The following is the text of a report, prepared for the purpose of incorporation in this document, received from the independent reporting accountants, KPMG, Certified Public Accountants, Hong Kong. As described in the section headed "Documents Delivered to the Registrar of Companies in Hong Kong and Available for Inspection" in Appendix XI to this document, a copy of the following accountants' report is available for inspection.

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

[●] 2009

The Directors
China Longyuan Power Group Corporation Limited

Dear Sirs,

INTRODUCTION

We set out below our report on the financial information relating to China Longyuan Power Group Corporation Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group"), including the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements of the Group for each of the years ended December 31, 2006, 2007 and 2008, and the six months ended June 30, 2009 (the "Track Record Period"), and the consolidated balance sheets of the Group as at December 31, 2006, 2007 and 2008 and June 30, 2009, together with the notes thereto (the "Financial Information") for inclusion in the document of the Company dated [●] (the "Document").

The Company was established as a joint stock company with limited liability in the People's Republic of China (the "PRC") on July 9, 2009 as part of the reorganization (the "Reorganization") of China Longyuan Electric Power Group Corporation ("CLEPG"), a state-owned enterprise, as described in Section A below. CLEPG was the holding company of the subsidiaries now comprising the Group prior to the Reorganization. Pursuant to the Reorganization, CLEPG was converted into a joint stock company, namely China Longyuan Power Group Corporation Limited, i.e. the Company, the details of which are set out in Section A below. The registered office of the Company is located at Room 1206, 12th Floor, No. 7 Baishiqiao Street, Haidian District, Beijing, the PRC.

As at the date of this report, no audited financial statements have been prepared for the Company and its overseas investment holding subsidiary, Hero Asia (BVI) Company Limited, for each of the three years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009 as the Company was newly established in 2009 and Hero Asia (BVI) Company Limited is not subject to statutory audit requirements under the relevant rules and regulations in its jurisdiction of incorporation. We have, however, reviewed all significant transactions undertaken by these two companies during the Track Record Period, or where the companies were established at a date later than January 1, 2006, for the period from the date of incorporation to June 30, 2009, for the purpose of this report.

The statutory financial statements of CLEPG and the PRC subsidiaries now comprising the Group as set out in Section A below for the years ended December 31, 2006, 2007 and 2008 were prepared in accordance with the relevant accounting rules and regulations applicable to enterprises established in the PRC and were audited by RSM China Certified Public Accountants Co., Ltd. (中瑞岳華會計師事務所) (formerly Yuehua Certified Public Accountant Co., Ltd. (岳華會計師事務所)), a certified public accounting firm registered in the PRC. The financial statements of Hero Asia Investment Limited for the years ended

December 31, 2006, 2007 and 2008 were prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and were audited by Fok Chan Leung Wan Certified Public Accountants Co., Ltd., a certified public accounting firm registered in Hong Kong.

BASIS OF PREPARATION

The Financial Information has been prepared by the directors of the Company based on the audited financial statements, or where appropriate, unaudited management accounts, on the basis set out in Section A below, after making such adjustments as are appropriate. Adjustments have been made, for the purpose of this report, to restate these financial statements to conform with the accounting policies set out in section C, which are in accordance with International Financial Reporting Standards ("IFRSs") promulgated by the International Accounting Standards Board (the "IASB"), the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). IFRSs include International Accounting Standards and interpretations.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND REPORTING ACCOUNTANTS

The directors of the Company are responsible for the preparation and the true and fair presentation of the Financial Information in accordance with IFRSs promulgated by the IASB, the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Listing Rules. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the Financial Information that is free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Our responsibility is to form an opinion on the Financial Information based on our audit procedures.

BASIS OF OPINION

As a basis for forming an opinion on the Financial Information, for the purpose of this report, we have carried out appropriate audit procedures in respect of the Financial Information for the Track Record Period in accordance with Hong Kong Standards on Auditing issued by the HKICPA and have carried out such additional procedures as we considered necessary in accordance with the Auditing Guideline "Prospectuses and the Reporting Accountant" (Statement 3.340) issued by the HKICPA. Those standards require that we comply with ethical requirements and plan and perform our work to obtain reasonable assurance as to whether the Financial Information is free from material misstatement.

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

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

We have not audited any financial statements of the companies now comprising the Group or the Financial Information of the Group in respect of any period subsequent to June 30, 2009.

OPINION

In our opinion, for the purpose of this report, all adjustments considered necessary have been made and the Financial Information, on the basis of presentation set out in Section A below and in accordance with the accounting policies set out in Section C below, gives a true and fair view of the Group's consolidated results and cash flows for the Track Record Period, and of the Group's consolidated state of affairs as at December 31, 2006, 2007 and 2008 and June 30, 2009.

CORRESPONDING FINANCIAL INFORMATION

For the purpose of this report, we have also reviewed the unaudited corresponding interim financial information of the Group comprising the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the six months ended June 30, 2008, together with the notes thereon (the "Corresponding Interim Financial Information"), for which the directors are responsible, 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 HKICPA. Our responsibility is to express a conclusion on the Corresponding Interim Financial Information based on our review.

A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion on the Corresponding Interim Financial Information.

Based on our review, for the purpose of this report, nothing has come to our attention that causes us to believe that the Corresponding Interim Financial Information is not prepared, in all material respects, in accordance with the same basis adopted in respect of the Financial Information.

A BASIS OF PRESENTATION

The Company was established in the PRC on July 9, 2009 as a joint stock company with limited liability as part of the Reorganization of CLEPG. The Company and its subsidiaries (the "Group") are mainly engaged in wind and coal power generation and sale and other related business. Prior to the establishment of the Company, CLEPG was the holding company of the subsidiaries now comprising the Group, and was wholly-owned by China Guodian Group Corporation ("Guodian"). In substance, the Company replaced CLEPG as the holding company of CLEPG's subsidiaries. As part of the plan of the Reorganization, in September 2008, CLEPG carved out certain assets and liabilities which do not meet the Group's strategic operation plans to Guodian. The details of the carve-out are:

(i) Transferred certain equity interests in the following associates and other entities which mainly carry out coal power generation and other related business to Guodian at nil consideration:

Name of company	Attributable equity interests
Guodian Electricity Development Joint Stock Co., Ltd. 國電電力發展股份有限公司	7.45%
Guodian Science Technology Environmental Protection Group Co., Ltd. 國電科技環保集團有限公司	6%
Zhejiang Zheneng Leqing Power Generation Co., Ltd. 浙江浙能樂清發電有限責任公司	23%
Guotou Beibuwan Power Generation Co., Ltd. 國投北部灣發電有限公司	18%
Anhui Anqing Wanjiang Power Generation Co., Ltd. 安徽安慶皖江發電有限責任公司	20%
Jiangxi Jingdezhen Power Generation Co., Ltd. 江西景德鎮發電有限責任公司	20%

(ii) Guodian assumed the liabilities of supplementary pension subsidies for employees retired prior to September 30, 2008; and

(iii) Transferred certain receivables to Guodian at nil consideration.

The carrying amounts of equity interests and receivables transferred to Guodian without consideration amounted to RMB839,907,000 and RMB nil, respectively. The gross amount of receivables transferred was RMB52,720,000, which were fully impaired in previous years. The liabilities assumed by Guodian amounted to RMB29,817,000. The assets transferred to and liabilities assumed by Guodian were recorded as equity transactions in the consolidated statements of changes in equity.

The assets and liabilities of CLEPG and its subsidiaries have been injected into the Company in exchange of issuing approximately 4,900 million ordinary shares with a par value of RMB1.00 each to Guodian.

As there was no change in controlling shareholders before and after the Reorganization, the Financial Information has been prepared as a reorganization of business under common control. Accordingly, the relevant assets and liabilities of the companies comprising the Group have been recognized at historical cost except for assets/liabilities which are stated at their fair value in accordance with the accounting policies as described in Section C(1). Hereinafter, the term "Company" also refers to CLEPG for the period prior to the Reorganization, unless otherwise indicated or as the context may otherwise require.

The consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements of the Group as set out in section B(1), B(3) and B(4), respectively include the results of operations of CLEPG and the subsidiaries comprising the Group for the Track Record Period (or where the companies were incorporated/established at a date later than January 1, 2006, for the period from the date of incorporation/establishment to June 30, 2009), as if the group structure has been in existence throughout the Track Record Period. The consolidated balance sheets as at December 31, 2006, 2007, and 2008 and June 30, 2009 as set out in Section B(2) have been prepared to present the state of affairs of the companies comprising the Group as at the respective dates.

All material intra-group transactions and balances have been eliminated on consolidation.

