural gas and oil power generation business, wind power generation and related business, hydro power generation business, waste-to-energy power generation business and other power generation business).

The property development and investment segment is engaged in the leasing of properties to generate rental income.

The securities investment segment is engaged in securities trading.

Liquidity and Financial Resources

As at 30 June 2009, the Group had cash and cash equivalents of approximately HK\$612,259,000, mainly including, cash inflow from operations, as well as the loans and project financing of the Group's subsidiaries by the banks.

Capital Expenditure

For the six months ended 30 June 2009, capital expenditure of the Group was approximately HK\$454,811,000, spent mainly on project developments, the purchase of equipment and technical renovation. The major sources of the invested funds were cash on hand and project financing.

Borrowings

As at 30 June 2009, the total loans of the Group amounted to approximately HK\$1,995,683,000 (31 December 2008: HK\$1,792,248,000), consisting of short term bank borrowings and current portion of long term borrowings of approximately HK\$506,736,000 and long term bank and other borrowings of approximately HK\$1,488,947,000. The interest rate of the Group's bank borrowings will be adjusted in accordance with the relevant rules of the People's Bank of China.

Gearing Ratio

As at 30 June 2009, the gearing ratio of the Group, based on net debt divided by total capital, was 22% (31 December 2008: 19%).

Foreign Exchange and Currency Risks

The Group's main business transactions are mainly conducted in Hong Kong dollars and Renminbi. 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.

Capital Structure

As at 30 June 2009, the authorised share capital of the Company was HK\$1 billion divided into 10 billion shares of HK\$0.10 each, of which 7,020,100,000 shares were issued and fully paid.

Investment Risk of the Capital Market

The Group has some funds invested in securities. With the impact of the financial crisis and the fluctuation of the securities market, risk levels of the securities investment will be higher. The Group will terminate/reduce the securities investment business to control the risk.

For the six months ended 30 June 2009, the fair value gain on financial assets at fair value through profit and loss amounted to HK\$12,668,000 (for the six months ended 31 October 2008: loss of HK\$80,726,000).

Charge on the Group's Assets

As at 30 June 2009, certain bank deposits, properties under development, land use rights and investment properties of the Group with an aggregate amount of HK\$992,487,000 (31 December 2008: HK\$513,444,000) 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.

EMPLOYEE AND REMUNERATION POLICIES

As at 30 June 2009, the Group had approximately 1,103 employees in Hong Kong and the PRC (31 December 2008: 1,054).

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

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

The Group also 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.

CHANGES OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Lai Leong resigned as a director of the Company and Mr. Liu Genyu was redesignated from chief operating officer to chief executive officer of the Company with effect from 10 June 2009. For more information, please refer to the announcement of the Company dated 11 June 2009.

SHARE OPTION SCHEME

On 31 October 2002, a share option scheme (the “Scheme”), which is in compliance with the amended Chapter 17 of the Listing Rules was adopted by the Company.

The Company operates the Scheme. The purpose of the Scheme is to enable the Company to grant options to eligible participants, as an incentive or reward 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 the date of adoption to 31 October 2012.

Details of the options granted under the Scheme of the Company are set out in note 14 to the interim financial information.

DIRECTORS’ INTEREST IN SHARES AND UNDERLYING SHARES

As at 30 June 2009, 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 the ordinary shares 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 30 June 2009 |
|---------------|-------------------------|--|---|
| Mr. Lai Leong | Corporate <i>(Note)</i> | 603,026,000 | 8.59% |

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

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

Pursuant to the Company's share option scheme, the Company has granted options to the following directors of the Company to subscribe for shares of the Company, details of the outstanding options as at 30 June 2009 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 share capital as at 30 June 2009 |
|-----------------|--------------------------------|--|--|
| Ms. Li Xiaolin | Beneficial owner <i>(Note)</i> | 23,000,000 | 0.33% |
| Mr. Zhao Xinyan | Beneficial owner <i>(Note)</i> | 18,000,000 | 0.26% |
| Mr. Wang Hao | Beneficial owner <i>(Note)</i> | 30,000,000 | 0.43% |
| Mr. Liu Genyu | Beneficial owner <i>(Note)</i> | 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 30 June 2009, 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, during the six months ended 30 June 2009.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2009, the following parties had interests of 5% or more of the issued share capital of the Company as recorded in the register of interests required to be kept by the Company pursuant to section 336 of the SFO or as the Company is 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 Group Limited | 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% |
| Mr. Lai Leong | Corporate interests | 3 | 603,026,000 | 8.59% |
| Ecofin Limited | Investment manager | | 768,245,000 | 10.94% |
| Ecofin General Partner Limited | Investment manager | | 553,295,768 | 7.88% |
| EFMI Limited | Investment manager | | 553,295,768 | 7.88% |

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 Group Limited which in turn was the wholly owned subsidiary of the 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 Group Limited and the 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 was 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".

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 June 2009.

PUBLIC FLOAT

Based on the 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 six months ended 30 June 2009.

CORPORATE GOVERNANCE REPORT

The Company complied with the Code Provisions on Corporate Governance (the "Code Provision(s)") as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2009 except for the following deviations:

Term of Office of the 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, all the independent non-executive directors of the Company are not appointed for a specific term. However, the Company's Bye-laws provide that these directors are subject to retirement by rotation and re-election by shareholders at its annual general meeting, the Board considers that the Company meets the objective of the code provision A.4.1.

The code provision A.4.2 of the CG Code requires that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. The Company's Bye-laws deviate from such code provision which provides that the Chairman of the Board is not required to retire from office by rotation. The Board considers that such Bye-laws provision is appropriate to the Company as the continuity of leadership by the Chairman of the Board is significant for the stability and growth of the Group.

Model Code for Securities Transactions by Directors of Listed Issuers

The Company has adopted its code of conduct (the "Own Code") for dealings in securities of the Company by directors 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") set out in Appendix 10 of the Listing Rules. Having made specific enquiry by the Company, all directors of the Company have confirmed that they complied with the required standards set out in the Model Code and the Own Code throughout the six months ended 30 June 2009.

COMMITTEES OF THE BOARD

The Company has set up two specialized committees under the Board, namely the Audit Committee and the Remuneration Committee, to conduct self-monitoring and control in relevant aspects of the Company.

Audit Committee

The Company has an audit committee which was established in accordance with the requirements as set out in Appendix 14 of the Listing Rules for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. To comply with the new requirement under the Code of Corporate Governance Practices, new terms of reference for the audit committee were adopted on 25 August 2005. The audit committee comprises the three independent non-executive directors of the Company. The present members of the audit committee are Dr. Chow King Wai, Mr. Chu Kar Wing and Mr. Wong Kwok Tai. Mr. Chu Kar Wing is the chairman of the committee.

The interim financial information for the six months ended 30 June 2009 has not been audited but has been reviewed by the Audit Committee of the Company and PricewaterhouseCoopers.