As at June 30, 2009, the Company has direct or indirect interest in the following entities, all of which the Company has the power to govern, particulars of which are set out below:

	Name of company	Place and date of incorporation/ establishment	Issued and fully paid-up/ registered capital	Percentage of attributable equity interest Direct	Indirect	Principal activities
1	Dandong Haiyanghong Wind Power Generation Co., Ltd. 丹東海洋紅風力發電有限責任公司	the PRC November 23, 1999	RMB33,510,000	67.14%	—	Wind power generation
2	Fujian Dongshan Aozaishan Wind Power Generation Co., Ltd. 福建省東山澳仔山風電開發有限公司	the PRC October 30, 1997	RMB256,000,000	66.15%	25%	Wind power generation
3	Fujian Pingtan Changjiang'ao Wind Power Generation Co., Ltd. 福建省平潭長江澳風電開發有限公司 (note ii)	the PRC October 22, 1997	RMB14,260,000	60%	—	Wind power generation

	Name of company	Place and date of incorporation/ establishment	Issued and fully paid-up/ registered capital	Percentage of attributable equity interest Direct	Indirect	Principal activities
4	Gansu Jieyuan Wind Power Generation Co., Ltd. 甘肅潔源風電有限責任公司 (note ii)	the PRC July 18, 1997	RMB276,000,000	61%	—	Wind power generation
5	Xinjiang Tianfeng Power Generation Joint Stock Company 新疆天風發電股份有限公司	the PRC May 26, 1997	RMB427,317,300	59.47%	—	Wind power generation
6	Zhejiang Wind Power Generation and Development Co., Ltd. 浙江風力發電發展有限責任公司	the PRC February 14, 1995	RMB92,000,000	100%	—	Wind power generation
7	Fujian Wind Power Generation Co., Ltd. 福建風力發電有限公司 (note ii)	the PRC December 13, 2002	RMB40,000,000	90%	—	Wind power generation
8	Yichun Xing'anling Wind Power Generation Co., Ltd. 伊春興安嶺風力發電有限公司 (note ii)	the PRC December 21, 2004	RMB199,380,000	30%	25%	Wind power generation
9	Jilin Longyuan Wind Power Generation Co., Ltd. 吉林龍源風力發電有限公司 (note ii)	the PRC October 17, 2005	RMB438,200,000	56.58%	9.65%	Wind power generation
10	Jiangsu Longyuan Wind Power Generation Co., Ltd. 江蘇龍源風力發電有限公司	the PRC September 9, 2005	RMB333,320,000	50%	25%	Wind power generation
11	Longyuan Pingtan Wind Power Generation Co., Ltd. 龍源平潭風力發電有限公司 (note ii)	the PRC May 25, 2005	RMB170,000,000	85%	5%	Wind power generation
12	Chifeng Xinsheng Wind Power Generation Co., Ltd. 赤峰新勝風力發電有限公司 (note ii)	the PRC April 29, 2006	RMB273,426,200	34%	—	Wind power generation
13	Shenyang Longyuan Wind Power Generation Co., Ltd. 瀋陽龍源風力發電有限公司	the PRC September 22, 2006	RMB432,270,000	73.60%	25%	Wind power generation
14	Tieling Longyuan Wind Power Generation Co., Ltd. 鐵嶺龍源風力發電有限公司	the PRC October 31, 2006	RMB281,690,000	75%	25%	Wind power generation
15	Huanan Longyuan Wind Power Generation Co., Ltd. 樺南龍源風力發電有限公司 (note ii)	the PRC January 23, 2007	RMB263,153,500	15%	25%	Wind power generation

	Name of company	Place and date of incorporation/ establishment	Issued and fully paid-up/ registered capital	Percentage of attributable equity interest		Principal activities
				Direct	Indirect	
16	Yichun Longyuan Wind Power Generation Co., Ltd. 伊春龍源風力發電有限公司 (note ii)	the PRC January 26, 2007	RMB135,250,000	5%	35%	Wind power generation
17	Longyuan (Baynnur) Wind Power Generation Co., Ltd. 龍源(巴彥淖爾)風力發電有限責任公司	the PRC July 14, 2006	RMB910,800,000	75%	25%	Wind power generation
18	Longyuan Qidong Wind Power Generation Co., Ltd. 龍源啟東風力發電有限公司	the PRC August 10, 2007	RMB245,760,000	30%	70%	Wind power generation
19	Hebei Weichang Longyuan Jiantou Wind Power Generation Co., Ltd. 河北圍場龍源建投風力發電有限公司 (note ii)	the PRC August 25, 2006	RMB187,850,000	50%	—	Wind power generation
20	Longyuan (Baotou) Wind Power Generation Co., Ltd. 龍源(包頭)風力發電有限責任公司	the PRC June 27, 2007	RMB394,940,000	75%	25%	Wind power generation
21	Longyuan (Zhangjiakou) Wind Power Generation Co., Ltd. 龍源(張家口)風力發電有限公司	the PRC May 18, 2007	RMB505,850,000	75%	25%	Wind power generation
22	Shenyang Longyuan Hero Asia Wind Power Generation Co., Ltd. 瀋陽龍源雄亞風力發電有限公司	the PRC September 4, 2007	RMB148,310,000	75%	25%	Wind power generation
23	Zhejiang Wenling Donghaitang Wind Power Generation Co., Ltd. 浙江溫嶺東海塘風力發電有限公司	the PRC September 21, 2007	RMB140,020,000	36.29%	40%	Wind power generation
24	Longyuan (Siziwang) Wind Power Generation Co., Ltd. 龍源(四子王)風力發電有限責任公司	the PRC May 18, 2007	RMB149,000,000	75%	25%	Wind power generation
25	Yichun Longyuan Hero Asia Wind Power Generation Co., Ltd. 伊春龍源雄亞風力發電有限公司	the PRC December 26, 2007	RMB320,140,000	26%	25%	Wind power generation
26	Fuyuan Longyuan Wind Power Generation Co., Ltd. 撫遠龍源風力發電有限公司	the PRC January 4, 2008	RMB87,828,000	75%	25%	Wind power generation

	Name of company	Place and date of incorporation/ establishment	Issued and fully paid-up/ registered capital	Percentage of attributable equity interest Direct	Indirect	Principal activities
27	Hailin Longyuan Wind Power Generation Co., Ltd. 海林龍源風力發電有限公司	the PRC February 28, 2008	RMB81,432,000	26%	25%	Wind power generation
28	Longyuan (Tongyu) Wind Power Generation Co., Ltd. 龍源(通榆)風力發電有限公司	the PRC July 25, 2008	RMB143,470,000	75%	25%	Wind power generation
29	Chifeng Longyuan Wind Power Generation Co., Ltd. 赤峰龍源風力發電有限公司	the PRC December 26, 2007	RMB468,570,000	72.01%	25%	Wind power generation
30	Longyuan (Xing'anmeng) Wind Power Co., Ltd. 龍源(興安盟)風力發電有限公司	the PRC December 13, 2007	RMB135,030,000	75%	25%	Wind power generation
31	Longyuan Hero Asia (Fuqing) Wind Power Generation Co., Ltd. 龍源雄亞(福清)風力發電有限公司	the PRC April 15, 2008	RMB86,650,000	50%	50%	Wind power generation
32	Hainan Longyuan Wind Power Generation Co., Ltd. 海南龍源風力發電有限公司	the PRC December 17, 2007	RMB142,058,800	75%	25%	Wind power generation
33	Longyuan (Changling) Wind Power Generation Co., Ltd. 龍源(長嶺)風力發電有限公司	the PRC December 11, 2008	RMB155,120,000	75%	25%	Wind power generation
34	Longyuan Shenyang Wind Power Generation Co., Ltd. 龍源瀋陽風力發電有限公司	the PRC December 26, 2008	RMB2,000,000	100%	—	Wind power generation
35	Gansu Xin'an Wind Power Generation Co., Ltd. 甘肅新安風力發電有限公司 (note iii)	the PRC June 13, 2007	RMB75,000,000	35%	—	Wind power generation
36	Longyuan (Tongliao) Wind Power Generation Co., Ltd. 龍源(通遼)風力發電有限公司	the PRC March 11, 2009	RMB40,040,000	100%	—	Wind power generation
37	Longyuan (Naiman) Wind Power Generation Co., Ltd. 龍源(奈曼)風力發電有限公司	the PRC March 12, 2009	RMB41,410,000	100%	—	Wind power generation
38	Longyuan Jiantou (Chengde) Wind Power Generation Co., Ltd. 龍源建投(承德)風力發電有限公司 (note ii)	the PRC March 27, 2009	RMB145,670,000	30%	25%	Wind power generation

	Name of company	Place and date of incorporation/ establishment	Issued and fully paid-up/ registered capital	Percentage of attributable equity interest Direct	Indirect	Principal activities
39	Longyuan Jiantou (Chengde Weichang) Wind Power Generation Co., Ltd. 龍源建投(承德圍場)風力發電有限公司 (note ii)	the PRC March 27, 2009	RMB138,320,000	30%	25%	Wind power generation
40	Yunnan Longyuan Wind Power Generation Co., Ltd. 雲南龍源風力發電有限公司	the PRC May 26, 2009	RMB49,360,000	100%	—	Wind power generation
41	Longyuan (Zhangbei) Wind Power Generation Co., Ltd. 龍源(張北)風力發電有限公司	the PRC March 24, 2009	RMB2,000,000	100%	—	Wind power generation
42	Gansu Longyuan Wind Power Generation Co., Ltd. 甘肅龍源風力發電有限公司	the PRC May 31, 2009	RMB624,530,000	75%	25%	Wind power generation
43	Longyuan Kangping Wind Power Generation Co., Ltd. 龍源康平風力發電有限公司	the PRC March 23, 2009	RMB18,490,000	100%	—	Wind power generation
44	Shuangyashan Longyuan Wind Power Generation Co., Ltd. 雙鴨山龍源風力發電有限公司	the PRC May 21, 2009	RMB163,570,000	75%	25%	Wind power generation
45	Yilan Longyuan Huineng Wind Power Generation Co., Ltd. 依蘭龍源匯能風力發電有限公司	the PRC May 19, 2009	RMB157,830,000	57%	—	Wind power generation
46	Yanbian Longyuan Wind Power Generation Co., Ltd. 延邊龍源風力發電有限公司	the PRC March 23, 2009	RMB10,000,000	100%	—	Wind power generation
47	Hegang Longyuan Wind Power Generation Co., Ltd. 鶴崗龍源風力發電有限公司	the PRC June 3, 2009	RMB165,550,000	70%	25%	Wind power generation
48	Longyuan (Rudong) Wind Power Generation Co., Ltd. 龍源(如東)風力發電有限公司	the PRC June 6, 2009	RMB278,850,000	50%	50%	Wind power generation
49	Jiangyin Sulong Power Generation Co., Ltd. 江陰蘇龍發電有限公司 (note ii)	the PRC December 28, 1993	USD144,320,000	2%	25%	Coal power generation
50	Nantong Tianshenggang Power Generation Co., Ltd. 南通天生港發電有限公司 (note ii)	the PRC September 28, 1994	USD51,180,000	0.65%	31.29%	Coal power generation
51	Donghai Longyuan Biomass Power Generation Co., Ltd. 東海龍源生物質發電有限公司	the PRC November 23, 2006	RMB49,000,000	95%	—	Biomass power generation

	Name of company	Place and date of incorporation/ establishment	Issued and fully paid-up/ registered capital	Percentage of attributable equity interest Direct	Indirect	Principal activities
52	Longyuan Tibet New Energy Co., Ltd. 龍源西藏新能源有限公司	the PRC June 9, 2009	RMB5,990,000	100%	—	Geothermal power generation
53	Longyuan Ge'ermu New Energy Development Co., Ltd. 龍源格爾木新能源開發有限公司	the PRC June 23, 2009	RMB10,000,000	100%	—	Solar power generation
54	China Fulin Wind Power Engineering Co., Ltd, 中國福霖風能工程有限公司	the PRC November 14, 1992	RMB6,000,000	100%	—	Provision of wind power consulting services
55	Xinjiang Wind Power Engineering Consultant Co., Ltd. 新疆風電工程設計諮詢有限責任公司	the PRC March 30, 1998	RMB2,000,000	100%	—	Provision of wind power consulting services
56	Hero Asia Investment Limited 雄亞投資有限公司 (note iv)	Hong Kong SAR April 1, 1993	HKD10,000	100%	—	Investment holding
57	Zhongneng Power-Tech Development Company Limited 中能電力科技開發有限公司	the PRC July 28, 1993	RMB60,000,000	80%	—	Manufacturing and sales of power equipment
58	Beijing Zhongneng Lianchuang Wind Power Technology Co., Ltd. 北京中能聯創風電技術有限公司	the PRC June 6, 2007	RMB10,000,000	50%	50%	Provision of maintenance services to wind power plants
59	Suzhou Longyuan Bailu Wind Power Technique Vocational Training Center Co., Ltd. 蘇州龍源白鷺風電職業技術培訓中心有限公司	the PRC August 4, 2006	RMB10,000,000	60%	—	Provision of training services to wind power plants
60	Longyuan (Beijing) Carbon Assets Management and Technology Co., Ltd. 龍源(北京)碳資產管理技術有限公司	the PRC August 27, 2008	RMB10,000,000	80%	20%	Provision of wind power consulting services
61	Zhejiang Cangnan Wind Power Generation Co., Ltd. 浙江蒼南風力發電有限公司	the PRC October 18, 2001	RMB44,224,000	—	90%	Wind power generation
62	Zhejiang Linhai Wind Power Generation Co., Ltd. 浙江臨海風力發電有限公司	the PRC May 15, 2001	RMB30,000,000	—	90%	Wind power generation
63	Zhejiang Zhoushan Cengang Wind Power Generation Co., Ltd. 浙江舟山岑港風力發電有限公司	the PRC July 1, 2007	RMB25,000,000	—	70%	Wind power generation

	Name of company	Place and date of incorporation/ establishment	Issued and fully paid-up/ registered capital	Percentage of attributable equity interest Direct	Indirect	Principal activities
64	Fujian Putian Nanri Wind Power Generation Co., Ltd. 福建省莆田南日風電有限公司 (note ii)	the PRC September 17, 2003	RMB61,400,000	—	43.40%	Wind power generation
65	Nantong Tiansheng Port Co., Ltd. 南通天生港務有限公司	the PRC February 26, 2004	RMB30,980,000	—	51%	Provision of harbor related services
66	Donghai Longyuan Biomass Bunker Co., Ltd. 東海龍源生物質能燃料供應有限公司	the PRC February 14, 2007	RMB4,000,000	—	60%	Provision of straw to biomass power plants
67	Hero Asia (BVI) Company Limited 雄亞(維爾京)有限公司	British Virgin Islands ("BVI") March 7, 1994	USD1,000	—	100%	Investment holding
68	Jiangsu Sulong Energy Co., Ltd 江蘇蘇龍能源有限公司	the PRC March 13, 2009	RMB20,000,000	—	100%	Coal supply
69	Jiangsu New Longyuan Investment Co., Ltd. 江蘇新龍源投資有限公司 (Section C, note 35(ii))	the PRC June 2, 2008	RMB100,000,000	—	100%	Investment holding

Notes:

(i) The English translation of the names is for reference only. The official names of these entities are in Chinese.

(ii) The Company directly or indirectly either owns less than half of equity interests in these companies or owns more than half of equity interests but the voting power attached to the equity interests does not allow the Company to have the power to govern the financial and operating activities of these companies according to the articles of association of these companies. The Company is the biggest equity owner of these companies and no other equity owners individually or in the aggregate had the power to control these companies according to the articles of association. During the Track Record Period, the Company or the Company's subsidiaries had signed the concert party agreements with certain equity owners of these companies, whereby such equity owners have agreed to vote the same as the Company. Such equity owners have also confirmed that the voting in unison with the Company existed since the establishment of these entities. The PRC lawyer of the Company confirmed that the concert party agreements are valid under relevant PRC laws. (See section headed "History, Reorganization and Corporate Structure" in the Document). In addition to the concert party agreements arrangement, the Company controlled the operation of these entities by appointing senior management, approving annual budget and determining the remuneration of employees etc. Considering above mentioned factors, the directors are of the opinion that the Company controlled these entities during the Track Record Period. Therefore the financial statements of these companies are consolidated by the Company during the Track Record Period (or where the companies were established at a date later than January 1, 2006, for the period from the date of establishment to June 30, 2009).

(iii) Since the concert party agreement signed between the Company and other equity owners of Gansu Xin'an Wind Power Generation Co., Ltd. (甘肅新安風力發電有限公司) was effective on January 1, 2009, the financial statements of the entity are consolidated by the Company from January 1, 2009.

(iv) The shares of Hero Asia Investment Limited are held by certain individuals on behalf of the Company according to the Trust Agreement signed by these individuals and the Company.

B FINANCIAL INFORMATION

1 CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Section C Note	Years ended December 31,			Six months ended June 30,	
		2006	2007	2008	2008	2009
		RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Revenue	2	5,445,371	6,963,086	8,554,654	3,753,937	3,912,314
Other net income	3	96,623	168,916	390,168	178,308	270,400
Operating expenses						
Coal consumption		(2,202,171)	(2,346,789)	(3,127,886)	(1,531,968)	(979,712)
Service concession construction costs		(975,481)	(2,073,808)	(2,200,360)	(774,235)	(364,511)
Depreciation and amortization		(609,018)	(778,297)	(1,082,895)	(508,899)	(739,297)
Personnel costs		(344,456)	(383,889)	(384,024)	(183,497)	(209,242)
Material costs		(115,509)	(110,344)	(294,585)	(50,497)	(290,054)
Repairs and maintenance		(96,692)	(104,672)	(87,369)	(26,010)	(28,810)
Administration expenses		(72,861)	(100,511)	(107,176)	(50,620)	(56,523)
Other operating expenses		(159,505)	(115,246)	(239,775)	(79,045)	(68,032)
		(4,575,693)	(6,013,556)	(7,524,070)	(3,204,771)	(2,736,181)
Operating profit		966,301	1,118,446	1,420,752	727,474	1,446,533
Finance income		68,297	93,738	145,600	105,454	19,202
Finance expenses		(345,389)	(457,449)	(1,003,059)	(407,672)	(545,390)
Net finance expenses	4	(277,092)	(363,711)	(857,459)	(302,218)	(526,188)
Share of profits less losses of associates and jointly controlled entities		16,871	18,072	52,698	17,825	29,078
Profit before taxation	5	706,080	772,807	615,991	443,081	949,423
Income tax	6	(59,465)	(60,394)	(2,082)	(11,046)	(150,718)
Profit for the year/period		646,615	712,413	613,909	432,035	798,705

The accompanying notes form part of the Financial Information.

1 CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (CONTINUED)

	Section C Note	Years ended December 31,			Six months ended June 30,	
		2006	2007	2008	2008	2009
		RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Other comprehensive income/ (losses):						
Available-for-sale financial assets: net movement in the fair value reserve		8,426	18,221	(18,790)	(18,068)	4,648
Exchange difference on translation of financial statements of overseas subsidiaries		374	1,346	1,175	(1,204)	(2,056)
Other comprehensive income/ (losses) for the year/period, net of tax	9	8,800	19,567	(17,615)	(19,272)	2,592
Total comprehensive income for the year/period		655,415	731,980	596,294	412,763	801,297
Profit attributable to:						
Equity owner of the Company		149,704	215,035	337,448	237,316	425,317
Non-controlling interests		496,911	497,378	276,461	194,719	373,388
Profit for the year/period		646,615	712,413	613,909	432,035	798,705
Total comprehensive income attributable to:						
Equity owner of the Company		158,504	234,602	319,833	218,044	427,909
Non-controlling interests		496,911	497,378	276,461	194,719	373,388
Total comprehensive income for the year/period		655,415	731,980	596,294	412,763	801,297
Basic and diluted earnings per share (RMB cents)	10	2.99	4.30	6.75	4.75	8.51

The accompanying notes form part of the Financial Information.