Remuneration Committee

The Company has a remuneration committee which was established with written terms of reference on 25 August 2005 pursuant to the provisions set out in the Code of Corporate Governance Practices contained in Appendix 14 of the Listing Rules. The primary role of the remuneration committee is to ensure that there is a formal and transparent procedure adopted by the Company for developing policies on, and for overseeing, the remuneration packages of all the directors of the Company. The remuneration committee comprises the three independent non-executive directors of the Company. The present members of the remuneration committee are Dr. Chow King Wai, Mr. Chu Kar Wing and Mr. Wong Kwok Tai. Mr. Chu Kar Wing is the chairman of the committee.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

The interim results announcement and interim report are published on the website of Hong Kong Exchange and Clearing Limited at www.hkexnews.hk and on the Company's website at www.cpne.com.hk.

By order of the Board
China Power New Energy Development Company Limited

Li Xiaolin
Chairman

Hong Kong, 16 September 2009

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months period ended 30 June 2009

| | Note | Unaudited Six months ended | |
|--|------|-------------------------------|--------------------------------|
| | | 30 June 2009 HK\$'000 | 31 October 2008 HK\$'000 |
| Revenue | 4 | 482,946 | 716,694 |
| Tariff adjustment | 4 | 78,581 | 344,742 |
| | | 561,527 | 1,061,436 |
| Other income | 5 | 17,859 | 12,451 |
| Other gains, net | 6 | 6,360 | 3,677 |
| Fuel costs | | (229,546) | (627,098) |
| Depreciation and amortisation | | (98,034) | (78,155) |
| Staff costs | | (41,413) | (43,019) |
| Repairs and maintenance | | (18,617) | (26,898) |
| Consumables | | (3,289) | (2,503) |
| Increase/(decrease) in fair value of financial assets at fair value through profit or loss | | 12,668 | (80,726) |
| Cost of power generating equipment sold | | (20,227) | (54,436) |
| Other operating expenses | | (63,656) | (56,072) |
| Operating profit | 7 | 123,632 | 108,657 |
| Finance costs, net | 8 | (50,279) | (56,938) |
| Share of (losses)/profits of associated companies | | (970) | 1,810 |
| Profit before income tax | | 72,383 | 53,529 |
| Income tax | 9 | (11,047) | (6,907) |
| Profit for the period | | 61,336 | 46,622 |
| Attributable to: | | | |
| Equity holders of the Company | | 42,955 | 22,033 |
| Minority interests | | 18,381 | 24,589 |
| | | 61,336 | 46,622 |
| Earnings per share for profit attributable to equity holders of the Company during the period (expressed in HK cents per share) | | | |
| – basic | 10 | 0.612 | 0.313 |
| – diluted | 10 | 0.612 | 0.312 |

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months period ended 30 June 2009

| | Unaudited | |
|---|-------------------------|------------|
| | Six months ended | |
| | 30 June | 31 October |
| | 2009 | 2008 |
| | HK\$'000 | HK\$'000 |
| Profit for the period | 61,336 | 46,622 |
| Other comprehensive income: | | |
| Currency translation differences | 70 | 129,090 |
| Total comprehensive income for the period | 61,406 | 175,712 |
| Attributable to: | | |
| Equity holders of the Company | 43,025 | 135,490 |
| Minority interests | 18,381 | 40,222 |
| | 61,406 | 175,712 |

CONDENSED CONSOLIDATED BALANCE SHEET*As at 30 June 2009*

| | | 30 June 2009 Unaudited HK\$'000 | As at 31 December 2008 Audited HK\$'000 |
|---|-------------|--|--|
| | <i>Note</i> | | |
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | 12 | 4,014,298 | 3,687,937 |
| Land use rights and leasehold land prepayments | 12 | 144,475 | 258,525 |
| Investment properties | 12 | 276,952 | 15,900 |
| Properties under development | 12 | – | 167,429 |
| Intangible assets | 12 | 1,196,860 | 1,192,671 |
| Interests in associated companies | | 222,662 | 218,755 |
| Other long-term deposits and prepayments | | 142,937 | 100,787 |
| Deferred income tax assets | | 32,832 | 31,382 |
| | | 6,031,016 | 5,673,386 |
| Current assets | | | |
| Inventories | | 151,033 | 171,927 |
| Accounts receivable | 13 | 266,948 | 142,932 |
| Prepayments, deposits and other receivables | | 268,901 | 274,301 |
| Other financial assets | | 44,279 | 70,187 |
| Pledged deposits | | 13,590 | 170,491 |
| Cash and cash equivalents | | 612,259 | 481,659 |
| | | 1,357,010 | 1,311,497 |
| Total assets | | 7,388,026 | 6,984,883 |

| | | 30 June 2009 Unaudited HK\$'000 | As at 31 December 2008 Audited HK\$'000 |
|--|-------------|--|--|
| | <i>Note</i> | | |
| EQUITY | | | |
| Capital and reserves attributable to equity holders of the Company | | | |
| Share capital | 14 | 702,010 | 702,010 |
| Share premium | | 3,619,370 | 3,619,370 |
| Reserves | | 285,280 | 242,255 |
| | | 4,606,660 | 4,563,635 |
| Minority interests | | 281,617 | 222,167 |
| Total equity | | 4,888,277 | 4,785,802 |
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Long-term bank and other borrowings | 15 | 1,488,947 | 942,632 |
| Deferred income tax liabilities | | 7,487 | 7,187 |
| | | 1,496,434 | 949,819 |
| Current liabilities | | | |
| Accounts payable | 16 | 74,305 | 82,992 |
| Other payables and accrued charges | | 415,219 | 305,309 |
| Short-term bank borrowings | 15 | 402,466 | 136,429 |
| Current portion of long-term bank and other borrowings | 15 | 104,270 | 713,187 |
| Income tax payable | | 7,055 | 11,345 |
| | | 1,003,315 | 1,249,262 |
| Total liabilities | | 2,499,749 | 2,199,081 |
| Total equity and liabilities | | 7,388,026 | 6,984,883 |
| Net current assets | | 353,695 | 62,235 |
| Total assets less current liabilities | | 6,384,711 | 5,735,621 |