2 CONSOLIDATED BALANCE SHEETS

	Section C Note	At December 31, 2006	At December 31, 2007	At December 31, 2008	At June 30, 2009
		RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets					
Property, plant and equipment	12	9,863,241	14,937,276	24,290,215	31,065,800
Investment properties	13	293,138	265,584	171,906	151,471
Lease prepayments	14	362,147	461,129	556,720	639,270
Intangible assets	15	974,404	2,997,002	5,083,453	5,683,061
Investments in associates and jointly controlled entities	16	309,583	585,749	526,560	599,760
Other financial assets	17	889,856	897,156	349,770	481,968
Deferred tax assets	27(b)	80,225	91,675	190,326	167,094
Total non-current assets		12,772,594	20,235,571	31,168,950	38,788,424
Current assets					
Trading securities		55	232	54	146
Inventories	18	131,561	205,116	279,250	389,019
Trade debtors and bills receivable	19	563,276	865,895	1,240,868	1,770,509
Prepayments and other current assets	20	489,526	974,046	1,804,795	1,246,820
Tax recoverable	27(a)	11,438	6,864	462	1,200
Restricted deposits	21	483,334	228,603	500,043	470,484
Cash at bank and on hand	22	102,406	808,769	1,054,985	1,250,534
Total current assets		1,781,596	3,089,525	4,880,457	5,128,712
Current liabilities					
Borrowings	23	2,765,960	6,156,000	4,686,238	8,924,302
Obligations under finance leases	24	104,717	—	—	—
Trade creditors and bills payable	25	2,311,252	1,779,353	2,728,694	2,733,289
Other payables	26	1,183,358	1,541,913	1,917,969	3,570,190
Tax payable	27(a)	11,600	28,548	80,015	90,333
Total current liabilities		6,376,887	9,505,814	9,412,916	15,318,114
Net current liabilities		(4,595,291)	(6,416,289)	(4,532,459)	(10,189,402)
Total assets less current liabilities		8,177,303	13,819,282	26,636,491	28,599,022

The accompanying notes form part of the Financial Information.

2 CONSOLIDATED BALANCE SHEETS (CONTINUED)

	Section C Note	At December 31, 2006	At December 31, 2007	At December 31, 2008	At June 30, 2009
		RMB'000	RMB'000	RMB'000	RMB'000
Non-current liabilities					
Borrowings	23	3,890,757	7,845,058	17,345,042	18,612,923
Obligations under finance lease	24	—	—	50,000	50,000
Provision for supplementary pension subsidies and early retirement benefits	28	33,990	32,900	—	—
Deferred income	29	37,978	386,518	2,145,284	2,158,939
Deferred tax liabilities	27(b)	13,835	26,841	23,300	29,404
Total non-current liabilities		3,976,560	8,291,317	19,563,626	20,851,266
NET ASSETS		4,200,743	5,527,965	7,072,865	7,747,756
CAPITAL AND RESERVES	30				
Paid-in capital		992,909	1,662,909	3,162,909	3,162,909
Reserves		971,322	1,202,462	712,420	1,140,329
Total equity attributable to the equity owner of the Company		1,964,231	2,865,371	3,875,329	4,303,238
Non-controlling interests		2,236,512	2,662,594	3,197,536	3,444,518
TOTAL EQUITY		4,200,743	5,527,965	7,072,865	7,747,756

The accompanying notes form part of the Financial Information.

3 CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to the equity owner of the Company								
	Paid-in capital	Capital reserve	Reserve fund	Exchange reserve	Fair value reserve	Retained earnings	Subtotal	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2006	950,909	442,674	22,444	281	—	337,384	1,753,692	1,859,197	3,612,889
Changes in equity:									
Acquisition of non-controlling interests	—	1,291	—	—	—	—	1,291	(60,471)	(59,180)
Acquisition of a subsidiary (note 35(a))	—	8,744	—	—	—	—	8,744	91,177	99,921
Capital contributions	42,000	—	—	—	—	—	42,000	275,206	317,206
Dividends by subsidiaries to non-controlling equity owners	—	—	—	—	—	—	—	(425,508)	(425,508)
Total comprehensive income for the year	—	—	—	374	8,426	149,704	158,504	496,911	655,415
At December 31, 2006	992,909	452,709	22,444	655	8,426	487,088	1,964,231	2,236,512	4,200,743
At January 1, 2007	992,909	452,709	22,444	655	8,426	487,088	1,964,231	2,236,512	4,200,743
Changes in equity:									
Acquisition of non-controlling interests	—	(3,462)	—	—	—	—	(3,462)	(35,738)	(39,200)
Capital contributions	670,000	—	—	—	—	—	670,000	323,590	993,590
Dividends by subsidiaries to non-controlling equity owners	—	—	—	—	—	—	—	(359,148)	(359,148)
Total comprehensive income for the year	—	—	—	1,346	18,221	215,035	234,602	497,378	731,980
At December 31, 2007	1,662,909	449,247	22,444	2,001	26,647	702,123	2,865,371	2,662,594	5,527,965
At January 1, 2008	1,662,909	449,247	22,444	2,001	26,647	702,123	2,865,371	2,662,594	5,527,965
Changes in equity:									
Acquisition of non-controlling interests	—	2,102	—	—	—	—	2,102	(35,534)	(33,432)
Disposal of equity interests to non-controlling equity owners	—	(1,887)	—	—	—	—	(1,887)	21,487	19,600
Capital contributions	1,500,000	—	—	—	—	—	1,500,000	451,099	1,951,099
Distribution pursuant to the Reorganization (note i)	—	(810,090)	—	—	—	—	(810,090)	—	(810,090)
Dividends by subsidiaries to non-controlling equity owners	—	—	—	—	—	—	—	(178,571)	(178,571)
Total comprehensive income for the year	—	—	—	1,175	(18,790)	337,448	319,833	276,461	596,294
At December 31, 2008	3,162,909	(360,628)	22,444	3,176	7,857	1,039,571	3,875,329	3,197,536	7,072,865

The accompanying notes form part of the Financial Information.

3 CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

	Attributable to the equity owner of the Company								
	Paid-in capital	**Capital reserve**	**Reserve fund**	**Exchange reserve**	**Fair value reserve**	**Retained earnings**	**Subtotal**	**Non-controlling interests**	**Total equity**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**
At January 1, 2009	3,162,909	(360,628)	22,444	3,176	7,857	1,039,571	3,875,329	3,197,536	7,072,865
Changes in equity:									
Capital contributions	—	—	—	—	—	—	—	131,005	131,005
Dividends by subsidiaries to non-controlling equity owners	—	—	—	—	—	—	—	(304,424)	(304,424)
Change in consolidation scope (Secton A note (iii))	—	—	—	—	—	—	—	47,013	47,013
Total comprehensive income for the period	—	—	—	(2,056)	4,648	425,317	427,909	373,388	801,297
At June 30, 2009	3,162,909	(360,628)	22,444	1,120	12,505	1,464,888	4,303,238	3,444,518	7,747,756
At January 1, 2008	1,662,909	449,247	22,444	2,001	26,647	702,123	2,865,371	2,662,594	5,527,965
Changes in equity:									
Disposal of equity interests to non-controlling equity owners (unaudited)	—	(1,887)	—	—	—	—	(1,887)	21,487	19,600
Capital contributions (unaudited)	1,500,000	—	—	—	—	—	1,500,000	213,836	1,713,836
Distribution pursuant to the Reorganization (unaudited) (note i)	—	(417,794)	—	—	—	—	(417,794)	—	(417,794)
Dividends by subsidiaries to non-controlling equity owners (unaudited)	—	—	—	—	—	—	—	(150,653)	(150,653)
Total comprehensive income for the period (unaudited)	—	—	—	(1,204)	(18,068)	237,316	218,044	194,719	412,763
At June 30, 2008 (unaudited)	3,162,909	29,566	22,444	797	8,579	939,439	4,163,734	2,941,983	7,105,717

Note:

(i) As described in Section A, pursuant to the Reorganization, the Company transferred certain assets and liabilities which do not meet the Group's strategic operation plans to Guodian in 2008 at nil consideration, which was presented as a distribution to Guodian.

The accompanying notes form part of the Financial Information.