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months period ended 30 June 2009

| | Unaudited | | | | | | |
|---|---|---------------------------|----------------------------|--|-----------------------|--------------------------------|--------------------------|
| | Attributable to equity holders of the Company | | | | | | |
| | Share capital HK\$'000 | Share premium HK\$'000 | Other reserves HK\$'000 | (Accumulated losses)/ retained earnings HK\$'000 | Sub-total HK\$'000 | Minority interests HK\$'000 | Total equity HK\$'000 |
| Balance at 1 May 2008 | 704,368 | 3,629,601 | 237,059 | (138,642) | 4,432,386 | 179,166 | 4,611,552 |
| Profit for the period | - | - | - | 22,033 | 22,033 | 24,589 | 46,622 |
| Currency translation differences | - | - | 113,457 | - | 113,457 | 15,633 | 129,090 |
| Total comprehensive income for the period ended 31 October 2008 | - | - | 113,457 | 22,033 | 135,490 | 40,222 | 175,712 |
| Contribution from a minority shareholder of a subsidiary | - | - | - | - | - | 14,047 | 14,047 |
| Repurchase of shares (Note 14(a)) | (2,358) | (10,231) | 2,358 | (2,358) | (12,589) | - | (12,589) |
| | (2,358) | (10,231) | 2,358 | (2,358) | (12,589) | 14,047 | 1,458 |
| Balance at 31 October 2008 | 702,010 | 3,619,370 | 352,874 | (118,967) | 4,555,287 | 233,435 | 4,788,722 |
| Balance at 1 January 2009 | 702,010 | 3,619,370 | 262,811 | (20,556) | 4,563,635 | 222,167 | 4,785,802 |
| Profit for the period | - | - | - | 42,955 | 42,955 | 18,381 | 61,336 |
| Currency translation differences | - | - | 70 | - | 70 | - | 70 |
| Total comprehensive income for the period ended 30 June 2009 | - | - | 70 | 42,955 | 43,025 | 18,381 | 61,406 |
| Acquisition of a subsidiary (Note 17) | - | - | - | - | - | 3,438 | 3,438 |
| Contribution from a minority shareholder of a subsidiary | - | - | - | - | - | 38,995 | 38,995 |
| Dividend paid to a minority shareholder of a subsidiary | - | - | - | - | - | (1,364) | (1,364) |
| | - | - | - | - | - | 41,069 | 41,069 |
| Balance at 30 June 2009 | 702,010 | 3,619,370 | 262,881 | 22,399 | 4,606,660 | 281,617 | 4,888,277 |

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS*For the six months period ended 30 June 2009*

| | Unaudited | |
|--|-------------------------|------------|
| | Six months ended | |
| | 30 June | 31 October |
| | 2009 | 2008 |
| | HK\$'000 | HK\$'000 |
| Net cash generated from operating activities | 78,125 | 179,546 |
| Net cash used in investing activities | (76,018) | (458,534) |
| Net cash generated from/(used in) financing activities | 128,493 | (10,554) |
| Net increase/(decrease) in cash and cash equivalents | 130,600 | (289,542) |
| Cash and cash equivalents at beginning of period | 481,659 | 1,011,873 |
| Cash and cash equivalents at end of period | 612,259 | 722,331 |
| Analysis of cash and cash equivalents: | | |
| Cash and bank balances | 612,259 | 722,331 |

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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 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 – natural gas and oil power generation, wind power generation, hydro power generation and waste-to-energy power generation. The Group is also engaged in investment holding in clean energy power industry, sale of clean energy power generating equipment and property investments.

This condensed consolidated interim financial information is presented in thousands of Hong Kong dollars (HK\$’000), unless otherwise stated, and have been approved for issue on 16 September 2009.

During the last financial period, the financial year end date of the Company was changed from 30 April to 31 December 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. This condensed consolidated interim financial information covers a period for the six months ended 30 June 2009 whereas the comparative figures presented for the condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity, condensed consolidated statement of cash flows and the related notes cover a period for the six months ended 31 October 2008 as disclosed in the last published interim financial information where relevant. The Board of Directors are of the opinion that it is impractical to restate the relevant comparative figures to cover a period for the six months ended 30 June 2008 as the financial information retained by the Group in relation to certain operations disposed of during the period from January to April 2008 is not sufficient for the purpose of preparing such information in connection with this condensed consolidated interim financial information; further information cannot be obtained after their disposals; and the inclusion of any related financial information in the comparative figures would not be reliable and useful to the users of this condensed consolidated interim financial information.

2 Basis of preparation

The Company has a financial year end date of 31 December. This condensed consolidated interim financial information for the six months period ended 30 June 2009 has been prepared in accordance with HKAS 34 “Interim Financial Reporting”. This condensed consolidated interim financial information should be read in conjunction with the consolidated financial statements for the period ended 31 December 2008, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”).

3 Accounting policies

The accounting policies and method of computation used in the preparation of this condensed consolidated interim financial information are consistent with those used in the annual financial statements for the period ended 31 December 2008, except as mentioned below.

(a) *Effect of adopting new standards and amendments to standards*

The following new standards and amendments to standards are mandatory for the financial year beginning 1 January 2009.

- HKAS 1 (Revised) "Presentation of Financial Statements". The revised standard prohibits the presentation of items of income and expenses (that is "non-owner changes in equity") in the statement of changes in equity, requiring "non-owner changes in equity" to be presented separately from owner changes in equity. All "non-owner changes in equity" are required to be shown in a performance statement.

Entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income).

The Group has elected to present two statements: an income statement and a statement of comprehensive income. The condensed consolidated interim financial information has been prepared under the revised disclosure requirements.

- HKFRS 8 "Operating Segments". HKFRS 8 replaces HKAS 14 "Segment Reporting". It requires a "management approach" under which segment information is presented on the same basis as that used for internal reporting purposes.

Operating segments are reported in manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker has been identified as the executive directors and certain senior management who collectively makes strategic decisions.

Goodwill is allocated by management to groups of cash-generating units on a segment level. Goodwill relating to previous acquisitions remains in the respective segments. There has been no further impact on the measurement of the Group's assets and liabilities.

3 Accounting policies (Continued)

(a) Effect of adopting new standards and amendments to standards (Continued)

- Amendment to HKFRS 7 "Financial instruments: disclosures". The amendments increase the disclosure requirements about fair value measurement and amend the disclosure about liquidity risk. The amendments introduce a three-level hierarchy for fair value measurement disclosures about financial instruments and require some specific quantitative disclosures for those instruments classified in the lowest level in the hierarchy. These disclosures will help to improve comparability between entities about the effects of fair value measurements. In addition, the amendments clarify and enhance the existing requirements for the disclosure of liquidity risk primarily requiring a separate liquidity risk analysis for derivative and non-derivative financial liabilities. They also require a maturity analysis for financial assets where the information is needed to understand the nature and context of liquidity risk. The Group will make additional relevant disclosures in its financial statements for the year ending 31 December 2009.

The following amendments to standards and interpretations are mandatory for the financial year beginning 1 January 2009, but are not currently relevant for the Group:

| | |
|------------------------------------|--|
| HKFRSs (Amendment) | Improvements to HKFRS 2008 [#] |
| HKFRS 1 and HKAS 27 (Amendment) | Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate |
| HKFRS 2 (Amendment) | Share-based Payment Vesting Conditions and Cancellations |
| HKAS 23 (Revised) | Borrowing Costs |
| HKAS 32 and HKAS 1 (Amendments) | Puttable Financial Instrument and Obligation Arising on Liquidation |
| HK(IFRIC)-Int 9 and HKAS 39 | Embedded Derivatives |
| HK(IFRIC)-Int 13 | Customer Loyalty Programmes |
| HK(IFRIC)-Int 15 | Agreements for the Construction of Real Estate |
| HK(IFRIC)-Int 16 | Hedges of a Net Investment in a Foreign Operation |

[#] Effective for the Group for annual period beginning 1 January 2009 except the amendment to HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" which is effective for annual period beginning 1 January 2010.