4 CONSOLIDATED CASH FLOW STATEMENTS

	Section C Note	Years ended December 31,			Six months ended June 30,	
		2006	2007	2008	2008	2009
		RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Cash flows from operating activities						
Profit before taxation		706,080	772,807	615,991	443,081	949,423
Adjustments for:						
Depreciation		596,401	714,930	953,218	453,905	643,116
Amortization		12,617	63,367	129,677	54,994	96,181
Impairment loss on property, plant and equipment		31,802	—	103,813	—	—
Impairment loss on investments in associates and jointly controlled entities		448	—	25	—	—
Impairment loss on other financial assets		401	2,230	—	—	—
Loss/(gain) on disposal of property, plant and equipment and investment properties		4,717	133	(21,367)	(8,797)	(282)
Interest expenses on financial liabilities		311,498	445,526	932,239	394,703	532,744
Foreign exchange differences, net		2,721	(11,017)	(52,571)	(46,670)	(405)
Interest income on financial assets		(22,363)	(24,936)	(37,075)	(13,888)	(18,327)
Dividend income		(41,145)	(53,651)	(46,750)	(44,128)	(50)
Share of profits less losses of associates and jointly controlled entities		(16,871)	(18,072)	(52,698)	(17,825)	(29,078)
Changes in working capital:						
Increase in inventories		(32,807)	(47,486)	(68,858)	(103,940)	(79,079)
Decrease/(increase) in trading securities		—	(177)	178	143	(92)
Decrease/(increase) in trade debtors and bills receivable		32,427	(301,799)	(374,973)	(111,554)	(517,085)
Decrease/(increase) in prepayments and other current assets		52,639	132,067	(108,941)	(1,067,909)	(194,097)
Increase/(decrease) in trade and other payables		305,215	(1,027,240)	945,207	350,992	(72,997)
Decrease in deferred income		(1,454)	(10,730)	(32,555)	(7,724)	(34,161)
Cash generated from operations		1,942,326	635,952	2,884,560	275,383	1,275,811
Income tax paid		(60,087)	(44,698)	(44,784)	(32,433)	(113,352)
Net cash from operating activities		1,882,239	591,254	2,839,776	242,950	1,162,459

The accompanying notes form part of the Financial Information.

4 CONSOLIDATED CASH FLOW STATEMENTS (CONTINUED)

	Section C Note	Years ended December 31,			Six months ended June 30,	
		2006	2007	2008	2008	2009
		RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Cash flows from investing activities						
Payments for acquisition of property, plant and equipment, lease prepayments and intangible assets		(3,239,395)	(7,161,549)	(11,603,412)	(4,346,327)	(6,132,183)
Payments for acquisition of financial assets and investments in associates and jointly controlled entities		(429,112)	(708,214)	(725,525)	(244,201)	(251,273)
Acquisition of subsidiary/obtaining control of subsidiary, net of cash acquired		467	—	—	—	8,247
Government grant received		23,095	353,504	654,865	13,268	676,557
Proceeds from disposal of property, plant and equipment and investment properties		2,612	21,696	25,175	7,250	45,671
Proceeds from repayments of loans and advances, and disposal of investments in associates and jointly controlled entities		96,603	68,000	472,633	280,562	279,236
Proceeds from disposal of subsidiaries		—	1,804	—	—	—
Dividends received		31,677	33,935	95,864	78,998	12,680
Interest received		38,050	25,824	47,775	13,888	18,327
Time deposits		—	—	(53,050)	(52,000)	46,990
Net cash used in investing activities		(3,476,003)	(7,365,000)	(11,085,675)	(4,248,562)	(5,295,748)
Cash flows from financing activities						
Capital contributions from the equity owner of the Company		30,000	670,000	1,500,000	1,500,000	—
Capital contributions from the non-controlling equity owner		275,206	323,590	451,099	213,836	131,005
Proceeds from borrowings		7,891,300	14,663,040	18,446,157	11,218,049	11,512,821
Repayment of borrowings		(6,374,950)	(7,143,175)	(10,524,527)	(6,242,445)	(6,401,274)
Dividends paid by subsidiaries to non-controlling equity owners		(422,102)	(372,541)	(358,349)	(106,189)	(145,487)
Interest paid		(344,287)	(550,341)	(1,118,530)	(535,426)	(719,477)
Payment of finance lease obligations		(43,348)	(107,741)	(1,890)	—	(1,479)
Proceeds from sales and leaseback transaction classified as finance lease		—	—	50,000	50,000	—
Net cash from financing activities		1,011,819	7,482,832	8,443,960	6,097,825	4,376,109
Net (decrease)/increase in cash and cash equivalents		(581,945)	709,086	198,061	2,092,213	242,820
Cash and cash equivalents at beginning of year/period		684,316	102,406	808,769	808,769	1,001,935
Effect of foreign exchange rate changes		35	(2,723)	(4,895)	(693)	(281)
Cash and cash equivalents at end of year/period	22	102,406	808,769	1,001,935	2,900,289	1,244,474

Note:

(i) For major non-cash transactions, please refer to note 35 in Section C.

The accompanying notes form part of the Financial Information.

C NOTES TO THE FINANCIAL INFORMATION

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

The Financial Information set out in this report has been prepared in accordance with IFRSs, which collective term includes International Financial Reporting Standards, International Accounting Standards and related interpretations promulgated by the IASB. The Financial Information also complies with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Listing Rules.

The IASB has issued a number of new and revised IFRSs. For the purpose of preparing this Financial Information, the Group has adopted all these new and revised IFRSs to the Track Record Period, except for any new standards or interpretations that are not yet effective for the accounting period ended June 30, 2009. The revised and new accounting standards and interpretations issued but not yet effective for the accounting period ended June 30, 2009 are set out in note 38.

(b) Basis of preparation of the Financial Information

The Financial Information comprises the Company and its subsidiaries.

The Financial Information has been prepared assuming the Group will continue as a going concern notwithstanding the net current liabilities of the Group at June 30, 2009 amounting to RMB10,189 million. The directors are of the opinion that, based on a review of the working capital forecast of the Group for the eighteen months ending December 31, 2010, the Group will have necessary liquid funds to finance its working capital and capital expenditure requirements (see note 31 (b)).

(c) Basis of measurement

The Financial Information is presented in Renminbi ("RMB"), rounded to the nearest thousand, which is the Group's presentation currency and the functional currency of the Company and its PRC subsidiaries.

The measurement basis used in the preparation of the Financial Information is the historical cost basis except that financial instruments classified as available-for-sale or as trading securities (see note 1(g)) are stated at their fair value.

Non-current assets held for sale (or disposal groups held for sale) are stated at the lower of carrying amount and fair value less costs to sell (see note 1(x)).

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

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

Judgements made by management in the application of IFRSs that have significant effect on the Financial Information and estimates with a significant risk of material adjustment in the next year are discussed in note 36.

The accounting policies set out below have been applied consistently to all periods presented in the Financial Information.

(d) Subsidiaries and non-controlling interests

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

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

Non-controlling interests represent the portion of the net assets of subsidiaries attributable to interests that are not owned by the Company, whether directly or indirectly through subsidiaries, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. Non-controlling interests are presented in the consolidated balance sheet within equity, separately from equity attributable to the equity owner of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year/period between non-controlling interests and the equity owner of the Company.

Where losses applicable to the non-controlling equity owner exceed the non-controlling interest in the equity of a subsidiary, the excess, and any further losses applicable to the non-controlling equity owner, are charged against the Group's interest except to the extent that the non-controlling equity owner has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated all such profits until the non-controlling equity owner's share of losses previously absorbed by the Group has been recovered.

Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated balance sheet in accordance with notes 1(o) or (p) depending on the nature of the liability.

In the Company's balance sheet, an investment in a subsidiary is stated at cost less impairment losses (see note 1(l)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale) (see note 1(x)).

(e) **Associates and jointly controlled entities**

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

A jointly controlled entity is an entity which operates under a contractual arrangement between the Group or Company and other parties, where the contractual arrangement establishes that the Group or Company and one or more of the other parties share joint control over the economic activity of the entity.

An investment in an associate or a jointly controlled entity is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale) (see note 1(x)). Under the equity method, the investment is initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see note 1 (l)). The Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year/period are recognized in profit or loss whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognized in the consolidated statement of comprehensive income.

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

Unrealized profits and losses resulting from transactions between the Group and its associates and jointly controlled entities are eliminated to the extent of the Group's interest in the investee, except where unrealized losses provide evidence of an impairment of the asset transferred, in which case they are recognized immediately in profit or loss.

In the Company's balance sheet, its investments in associates and jointly controlled entities are stated at cost less impairment losses (see note 1(l)), unless it is classified as held for sale (or included in a disposal Group that is classified as held for sale) (see note 1(x)).

(f) **Business combination for entities under common control**

Business combinations arising from transfer of interests in entities that are under the control of the equity owner that controls the Group are accounted for as if the acquisition had occurred at the beginning of the Track Record Period or, if later, at the date that common control was established. The assets and liabilities acquired are recognized at the carrying amounts recognized previously in the Group's equity owner's consolidated financial statements.

Upon transfer of interest in an entity to another entity that are under the control of the equity owner that control the Group, any difference between the Group's interest in the carrying value of the assets and liabilities and the cost of transfer of interest in the entity is recognized directly in equity.

(g) **Other investments in debt and equity securities**

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

Investments in debt and equity securities are initially stated at cost, which is generally their transaction price. Cost includes attributable transaction costs, except where indicated otherwise below. These investments are subsequently accounted for as follows, depending on their classification:

Investments in securities held for trading are classified as current assets. Any attributable transaction costs are recognized in profit or loss as incurred. At each balance sheet date the fair value is remeasured, with any resultant gain or loss being recognized in profit or loss. The net gain or loss recognized in profit or loss does not include any dividends or interest earned on these investments as these are recognized in accordance with the policies set out in note 1(u)(v) and (vi).

Dated debt securities that the Group and/or the Company have the positive ability and intention to hold to maturity are classified as held-to-maturity securities. Held-to-maturity securities are stated in the balance sheet at amortized cost less impairment losses (see note 1(l)).

Investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are recognized in the balance sheet at cost less impairment losses (see note 1(l)).

Investments in securities which do not fall into any of the above categories are classified as available-for-sale securities. At each balance sheet date the fair value is remeasured, with any resultant gain or loss being recognized in other comprehensive income and accumulated separately in equity in the fair value reserve, except foreign exchange gains and losses resulting from changes in the amortized cost of monetary items such as debt securities which are recognized directly in profit or loss. Dividend income from these investments is recognized in accordance with the policy set out in note 1(u)(v) and, where these investments are interest-bearing, interest calculated using the effective interest method is recognized in profit or loss in accordance with the policy set out in note 1(u)(vi). When these investments are derecognized or impaired (see note 1(l)), the cumulative gain or loss is reclassified from equity to profit or loss.

Investments are recognized/derecognized on the date the Group commits to purchase / sell the investments or they expire.

(h) **Investment properties**

Investment properties are land and buildings which are owned or held under a leasehold interest (see note 1(k)) to earn rental income and/or for capital appreciation.

Investment properties are stated in the balance sheet at cost less accumulated depreciation and impairment losses (see note 1(l)). Depreciation is calculated to write off the cost less residual value if applicable, using the straight line method over the estimated useful lives ranging from 30 to 50 years. Rental income from investment properties is accounted for as described in note 1(u)(iv).

(i) **Other property, plant and equipment**

Buildings held for own use, plant and equipment are stated in the balance sheet at cost less accumulated depreciation and impairment losses (see note 1(l)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 1(w)).

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

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

- Land, buildings and structures	10-40 years
- Wind turbines	15-20 years
- Other machinery and equipment	4-30 years
- Motor vehicles	5-15 years
- Furniture, fixtures and others	4-18 years

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

(j) **Intangible assets**

The Group recognizes an intangible asset arising from a service concession arrangement when it has a right to charge for usage of the concession infrastructure. Intangible assets received as consideration for providing construction services in a service concession arrangement are measured at fair value upon initial recognition. Subsequent to initial recognition the intangible asset is measured at cost less accumulated amortization and accumulated impairment losses (see note 1(l)).

Other intangible assets that are acquired by the Group are stated in the balance sheet at cost less accumulated amortization (where the estimated useful life is finite) and impairment losses (see note 1(l)). Expenditure on internally generated goodwill and brands is recognized as an expense in the period in which it is incurred.

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

- Concession assets	20-25 years
- Software and others	5 years

Both the period and method of amortization are reviewed annually.

(k) **Leased assets**

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

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

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

— property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease (see note 1(h)); and

— land held for own use under an operating lease, where the fair value cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee.

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

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are included in fixed assets and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost or valuation of the assets over the term of the relevant lease or, where it is likely the Group will obtain ownership of the asset, the life of the asset, as set out in note 1(i). Impairment losses are accounted for in accordance with the accounting policy as set out in note 1(l). Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(iii) ***Operating lease charges***

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

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

(l) **Impairment of assets**

(i) ***Impairment of investments in debt and equity securities and other receivables***

Investments in debt and equity securities (other than investments in subsidiaries: see note 1(l)(ii)) and other current and non-current receivables that are stated at cost or amortized cost or are classified as available-for-sale securities are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

— significant financial difficulty of the debtor;

— a breach of contract, such as a default or delinquency in interest or principal payments;

— it becoming probable that the debtor will enter bankruptcy or other financial reorganization;

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

— a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

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

— For investments in associates and jointly controlled entities recognized using the equity method (see note 1(e)), the impairment loss is measured by comparing the recoverable amount of the investment as a whole with its carrying amount in accordance with note 1(l)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 1(l)(ii).

— For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities are not reversed.

— For trade and other current receivables and other financial assets carried at amortized cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortized cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

  If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognized, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognized in prior years.

— For available-for-sale securities, the cumulative loss that has been recognized directly in equity is reclassified to profit or loss. The amount of the cumulative loss that is recognized in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortization) and current fair value, less any impairment loss on that asset previously recognized in profit or loss.

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

  Impairment losses in respect of available-for-sale debt securities are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognized. Reversals of impairment losses in such circumstances are recognized in profit or loss.

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

(ii) ***Impairment of other assets***

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or an impairment loss previously recognized no longer exists or may have decreased:

— property, plant and equipment;

— pre-paid interests in leasehold land classified as being held under an operating lease;

— intangible assets; and

— investments in subsidiaries, associates and joint ventures (except for those classified as held for sale or included in a disposal group that is classified as held for sale) (see note 1(x)).

If any such indication exists, the asset's recoverable amount is estimated.

— Calculation of recoverable amount

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

— Recognition of impairment losses

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

— Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

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

(m) **Inventories**

Inventories excluding spare parts are carried at the lower of cost and net realizable value. Spare parts are stated in the balance sheet at cost less provision for obsolescence.

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

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognized as an expense in the period in which the related revenue is recognized. The amount of any write-down of inventories to net realizable value and all losses of inventories are recognized as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognized as a reduction in the amount of inventories recognized as an expense in the period in which the reversal occurs.

(n) **Trade and other receivables**

Trade and other receivables are initially recognized at fair value and thereafter stated at amortized cost less allowance for impairment of doubtful debts (see note 1(l)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(o) **Interest-bearing borrowings**

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

(p) **Trade and other payables**

Trade and other payables are initially recognized at fair value. Except for financial guarantee liabilities measured in accordance with note 1(t)(i), trade and other payables are subsequently stated at amortized cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(q) **Cash and cash equivalents**

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

(r) **Employee benefits**

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

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

(ii) ***Defined benefit retirement plan obligations***

The Group provided supplementary pension subsidies to employees in the PRC, who retired before September 30, 2008. Such supplementary pension subsidies are considered as defined benefit retirement plans.

The Group's net obligation in respect of defined benefit retirement plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine the present value and the fair value of any plan assets is deducted. The discount rate is the yield at the balance sheet date on high quality corporate bonds that have maturity dates approximating the terms of the Group's obligations. The calculation is performed by a qualified actuary using the projected unit credit method.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized as an expense in profit or loss on a straight line basis over the average period until the benefits become vested. If the benefits vest immediately, the expense is recognized immediately in profit or loss.

In calculating the Group's obligation in respect of a plan, if any cumulative unrecognized actuarial gain or loss exceeds ten percent of the greater of the present value of the defined benefit obligation and the fair value of plan assets, that portion is recognized in profit or loss over the expected average remaining working lives of the employees participating in the plan. Otherwise, the actuarial gain or loss is not recognized.

Where the calculation of the Group's net obligation results in a negative amount, the asset recognized is limited to the total of any cumulative unrecognized net actuarial losses and past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan.

(iii) ***Termination benefits***

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

(s) **Income tax**

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

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

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

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

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

The amount of deferred tax recognized is measured based on the expected manner of realization or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

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

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

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

(t) **Financial guarantees issued, provisions and contingent liabilities**

(i) ***Financial guarantees issued***

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

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

The amount of the guarantee initially recognized as deferred income is amortized in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognized in accordance with note 1(t)(ii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognized, less accumulated amortization.

(ii) ***Provisions and contingent liabilities***

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

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

(u) **Revenue recognition**

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

(i) ***Sale of electricity, steam and goods***

Electricity revenue is recognized when electricity is supplied to the provincial grid companies. Revenue of steam is recognized when steam is supplied to customers. Revenue of goods is recognized when the title of the goods has been passed to customers, which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax ("VAT") or other sales taxes and is after deduction of any trade discounts.

(ii) ***Service concession revenue***

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

(iii) ***Rendering of services***

Revenue from the rendering of services is recognized in the statement of comprehensive income by reference to the stage of completion of the transaction based on the progress of work performed.

(iv) ***Rental income from operating leases***

Rental income receivable under operating leases is recognized in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognized in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognized as income in the accounting period in which they are earned.

(v) ***Dividends***

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

(vi) ***Interest income***

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

(vii) ***Government grants***

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

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

— the counterparties have committed to purchase the CERs or VERs;

— the sales prices have been agreed; and

— relevant electricity has been generated.

The revenue related to CERs are recognized and recorded in trade receivables for the volume verified by the independent supervisors assigned by CDM EB and in other receivables for the remaining volume.

(v) **Translation of foreign currencies**

Foreign currency transactions during the year/period are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognized in profit or loss, except those arising from foreign currency borrowings used to hedge a net investment in a foreign operation which are recognized in other comprehensive income.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates.

The results of foreign operations are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Balance sheet items are translated into RMB at the foreign exchange rates ruling at the balance sheet date. The resulting exchange differences are recognized in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognized.

(w) **Borrowing costs**

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

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

(x) **Non-current assets held for sale**

A non-current asset (or disposal group) is classified as held for sale if it is highly probable that its carrying amount will be recovered through a sale transaction rather than through continuing use and the asset (or disposal group) is available for sale in its present condition. A disposal group is a group of assets to be disposed of together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction.

Immediately before classification as held for sale, the measurement of the non-current assets (and all individual assets and liabilities in a disposal group) is brought up-to-date in accordance with the accounting policies before the classification. Then, on initial classification as held for sale and until disposal, the non-current assets (except for certain assets as explained below), or disposal groups, are recognized at the lower of their carrying amount and fair value less costs to sell. The principal exceptions to this measurement policy so far as the consolidated financial statements are concerned are deferred tax assets, assets arising from employee benefits, financial assets (other than investments in subsidiaries, associates and joint ventures) and investment properties. These assets, even if held for sale, would continue to be measured in accordance with the policies set out elsewhere in note 1.