The adoption of these amendments and interpretations to standards did not result in a significant impact on the result and financial position of the Group.

3 Accounting policies (Continued)

(b) *Amendments to standards and interpretations that have been issued but are not effective*

The following amendments to standards and interpretations have been issued but are not effective and have not been early adopted.

| | |
|---------------------|---|
| HKFRSs (Amendment) | Improvements to HKFRS 2009 ¹ |
| HKAS 27 (Revised) | Consolidated and Separate Financial Statements ¹ |
| HKAS 39 (Amendment) | Eligible Hedged Items ¹ |
| HKFRS 1 (Revised) | First-time Adoption of Hong Kong Financial Reporting Standards ¹ |
| HKFRS 3 (Revised) | Business Combinations ¹ |
| HK(IFRIC)-Int 17 | Distributions of Non-cash Assets to Owners ¹ |
| HK(IFRIC)-Int 18 | Transfer of Assets from Customers ² |

¹ Effective for the Group for annual period beginning 1 January 2010

² Effective for transfer of assets received on or after 1 July 2009

The effect that the adoption of HKFRS 3 (Revised) and 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 business combinations occurring on or after 1 January 2010. The Directors anticipate that the adoption of other amendments to standards and interpretations will not result in a significant impact on the results and financial position of the Group.

4 Revenue, tariff adjustment and segment information

(a) *Revenue and tariff adjustment recognised during the period is as follows:*

| | Unaudited | |
|---|-------------------------|------------|
| | Six months ended | |
| | 30 June | 31 October |
| | 2009 | 2008 |
| | HK\$'000 | HK\$'000 |
| Sales of electricity to provincial power grid companies | 397,950 | 603,476 |
| Heat supply by thermal power plants to other companies | 30,121 | 38,126 |
| Sales of power generating equipment | 33,819 | 61,205 |
| Rubbish handling income | 20,266 | 13,887 |
| Rental income from investment properties | 790 | – |
| Total revenue | 482,946 | 716,694 |
| Tariff adjustment (note) | 78,581 | 344,742 |
| | 561,527 | 1,061,436 |

Note:

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

4 Revenue, tariff adjustment and segment information *(Continued)*

(b) Segment information

The chief operating decision-maker has been identified as the executive directors and certain senior management of the Group (collectively referred to as the "CODM") that make strategic decisions. The CODM reviews the internal reporting of the Group in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

The CODM assesses the performance of the operating segments based on each segment's profit/(loss) before income tax and share of results of associated companies ("segment results").

The Group has the following major segments: power generation, property development and investment, and securities investment.

The Group is principally engaged in the development, construction, ownership and management of clean energy power plants and sale of clean energy power generating equipment in the PRC. The power generation business is further evaluated based on the types of energy generation (natural gas and oil power generation business, wind power generation and related business, hydro power generation business, waste-to-energy power generation business and other power generation business).

The property development and investment segment is engaged in the leasing of properties to generate rental income.

The securities investment segment is engaged in securities trading.

No sales between operating segments are undertaken.

Segment assets exclude interests in associated companies, deferred income tax assets and corporate assets, all of which are managed on a central basis.

Unallocated income mainly refers to interest income earned from cash and cash equivalents held at corporate level. Unallocated expenses mainly refer to general and administrative expenses incurred at corporate level.

Other unallocated assets mainly comprise property, plant and equipment, prepayment, deposits and other receivables, and cash and cash equivalents held at corporate level.

4 Revenue, tariff adjustment and segment information (Continued)

(b) Segment information (Continued)

The segment information provided to the CODM for the reportable segments for the six months ended 30 June 2009 and 31 October 2008 is as follows:

| | Power generation | | | | | | | Unallocated | Total |
|--|---|--|---------------------------------|---|---------------------------------|-------------------------------------|-----------------------|-------------|----------------|
| | Natural gas and oil power generation business | Wind power generation and related business | Hydro power generation business | Waste-to-energy power generation business | Other power generation business | Property development and investment | Securities investment | | |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | |
| For the six months ended 30 June 2009 | | | | | | | | | |
| Segment revenue | 172,026 | 99,305 | 63,587 | 70,503 | 76,735 | 790 | - | - | 482,946 |
| Tariff adjustment | 78,581 | - | - | - | - | - | - | - | 78,581 |
| | <u>250,607</u> | <u>99,305</u> | <u>63,587</u> | <u>70,503</u> | <u>76,735</u> | <u>790</u> | <u>-</u> | <u>-</u> | <u>561,527</u> |
| Results of reportable segments | <u>39,586</u> | <u>17,075</u> | <u>17,228</u> | <u>10,308</u> | <u>1,289</u> | <u>1,499</u> | <u>13,271</u> | <u>-</u> | <u>100,256</u> |
| A reconciliation of results of reportable segments to profit for the period is as follows: | | | | | | | | | |
| Results of reportable segments | | | | | | | | | 100,256 |
| Unallocated income | | | | | | | | | 605 |
| Unallocated expenses | | | | | | | | | (27,508) |
| Share of losses of associated companies | | | | | | | | | (970) |
| Profit before income tax | | | | | | | | | <u>72,383</u> |
| Income tax | | | | | | | | | (11,047) |
| Profit for the period | | | | | | | | | <u>61,336</u> |
| Segment results included: | | | | | | | | | |
| Depreciation and amortisation, net | 25,570 | 26,270 | 24,507 | 10,688 | 8,767 | 399 | 128 | 1,705 | 98,034 |
| Interest income | 294 | 100 | 274 | 49 | 11 | 70 | 600 | 479 | 1,877 |
| Interest expense | (18,646) | (22,109) | (1,136) | (4,290) | (5,725) | (47) | - | (203) | (52,156) |

4 Revenue, tariff adjustment and segment information (Continued)

(b) Segment information (Continued)

| | Power generation | | | | | | | Unallocated | Total |
|--|---|--|---------------------------------|---|---------------------------------|-------------------------------------|-----------------------|-------------|------------------|
| | Natural gas and oil power generation business | Wind power generation and related business | Hydro power generation business | Waste-to-energy power generation business | Other power generation business | Property development and investment | Securities investment | | |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| For the six months ended 31 October 2008 | | | | | | | | | |
| Segment revenue | 391,414 | 94,488 | 91,032 | 77,488 | 62,272 | - | - | - | 716,694 |
| Tariff adjustment | 344,742 | - | - | - | - | - | - | - | 344,742 |
| | <u>736,156</u> | <u>94,488</u> | <u>91,032</u> | <u>77,488</u> | <u>62,272</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>1,061,436</u> |
| Results of reportable segments | 131,701 | 14,300 | 35,036 | 491 | (14,512) | (1,048) | (79,414) | - | 86,554 |
| A reconciliation of results of reportable segments to profit for the period is as follows: | | | | | | | | | |
| Results of reportable segments | | | | | | | | | 86,554 |
| Unallocated income | | | | | | | | | 3,615 |
| Unallocated expenses | | | | | | | | | (38,450) |
| Share of profits of associated companies | | | | | | | | | 1,810 |
| Profit before income tax | | | | | | | | | 53,529 |
| Income tax | | | | | | | | | (6,907) |
| Profit for the period | | | | | | | | | <u>46,622</u> |
| Segment results included: | | | | | | | | | |
| Depreciation and amortisation, net | 24,563 | 15,835 | 19,090 | 11,384 | 5,347 | 117 | 128 | 1,691 | 78,155 |
| Interest income | - | 167 | 595 | 103 | 15 | 96 | 1,314 | 2,503 | 4,792 |
| Interest expense | (32,070) | (18,734) | - | (6,247) | (4,197) | - | - | (482) | (61,730) |