Impairment losses on initial classification as held for sale, and on subsequent remeasurement while held for sale, are recognized in profit or loss. As long as a non-current asset is classified as held for sale, or is included in a disposal group that is classified as held for sale, the non-current asset is not depreciated or amortized.

(y) **Related parties**

For the purposes of the Financial Information, a party is considered to be related to the Group if:

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;

(ii) the Group and the party are subject to common control;

(iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;

(iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

(v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

(vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

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

(z) **Segment reporting**

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

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

2 REVENUE

The amount of each significant category of revenue recognized during the year/period is as follows:

	Years ended December 31,			Six months ended June 30,	
	2006	**2007**	**2008**	**2008**	**2009**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000 (unaudited)**	**RMB'000**
Sales of electricity	4,116,862	4,412,027	5,752,101	2,797,322	2,979,385
Sales of steam	76,281	90,438	120,532	54,247	109,343
Service concession construction revenue (note (i))	975,481	2,073,808	2,200,360	774,235	364,511
Sales of electricity equipment	97,707	100,639	263,706	39,015	82,916
Sales of coal	—	—	—	—	199,141
Others (note (ii))	179,040	286,174	217,955	89,118	177,018
	5,445,371	6,963,086	8,554,654	3,753,937	3,912,314

Notes:

(i) During the Track Record Period, the Group entered into several service concession agreements with local governments (the "Grantor") to construct and operate wind power plants during the concession period, which is normally for 22-25 years of operation. The Group is responsible for construction and maintenance of the wind power plants during the concession period. At the end of the concession period, the Group either needs to dispose of the wind power plants or transfer the wind power plants to the Grantor at nil consideration. Service concession construction revenue recorded during the Track Record Period represents the revenue recognized during the construction stage of the service concession period. The same amount of cost is recorded since substantially all construction activities are sub-contracted.

The Group has recognized intangible assets related to the service concession arrangement (see note 15) representing the right the Group receives to charge a fee for sales of electricity. The Group has not recognized service concession receivables as the Grantor will not provide the Group any guaranteed minimum payment for the operating period of the wind power plants.

(ii) Others mainly represent revenue from the provision of consulting, harbor related services and sales of substituting electricity generation purchased from other power generation companies.

3 OTHER NET INCOME

	Years ended December 31,			Six months ended June 30,	
	2006	**2007**	**2008**	**2008**	**2009**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000 (unaudited)**	**RMB'000**
Government grants					
- CERs and VERs income	—	29,645	117,521	60,763	116,929
- Others	61,731	94,552	207,664	87,932	136,388
Rental income from investment properties	32,169	31,742	25,035	11,805	10,915
Net (loss)/gain on disposal of plant, property and equipment and investment properties	(4,717)	(133)	21,367	8,797	282
Others	7,440	13,110	18,581	9,011	5,886
	96,623	168,916	390,168	178,308	270,400

4 FINANCE INCOME AND EXPENSES

	Years ended December 31,			Six months ended June 30,	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Interest income on financial assets	22,363	24,936	37,075	13,888	18,327
Foreign exchange gains	2,865	14,974	61,775	47,438	733
Net realized and unrealized gains on trading securities	1,924	177	—	—	92
Dividend income from listed securities	17,770	19,717	24,363	24,363	—
Dividend income from other investments	23,375	33,934	22,387	19,765	50
Finance income	68,297	93,738	145,600	105,454	19,202
Interest on bank and other borrowings wholly repayable within five years	233,288	218,166	595,860	262,505	240,409
Interest on other loans	119,876	368,740	702,675	293,336	482,276
Less: interest expenses capitalized into property, plant and equipment and intangible assets	(41,666)	(141,380)	(366,296)	(161,138)	(189,941)
	311,498	445,526	932,239	394,703	532,744
Foreign exchange losses	5,586	3,957	9,204	768	328
Net realized and unrealized loss on trading securities	—	—	178	143	—
Impairment losses on trade and other receivables	25,393	1,367	42,416	3,409	1,759
Bank charges and others	2,912	6,599	19,022	8,649	10,559
Finance expenses	345,389	457,449	1,003,059	407,672	545,390
Net finance expenses recognized in profit or loss	(277,092)	(363,711)	(857,459)	(302,218)	(526,188)

The borrowing costs have been capitalized at rates of 4.78% to 7.01%, 4.47% to 7.05%, 5.02% to 7.83%, 5.02% to 7.58% (unaudited) and 4.13% to 7.05% per annum for the years ended December 31, 2006, 2007 and 2008, and for the six months ended June 30, 2008 and June 30, 2009 respectively.

5 PROFIT BEFORE TAXATION

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

(a) **Personnel costs**

	Years ended December 31,			Six months ended June 30,	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Salaries, wages and other benefits	309,426	346,922	341,413	155,445	178,025
Contributions to defined contribution retirement plan	33,800	36,307	41,571	27,359	31,217
Expenses recognized in respect of defined benefit retirement plan (note 28(a)(iii))	1,230	660	1,040	693	—
	344,456	383,889	384,024	183,497	209,242

(b) **Other items**

	Years ended December 31,			Six months ended June 30,	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Amortization					
- lease prepayments	11,108	11,295	14,367	7,584	7,694
- intangible assets	1,509	52,072	115,310	47,410	88,487
Depreciation					
- investment properties	9,070	8,686	7,541	3,433	2,625
- property, plant and equipment	587,331	706,244	945,677	450,472	640,491
Impairment losses					
- investment in associates and jointly controlled entities	448	—	25	—	—
- other financial assets	401	2,230	—	—	—
- property, plant and equipment	31,802	—	103,813	—	—
Auditors' remuneration					
- audit services	—	3,401	4,137	—	—
- other services	—	319	798	—	—
Operating lease charges					
- hire of plant and machinery	103	12,263	13,738	11,245	247
- hire of properties	850	1,349	2,291	1,972	2,254
Direct outgoings for investment properties					
- occupied	4,787	5,798	5,666	2,584	1,686
- vacant	763	600	928	456	326
Cost of inventories	2,336,417	2,466,867	3,444,905	1,583,722	1,276,773
including: personnel costs, depreciation, amortization, and operating lease charges	1,102	1,375	1,764	906	905

6 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

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

	Years ended December 31,			Six months ended June 30,	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Current tax					
Provision for the year/period	47,997	68,806	103,024	57,139	122,444
Under/(over) provision in respect of prior years	416	(2,586)	(371)	(371)	488
	48,413	66,220	102,653	56,768	122,932
Deferred tax					
Origination and reversal of temporary differences	11,052	(8,437)	(100,571)	(45,722)	27,786
Effect on deferred tax balances resulting from a change in income tax rate	—	2,611	—	—	—
	59,465	60,394	2,082	11,046	150,718

Notes:

(i) The provision for income tax represents PRC income tax. Hero Asia Investment Limited is not subject to Hong Kong profits tax as it has no assessable income arising in or derived from Hong Kong during the Track Record Period. Pursuant to the rules and regulations of the BVI, Hero Asia (BVI) Company Limited is not subject to any income tax in the BVI.

(ii) Prior to January 1, 2008, PRC entities were, in general, subject to the statutory income tax rate of 33%, consisting of 30% state tax and 3% local tax, on their assessable profits. CLEPG, being a new technology enterprise located in the Beijing Development and Experiment Zone for New Technology Industries, was entitled to a preferential income tax rate of 15%. In addition, certain subsidiaries of the Group, being enterprises engaged in state encouraged industries located in the Western Regions; being an Advance and New Technology Enterprise recognized under the then effective tax rules and regulations; being an enterprise located in the designated Special Economic Zone; being production-type foreign investment enterprises ("FIEs") that were engaged in energy projects, were also taxed at a preferential income tax rate of 15%.

Certain subsidiaries of the Group, being production-type FIEs with an operating period of 10 years or more; being a domestic enterprise located in the Western Regions engaged in electricity project, were each entitled to a tax holiday of a two-year full exemption followed by a three-year 50% exemption commencing from their respective first profit-making year after offsetting accumulated tax losses, if any ("2+3 tax holiday"). Further, pursuant to CaiShui [2002] No. 56 and GuoShuiHan [2003] No. 368, Notices on Preferential Tax Treatment for FIEs Making Additional Investments (財政部、國家稅務總局關於外商投資企業追加投資享受企業所得稅優惠政策的通知), one of the FIEs of the Group can enjoy the 2+3 tax holiday on its additional investments made to the FIE.

On March 16, 2007, the Fifth Plenary Session of the Tenth National People's Congress passed the Corporate Income Tax Law of the People's Republic of China ("New Tax Law") which took effect on January 1, 2008. As a result of the New Tax Law, the statutory income tax rate in the PRC is reduced from 33% to 25%. The Implementation Rules of the New Tax Law ("Implementation Rules") (中華人民共和國企業所得稅法實施條例) and GuoFa [2007] No. 39 Notice on the Implementation of the Transitional Preferential Tax Policies ("Circular 39") (國務院關於實施企業所得稅過渡優惠政策的通知) were promulgated by the State Council on December 6, 2007 and December 26, 2007, respectively. Pursuant to Circular 39, certain subsidiaries of the Group are entitled to apply the transitional rates of 18%, 20%, 22%, 24% and 25% for 2008, 2009, 2010, 2011 and 2012 onwards, respectively. Further, Circular 39 grandfathers the 2+3 tax holidays and requires them to commence on January 1, 2008 should they be not started earlier. Accordingly, certain subsidiaries of the Group can continue to enjoy the 2+3 tax holidays until they expire.