4 Revenue, tariff adjustment and segment information (Continued)

(b) Segment information (Continued)

| | Power generation | | | | | | | Unallocated HK\$'000 | Total HK\$'000 |
|---|---|--|--|--|--|--|--------------------------------------|-------------------------|-------------------|
| | Natural gas and oil power generation business HK\$'000 | Wind power generation and related business HK\$'000 | Hydro power generation business HK\$'000 | Waste-to- energy power generation business HK\$'000 | Other power generation business HK\$'000 | Property development and investment HK\$'000 | Securities investment HK\$'000 | | |
| As at 30 June 2009 | | | | | | | | | |
| Segment assets | 1,907,852 | 1,726,188 | 1,609,706 | 850,402 | 315,615 | 393,585 | 295,348 | - | 7,098,696 |
| Interests in associated companies | | | | | | | | 222,662 | 222,662 |
| Deferred income tax assets | | | | | | | | 32,832 | 32,832 |
| Other unallocated assets | | | | | | | | 33,836 | 33,836 |
| Total assets per consolidated balance sheet | | | | | | | | | <u>7,388,026</u> |
| Additions to non-current assets | 19,616 | 6,559 | 283,101 | 142,536 | 3,392 | 41,757 | - | - | 496,961 |
| As at 31 December 2008 | | | | | | | | | |
| Segment assets | 1,895,081 | 1,787,278 | 1,339,097 | 704,898 | 315,008 | 515,859 | 145,051 | - | 6,702,272 |
| Interests in associated companies | | | | | | | | 218,755 | 218,755 |
| Deferred income tax assets | | | | | | | | 31,382 | 31,382 |
| Other unallocated assets | | | | | | | | 32,474 | 32,474 |
| Total assets per consolidated balance sheet | | | | | | | | | <u>6,984,883</u> |
| Additions to non-current assets | 1,502 | 251,395 | 59,841 | 97,149 | 1,273 | 61,205 | - | - | 472,365 |

Substantially all of the Group's revenue and assets are generated or located in the PRC except that cash and cash equivalents held at corporate level of HK\$251,073,000 (31 December 2008: HK\$205,445,000) were deposited in Hong Kong, investment property of HK\$16,600,000 (31 December 2008: HK\$15,900,000) were situated in Hong Kong and certain other financial assets in the amount of HK\$44,279,000 (31 December 2008: HK\$44,037,000) were relating to equity securities listed in Hong Kong.

4 Revenue, tariff adjustment and segment information (Continued)

(b) Segment information (Continued)

For the six months ended 30 June 2009, external revenue of approximately HK\$345,724,000 (six months ended 31 October 2008: HK\$469,162,000) is generated from three (six months ended 31 October 2008: two) major customers, each of which accounts for 10% or more of the Group's external revenue. The revenue is attributable to the power generation segment.

5 Other income

| | Unaudited | |
|---|-------------------------|------------|
| | Six months ended | |
| | 30 June | 31 October |
| | 2009 | 2008 |
| | HK\$'000 | HK\$'000 |
| Government grants (note) | 4,207 | – |
| Refund of value added tax (note) | 10,163 | 7,227 |
| Repairs and maintenance services fee income | 2,103 | 5,224 |
| Others | 1,386 | – |
| | 17,859 | 12,451 |

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.

6 Other gains, net

| | Unaudited | |
|---|-------------------------|------------|
| | Six months ended | |
| | 30 June | 31 October |
| | 2009 | 2008 |
| | HK\$'000 | HK\$'000 |
| Sales of wastage | 2,499 | 1,391 |
| Fair value gain on investment properties | 2,758 | – |
| Gain on disposal of property, plant and equipment | 235 | – |
| Dividend income | – | 880 |
| Gain on disposal of a subsidiary, net | 62 | – |
| Others | 806 | 1,406 |
| | 6,360 | 3,677 |

7 Operating profit

Operating profit is stated after charging the following:

| | Unaudited Six months ended | |
|---|---------------------------------------|--------------------------------|
| | 30 June 2009 HK\$'000 | 31 October 2008 HK\$'000 |
| Amortisation of land use rights and leasehold land prepayments | 2,938 | 2,561 |
| Less: Amounts capitalised in properties under development | (1,348) | (1,618) |
| | 1,590 | 943 |
| Amortisation of intangible assets | 621 | 541 |
| Depreciation of property, plant and equipment | 95,823 | 76,671 |
| Operating lease rental in respect of leasehold land and buildings | 5,352 | 4,339 |
| Provision for other receivables | 8,222 | – |
| Direct outgoings in respect of rental income | 359 | – |

8 Finance costs, net

| | Unaudited Six months ended | |
|--|---------------------------------------|--------------------------------|
| | 30 June 2009 HK\$'000 | 31 October 2008 HK\$'000 |
| Interest income from | | |
| – bank deposits | 1,864 | 4,343 |
| – others | 13 | 449 |
| | 1,877 | 4,792 |
| Interest expense on | | |
| – bank borrowings not wholly repayable within five years | (21,719) | (20,162) |
| – bank borrowings wholly repayable within five years | (19,545) | (10,589) |
| – other borrowings wholly repayable within five years | (12,420) | (29,502) |
| – loan from a minority shareholder of a subsidiary | (3,165) | (8,815) |
| | (56,849) | (69,068) |
| Less: Amounts capitalised in property, plant and equipment | 4,693 | 7,338 |
| | (52,156) | (61,730) |
| Finance costs, net | (50,279) | (56,938) |

9 Income tax

No Hong Kong profits tax has been provided for as the Group did not have any assessable profit in Hong Kong for the six months period ended 30 June 2009 (six months ended 31 October 2008: Nil).

The provision for PRC corporate income tax is calculated based on the statutory tax rate of 25% (six months ended 31 October 2008: 25%) on the estimated assessable income for the period except that 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 income tax charged to the condensed consolidated income statement represents:

| | Unaudited | |
|------------------------|-------------------------|------------|
| | Six months ended | |
| | 30 June | 31 October |
| | 2009 | 2008 |
| | HK\$'000 | HK\$'000 |
| PRC current income tax | 10,747 | 6,357 |
| Deferred income tax | 300 | 550 |
| | 11,047 | 6,907 |

10 Earnings per share

- (a) The calculation of basic earnings per share is based on the profit attributable to equity holders of the Company of HK\$42,955,000 (six months ended 31 October 2008: HK\$22,033,000) and weighted average number of ordinary shares in issue during the period of 7,020,100,000 (six months ended 31 October 2008: 7,037,473,261).
- (b) Diluted earnings per share for the six months ended 30 June 2009 equals to the basic earnings per share as the potential ordinary shares outstanding during the period has an anti-dilutive effect on the basic earnings per share for the period.

Diluted earnings per share for the six months ended 31 October 2008 is calculated based on the profit attributable to equity holders of the Company of HK\$22,033,000, and the weighted average number of ordinary shares of 7,037,473,261 which is the weighted average number of shares in issue during the period plus the weighted average number of dilutive potential ordinary shares of 15,833,760 deemed to be issued at nil consideration if all outstanding options had been exercised.

11 Interim dividend

The Board of Directors of the Company does not recommend the payment of an interim dividend for the six months period ended 30 June 2009 (six months ended 31 October 2008: Nil).

12 Capital expenditure

| | Property, plant and equipment HK\$'000 | Land use rights and leasehold land prepayments HK\$'000 | Investment properties HK\$'000 | Properties under development HK\$'000 | Intangible assets HK\$'000 |
|--|---|--|--------------------------------------|--|----------------------------------|
| Six months ended | | | | | |
| 31 October 2008 | | | | | |
| Balance at 1 May 2008 | 3,229,611 | 257,003 | 18,400 | 85,892 | 1,104,689 |
| Additions | 306,515 | 578 | - | 60,850 | - |
| Disposals | (1,853) | - | - | - | - |
| Depreciation and amortisation | (76,671) | (2,561) | - | - | (541) |
| Exchange differences | 68,104 | (786) | - | 5,191 | 71,689 |
| Balance at 31 October 2008 | 3,525,706 | 254,234 | 18,400 | 151,933 | 1,175,837 |
| Six months ended | | | | | |
| 30 June 2009 | | | | | |
| Balance at 1 January 2009 | 3,687,937 | 258,525 | 15,900 | 167,429 | 1,192,671 |
| Additions | 191,050 | 147 | - | 41,743 | 2,289 |
| Acquisition of a subsidiary (Note 17) | 217,061 | - | - | - | 2,521 |
| Disposals | (220) | - | - | - | - |
| Refund of value-added tax (note) | (46,926) | - | - | - | - |
| Disposal of a subsidiary | (918) | - | - | - | - |
| Depreciation and amortisation | (95,823) | (2,938) | - | - | (621) |
| Reclassification | 62,137 | (111,259) | 258,294 | (209,172) | - |
| Increase in fair value | - | - | 2,758 | - | - |
| Balance at 30 June 2009 | 4,014,298 | 144,475 | 276,952 | - | 1,196,860 |

Note:

During the period, refund of value-added tax was received by the Group from the relevant government authorities in respect of its purchase of certain depreciable assets. Consequently, the amounts have been deducted from the carrying amount of the relevant assets of the Group.

13 Accounts receivable

| | As at | |
|--------------------------------|--------------------------------------|---------------------------------|
| | 30 June 2009 HK\$'000 | 31 December 2008 HK\$'000 |
| Accounts receivable (Note (a)) | 264,530 | 142,204 |
| Notes receivable (Note (b)) | 2,418 | 728 |
| | 266,948 | 142,932 |

The carrying values of accounts receivable approximate their fair values due to their short maturities. Substantially all accounts receivable are denominated in Renminbi.

Notes:

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

| | As at | |
|---------------|--------------------------------------|---------------------------------|
| | 30 June 2009 HK\$'000 | 31 December 2008 HK\$'000 |
| 1 to 3 months | 229,524 | 126,666 |
| 4 to 6 months | 31,178 | 15,538 |
| Over 6 months | 3,828 | – |
| | 264,530 | 142,204 |

- (b) Notes receivable represent commercial acceptance notes and are with maturity period of 90 days (31 December 2008: 180 to 360 days).

14 Share capital(a) *Authorised and issued capital*

| | Number of shares '000 (HK\$ 0.1 each) | Nominal value HK\$'000 |
|--|--|--------------------------------------|
| Authorised: | | |
| At 1 April 2008, 31 October 2008, 31 December 2008 and 30 June 2009 | 10,000,000 | 1,000,000 |
| Issued and fully paid: | | |
| At 1 April 2008 | 7,043,680 | 704,368 |
| Repurchase of shares (note) | (23,580) | (2,358) |
| At 31 October 2008, 31 December 2008 and 30 June 2009 | 7,020,100 | 702,010 |

Note:

During the six months ended 31 October 2008, the Company repurchased a total of 23,580,000 of its own shares on the Stock Exchange at prices ranging from HK\$0.46 to HK\$0.60 per share, for an aggregate consideration, before expenses, of approximately HK\$12,589,000. The shares repurchased were cancelled and an amount equivalent to the nominal value of these shares of HK\$2,358,000 were transferred from the Company's accumulated losses to the capital redemption reserve. The premium paid on the repurchased shares were charged against share premium.

14 Share capital (Continued)(b) *Share option scheme*

Details of the options granted under the share option scheme of the Company outstanding as at 30 June 2009 and 31 December 2008 are as follows:

| | Date of grant | Expiry date | Exercise price | Number of shares subject to the options | |
|---------------------------------------|---------------|--------------|----------------|---|------------------|
| | | | | 30 June 2009 | 31 December 2008 |
| Directors | 9 March 2007 | 8 March 2017 | HK\$0.630 | 30,000,000 | 30,000,000 |
| | 8 June 2007 | 7 June 2017 | HK\$0.836 | 59,000,000 | 59,000,000 |
| | | | | 89,000,000 | 89,000,000 |
| | | | | ----- | ----- |
| Senior management and other employees | 9 March 2007 | 8 March 2017 | HK\$0.630 | 120,000,000 | 120,000,000 |
| | 8 June 2007 | 7 June 2017 | HK\$0.836 | 25,000,000 | 25,000,000 |
| | | | | 145,000,000 | 145,000,000 |
| | | | | ----- | ----- |
| | | | | 234,000,000 | 234,000,000 |
| | | | | ----- | ----- |

No options were exercised or lapsed during the period (six months ended 31 October 2008: Nil).

15 Bank and other borrowings

Bank and other borrowings are analysed as follows:

| | As at | |
|---|--|--|
| | 30 June 2009 Unaudited HK\$'000 | 31 December 2008 Audited HK\$'000 |
| <hr/> | | |
| Non-current | | |
| Long-term bank borrowings, secured (Note (a)) | 577,958 | 10,710 |
| Long-term bank borrowings, unsecured (Note (b)) | 712,842 | 844,724 |
| Loan from a minority shareholder of a subsidiary, unsecured (Note (c)) | 112,554 | 112,554 |
| Long-term other borrowings, secured (Note (d)) | 155,756 | – |
| Long-term other borrowings, unsecured (Note (e)) | 34,107 | 687,831 |
| | <hr/> 1,593,217 <hr/> | <hr/> 1,655,819 <hr/> |
| Less: current portion of long-term bank borrowings | | |
| – secured | (11,043) | (345) |
| – unsecured | (93,227) | (59,118) |
| current portion of long-term other borrowings, unsecured | <hr/> – | <hr/> (653,724) |
| | <hr/> (104,270) <hr/> | <hr/> (713,187) <hr/> |
| | <hr/> 1,488,947 <hr/> | <hr/> 942,632 <hr/> |
| Current | | |
| Short-term bank borrowings, secured (Note (f)) | 22,737 | 113,691 |
| Short-term bank borrowings, unsecured | 379,729 | 22,738 |
| | <hr/> 402,466 <hr/> | <hr/> 136,429 <hr/> |
| Current portion of long-term borrowings | 104,270 | 713,187 |
| | <hr/> 506,736 <hr/> | <hr/> 849,616 <hr/> |
| Total borrowings | <hr/> 1,995,683 <hr/> | <hr/> 1,792,248 <hr/> |

15 Bank and other borrowings (Continued)

Movements in bank and other borrowings are analysed as follows:

| | Unaudited | |
|--------------------------------|-------------------------|------------------|
| | Six months ended | |
| | 30 June | 31 October |
| | 2009 | 2008 |
| | HK\$'000 | HK\$'000 |
| Balance at beginning of period | 1,792,248 | 1,782,504 |
| Additions | 1,113,035 | 312,370 |
| Repayments | (909,600) | (231,895) |
| Exchange differences | – | 29,960 |
| Balance at end of period | <u>1,995,683</u> | <u>1,892,939</u> |

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

| | As at | |
|--|-------------------------|------------------|
| | 30 June | 31 December |
| | 2009 | 2008 |
| | Unaudited | Audited |
| | HK\$'000 | HK\$'000 |
| Wholly repayable within five years | 212,601 | 170,537 |
| Not wholly repayable within five years | <u>1,380,616</u> | <u>1,485,282</u> |
| | <u>1,593,217</u> | <u>1,655,819</u> |

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

| | As at | |
|----------------------------|-------------------------|------------------|
| | 30 June | 31 December |
| | 2009 | 2008 |
| | Unaudited | Audited |
| | HK\$'000 | HK\$'000 |
| Within one year | 104,270 | 713,187 |
| In the second year | 85,341 | 93,570 |
| In the third to fifth year | 431,094 | 290,950 |
| After the fifth year | <u>972,512</u> | <u>558,112</u> |
| | <u>1,593,217</u> | <u>1,655,819</u> |

Except for the long-term bank borrowings of HK\$10,502,000 (31 December 2008: HK\$10,710,000) which are denominated in HK\$, all borrowings are denominated in Renminbi.

15 Bank and other borrowings (Continued)

All of the bank and other borrowings are interest bearing at floating rates. The effective interest rate of the Group's HK\$-denominated long-term bank borrowing is 1.83% (31 December 2008: 2.43%) per annum. The effective interest rates of the Group's RMB-denominated bank and other borrowings are as follows:

| | As at | |
|--|---------------------------------------|--------------------------------|
| | 30 June 2009 Unaudited | 31 December 2008 Audited |
| Long-term bank borrowings | 5.42% | 5.41% |
| Loan from a minority shareholder of a subsidiary | 5.47% | 5.76% |
| Long-term other borrowings | 5.33% | 5.69% |
| Short-term bank borrowings | 4.70% | 5.06% |

Notes:

- (a) Secured long-term bank borrowings are secured by:
- certain investment properties of the Group with a carrying amount of HK\$16,600,000 (31 December 2008: HK\$15,900,000);
 - certain property, plant and equipment of the Group with a carrying amount of HK\$521,340,000 (31 December 2008: Nil); and
 - personal guarantee given by a key management of the Company.
- (b) Unsecured long-term bank borrowings to the extent of HK\$662,818,000 (31 December 2008: HK\$844,724,000) are guaranteed by a shareholder, China Power International Holding Limited.
- (c) The loan from a minority shareholder of a subsidiary is unsecured and repayable on 31 July 2012.
- (d) Secured long-term other borrowings represent borrowings obtained from certain PRC local financial bureaus and are secured by:
- certain leasehold land prepayments and buildings with a carrying amount of HK\$80,249,000 (31 December 2008: Nil); and
 - certain property, plant and equipment of the Group with a carrying amount of HK\$147,798,000 (31 December 2008: Nil).
- (e) Unsecured 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.

15 Bank and other borrowings (Continued)

Notes: (Continued)

- (f) As at 30 June 2009, short-term bank borrowings of HK\$22,737,000 are secured by certain property, plant and equipment of the Group with a carrying amount of HK\$212,910,000.

As at 31 December 2008, short-term bank borrowings of HK\$113,691,000 were secured by a bank deposit of the Group amounting to HK\$150,000,000; the 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.

16 Accounts payable

| | As at | |
|-----------------------------|-----------------------------|---------------------------------|
| | 30 June 2009 HK\$'000 | 31 December 2008 HK\$'000 |
| Accounts payable (Note (a)) | 49,000 | 23,876 |
| Notes payable (Note (b)) | 25,305 | 59,116 |
| | 74,305 | 82,992 |

The carrying amounts of accounts payable approximate their fair values due to their short maturities. Substantially all accounts payable are denominated in Renminbi.

Notes:

- (a) The ageing analysis of accounts payable is as follows:

| | As at | |
|----------------|-----------------------------|---------------------------------|
| | 30 June 2009 HK\$'000 | 31 December 2008 HK\$'000 |
| 1 to 6 months | 45,028 | 22,847 |
| 7 to 12 months | 2,674 | 666 |
| Over 1 year | 1,298 | 363 |
| | 49,000 | 23,876 |

16 Accounts payable (Continued)

Notes: (Continued)

- (b) Notes payable are normally with maturity period of 120 to 180 days (31 December 2008: 90 to 180 days). As at 30 June 2009, notes payable of HK\$25,305,000 (31 December 2008: HK\$57,414,000) were drawn under the banking facilities which were secured by a bank deposit of the Group amounting to HK\$13,590,000 (31 December 2008: HK\$20,491,000) and a corporate guarantee given by a minority shareholder of a subsidiary.

17 Business combinations

Effective from 16 March 2009, the Group acquired 51% equity interest in 漳平市華口水電有限公司 (Zhangping Huakou Hydro Power Company Limited ("Huakou")) from certain independent third parties to the Group. The total consideration for the acquisition is RMB62,200,000 (equivalent to approximately HK\$70,716,000).

The acquired business contributed no revenue or loss to the Group for the period from 16 March 2009 to 30 June 2009. If the acquisition had occurred on 1 January 2009, no revenue or loss would have been contributed to the Group for the period.

Details of net assets acquired and goodwill arising are as follows:

| | HK\$'000 |
|--|-----------------|
| Purchase consideration: | |
| – Cash paid | 5,798 |
| – Assignment of shareholders' loans | 64,918 |
| – Direct costs relating to the acquisition | 300 |
| | <hr/> |
| Total purchase consideration | 71,016 |
| Fair value of net assets acquired – shown as below | (68,495) |
| | <hr/> |
| Goodwill | 2,521 |
| | <hr/> |

17 Business combinations (Continued)

Details of net assets acquired and goodwill arising are as follows: (Continued)

| | Acquiree's carrying amount HK\$'000 | Fair value HK\$'000 |
|--|--|------------------------|
| Property, plant and equipment | 222,865 | 217,061 |
| Deferred income tax assets | – | 1,451 |
| Prepayments, deposits and other receivables | 12,959 | 12,958 |
| Cash and cash equivalents | 26,654 | 26,654 |
| Other payables and accrued charges | (28,503) | (28,503) |
| Amount due to a minority shareholder | (157,688) | (157,688) |
| Minority interests | (5,571) | (3,438) |
| Net assets acquired, at fair value | 70,716 | 68,495 |
| Purchase consideration | | 71,016 |
| Cash and cash equivalents in subsidiary acquired | | (26,654) |
| Cash outflow on acquisition | | 44,362 |

During the period, the above acquisition was completed and the Group commenced to account for the business combination from the effective date when the Group gained control over the company. As at the date of this interim report, the initial accounting for the acquisition is determined on a provisional basis as the allocation of fair value to the identifiable assets and liabilities of the acquisition is still progressing. Adjustments to those provisional values of identifiable assets and liabilities, including any additional depreciation, amortisation, and other profit or loss effect, if any, will be recognised on completion of the initial accounting.

There were no acquisitions in the six months period ended 31 October 2008.

18 Commitments*(a) Capital commitments*

Capital expenditure at the balance sheet date but not yet incurred is as follows:

| | As at 30 June 2009 HK\$'000 | 31 December 2008 HK\$'000 |
|---|--------------------------------------|---------------------------------|
| Contracted but not provided for in respect of | | |
| – property, plant and equipment | 316,432 | 221,287 |
| – investment in an associated company | – | 1,688 |
| – construction for properties under development | – | 34,592 |
| | 316,432 | 257,567 |

18 Commitments (Continued)(b) *Commitments under operating leases*

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

| | As at | |
|---|--------------------------------------|---------------------------------|
| | 30 June 2009 HK\$'000 | 31 December 2008 HK\$'000 |
| Land and buildings | | |
| Not later than one year | 7,086 | 6,794 |
| Later than one year and not later than five years | 8,328 | 8,602 |
| Later than five years | – | 3,043 |
| | 15,414 | 18,439 |

Generally, the Group's operating leases are for terms of 1 to 3 years.

(c) *Future operating lease agreements*

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

| | As at | |
|---|--------------------------------------|---------------------------------|
| | 30 June 2009 HK\$'000 | 31 December 2008 HK\$'000 |
| Land and buildings | | |
| Not later than one year | 3,277 | – |
| Later than one year and not later than five years | 10,046 | – |
| Later than five years | 8,993 | – |
| | 22,316 | – |

Generally, the Group's operating leases are for terms of 1 to 10 years.

19 Related party transactions

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 this condensed consolidated interim financial information.

(i) Transactions with related parties

| | Unaudited | |
|--|-------------------------|------------|
| | Six months ended | |
| | 30 June | 31 October |
| | 2009 | 2008 |
| | HK\$'000 | HK\$'000 |
| Interest expense to a minority shareholder of a subsidiary | 3,165 | 8,815 |

Interest expense to a minority shareholder of a subsidiary was charged on outstanding loan balance at 5.47% (six months ended 31 October 2008: 5.76%) per annum.

(ii) Period-end balances with related parties

| | | As at | |
|--|-------------|------------------|-------------|
| | | 30 June | 31 December |
| | | 2009 | 2008 |
| | | Unaudited | Audited |
| | <i>Note</i> | HK\$'000 | HK\$'000 |
| Included in: | | | |
| <u>Other receivables</u> | | | |
| Amounts due from a shareholder and certain of its subsidiaries | <i>(a)</i> | 6,885 | 20,233 |
| Amounts due from minority shareholders of certain subsidiaries | <i>(a)</i> | 55,648 | 52,719 |
| Loan to an associated company | <i>(b)</i> | 28,422 | 28,422 |
| Amount due from CPI Finance Company ("CPIF") | <i>(c)</i> | 385 | 23,071 |
| <u>Other payables</u> | | | |
| Amounts due to a shareholder and certain of its subsidiaries | <i>(a)</i> | 1,502 | 1,502 |
| Amounts due to minority shareholders of certain subsidiaries | <i>(a)</i> | 108,459 | 28,186 |
| <u>Bank and other borrowings</u> | | | |
| Loan from a minority shareholder of a subsidiary | <i>(d)</i> | 112,554 | 112,554 |

19 Related party transactions (Continued)(ii) *Period-end balances with related parties* (Continued)

Notes:

- (a) Except for an amount due from a shareholder of HK\$13,347,000 as at 31 December 2008 which carried interest at floating rates based on daily bank deposit rates, the balances with these related parties are unsecured, interest-free and repayable on demand.
- (b) The loan to an associated company is unsecured, carries interest at 6.138% (31 December 2008: 6.138%) per annum and is repayable on 16 December 2009.
- (c) The amount due from CPIF, a fellow subsidiary of a shareholder, is unsecured, carries interest at 0.36% (31 December 2008: 3.42%) per annum and is repayable on demand.
- (d) Loan from a minority shareholder of a subsidiary is unsecured, carries interest at 5.47% (31 December 2008: 5.76%) per annum and is repayable by 31 July 2012.

(iii) *Key management compensation*

| | Unaudited | |
|---|-------------------------|------------|
| | Six months ended | |
| | 30 June | 31 October |
| | 2009 | 2008 |
| | HK\$'000 | HK\$'000 |
| Basic salaries, housing allowance, other allowances, discretionary bonus and benefits in kind | 4,663 | 3,993 |
| Employer's contributions to pension schemes | 24 | 18 |
| | 4,687 | 4,011 |

REPORT ON REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

PRICEWATERHOUSECOOPERS 

羅兵咸永道會計師事務所

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REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF CHINA POWER NEW ENERGY DEVELOPMENT COMPANY LIMITED

(Incorporated in Bermuda with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated interim financial information set out on pages 21 to 50, which comprises the condensed consolidated balance sheet of China Power New Energy Development Company Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2009 and the related condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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



**REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION
TO THE BOARD OF DIRECTORS OF
CHINA POWER NEW ENERGY DEVELOPMENT COMPANY LIMITED** *(Continued)*
(Incorporated in Bermuda with limited liability)

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial information is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 16 September 2009