In addition, pursuant to CaiShui [2008] No. 46 Notice on the Execution of the Catalogue of Public Infrastructure Projects Entitled for Preferential Tax Treatment ("Circular 46") (財政部、國家稅務總局關於執行公共基礎設施項目企業所得稅優惠目錄有關問題的通知), certain subsidiaries of the Group, which are set up after January 1, 2008 and are engaged in public infrastructure projects, are each entitled to a tax holiday of a three-year full exemption followed by a three-year 50% exemption commencing from their respective first operating income ("3+3 tax holiday"). As at June 30, 2009, these entities were applying for the approval of the 3+3 tax holidays from the respective tax authorities.

(iii) Pursuant to GuoShuiFa [2009] No. 82 Notice on Issues concerning Determination of Tax Resident Enterprise Status of Overseas Registered Enterprises Controlled by China's Capitals in accordance with the Criteria of Place of Effective Management issued by the State Administration of Taxation ("SAT") on April 22, 2009 ("Circular 82") (關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知), the directors of the Company are of the opinion that it is more likely than not that Hero Asia Investment Limited and Hero Asia (BVI) Company Limited will be recognized as PRC tax residents under the New Tax Law effective from January 1, 2008 and are subject to PRC income tax at 25%. Accordingly, dividends receivable by them will be exempted from PRC dividend withholding tax under the New Tax Law. The determination of PRC tax resident status under Circular 82 is subject to final approval by the SAT. The Group has not received such approvals from the SAT.

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

	Years ended December 31,			Six months ended June 30,	
	2006	**2007**	**2008**	**2008**	**2009**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000 (unaudited)**	**RMB'000**
Profit before taxation	706,080	772,807	615,991	443,081	949,423
Applicable tax rates	15%	15%	25%	25%	25%
Notional tax on profit before taxation	105,912	115,921	153,998	110,770	237,356
Tax effect of non-deductible expenses	16,724	13,048	10,324	6,013	8,726
Tax effect of share of profits less losses of associates and jointly controlled entities	(2,531)	(2,711)	(13,174)	(4,456)	(7,269)
Tax effect of non-taxable income	(7,122)	(10,624)	(11,688)	(11,032)	(12)
Effect of differential tax rate of certain subsidiaries of the Group	(51,101)	(39,432)	(125,906)	(79,402)	(120,321)
Tax effect of unused tax losses and timing differences not recognized	12,483	27,385	51,834	25,099	29,941
Tax credits for purchase of domestic equipment	(14,632)	(45,359)	(62,488)	(35,057)	—
Others	(268)	2,166	(818)	(889)	2,297
Income tax	59,465	60,394	2,082	11,046	150,718

7 DIRECTORS' AND SUPERVISORS' EMOLUMENTS

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

For the year ended December 31, 2006

	Directors' and Supervisors' fees	Salaries allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Directors					
Mr. Zhu Yongpeng(Chairman)	—	—	—	—	—
Mr. Xie Changjun	—	152	416	38	606
Mr. Wang Baole	—	—	—	—	—
Mr. Tian Shicun	—	—	—	—	—
Mr. Luan Baoxing	—	—	—	—	—
Mr. Wang Liansheng	—	140	312	37	489
Independent non-executive directors					
Mr. Li Junfeng	—	—	—	—	—
Mr. Zhang Songyi	—	—	—	—	—
Mr. Meng Yan	—	—	—	—	—
Supervisors					
Mr. Chen Bin	—	—	—	—	—
Mr. Yu Yongping	—	—	—	—	—
Mr. Wang Jianting	—	114	218	33	365
	—	406	946	108	1,460

For the year ended December 31, 2007

	Directors' and Supervisors' fees	Salaries allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Directors					
Mr. Zhu Yongpeng(Chairman)	—	—	—	—	—
Mr. Xie Changjun	—	224	503	44	771
Mr. Wang Baole	—	—	—	—	—
Mr. Tian Shicun	—	215	503	44	762
Mr. Luan Baoxing	—	—	—	—	—
Mr. Wang Liansheng	—	198	393	42	633
Independent non-executive directors					
Mr. Li Junfeng	—	—	—	—	—
Mr. Zhang Songyi	—	—	—	—	—
Mr. Meng Yan	—	—	—	—	—
Supervisors					
Mr. Chen Bin	—	—	—	—	—
Mr. Yu Yongping	—	—	—	—	—
Mr. Wang Jianting	—	152	284	37	473
	—	789	1,683	167	2,639

For the year ended December 31, 2008

	Directors' and Supervisors' fees	Salaries allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Directors					
Mr. Zhu Yongpeng(Chairman)	—	—	—	—	—
Mr. Xie Changjun	—	257	496	51	804
Mr. Wang Baole	—	—	—	—	—
Mr. Tian Shicun	—	245	496	50	791
Mr. Luan Baoxing	—	—	—	—	—
Mr. Wang Liansheng	—	220	393	48	661
Independent non-executive directors					
Mr. Li Junfeng	—	—	—	—	—
Mr. Zhang Songyi	—	—	—	—	—
Mr. Meng Yan	—	—	—	—	—
Supervisors					
Mr. Chen Bin	—	—	—	—	—
Mr. Yu Yongping	—	—	—	—	—
Mr. Wang Jianting	—	169	322	41	532
	—	891	1,707	190	2,788

For the six months period ended June 30, 2008 (unaudited)

	Directors' and Supervisors' fees	Salaries allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Directors					
Mr. Zhu Yongpeng (Chairman)	—	—	—	—	—
Mr. Xie Changjun	—	98	291	25	414
Mr. Wang Baole	—	—	—	—	—
Mr. Tian Shicun	—	93	291	24	408
Mr. Luan Baoxing	—	—	—	—	—
Mr. Wang Liansheng	—	84	229	23	336
Independent non-executive directors					
Mr. Li Junfeng	—	—	—	—	—
Mr. Zhang Songyi	—	—	—	—	—
Mr. Meng Yan	—	—	—	—	—
Supervisors					
Mr. Chen Bin	—	—	—	—	—
Mr. Yu Yongping	—	—	—	—	—
Mr. Wang Jianting	—	62	177	20	259
	—	337	988	92	1,417

For the six months period ended June 30, 2009

	Directors' and Supervisors' fees	Salaries allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Directors					
Mr. Zhu Yongpeng (Chairman)	—	—	—	—	—
Mr. Xie Changjun	—	92	393	27	512
Mr. Wang Baole	—	—	—	—	—
Mr. Tian Shicun	—	87	395	26	508
Mr. Luan Baoxing	—	—	—	—	—
Mr. Wang Liansheng	—	79	312	25	416
Independent non-executive directors					
Mr. Li Junfeng	—	—	—	—	—
Mr. Zhang Songyi	—	—	—	—	—
Mr. Meng Yan	—	—	—	—	—
Supervisors					
Mr. Chen Bin	—	—	—	—	—
Mr. Yu Yongping	—	—	—	—	—
Mr. Wang Jianting	—	59	268	22	349
	—	317	1,368	100	1,785

During the Track Record Period, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office. No director has waived or agreed to waive any emoluments during the Track Record Period. No remuneration was paid to independent non-executive directors during the Track Record Period as the independent non-executive directors were appointed subsequent to the Track Record Period.

8 INDIVIDUALS WITH HIGHEST EMOLUMENTS

The number of directors and non-directors included in the five highest paid individuals for the years ended December 31, 2006, 2007, 2008, and for the six months period ended June 30, 2008 and 2009 are set forth below:

	Years ended December 31,			**Six months ended June 30,**	
	2006	**2007**	**2008**	**2008**	**2009**
				(unaudited)	
Directors	2	3	3	3	3
Non-directors	3	2	2	2	2
	5	5	5	5	5

The emoluments of the directors are disclosed in note 7. The aggregate of the emoluments in respect of the remaining highest paid individuals are as follows:

	Years ended December 31,			**Six months ended June 30,**	
	2006	**2007**	**2008**	**2008**	**2009**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000 (unaudited)**	**RMB'000**
Salaries and other emoluments	389	364	408	153	145
Discretionary bonuses	923	779	769	447	608
Retirement scheme contributions	106	81	91	44	48
	1,418	1,224	1,268	644	801

The emoluments of the individuals with the highest emoluments are within the following bands:

	Years ended December 31,			**Six months ended June 30,**	
	2006	**2007**	**2008**	**2008**	**2009**
				(unaudited)	
Nil to HKD 500,000	3	—	—	2	2
HKD 500,001 to HKD 1,000,000	—	2	2	—	—

During the Track Record Period, no emoluments were paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

9 OTHER COMPREHENSIVE INCOME

Tax effects relating to each component of other comprehensive income:

	Years ended December 31,			Six months ended June 30,	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Available-for-sale financial assets:					
Net movement in fair value reserve					
- Before tax amount	9,926	25,603	(25,054)	(24,152)	6,198
- Tax (expense)/benefit	(1,500)	(7,382)	6,264	6,084	(1,550)
Net of tax amount	8,426	18,221	(18,790)	(18,068)	4,648
Translation of financial statements of overseas subsidiaries					
- Before tax amount	374	1,346	1,175	(1,204)	(2,056)
- Tax (expense)/benefit	—	—	—	—	—
Net of tax amount	374	1,346	1,175	(1,204)	(2,056)
Other comprehensive income/(losses)	8,800	19,567	(17,615)	(19,272)	2,592

10 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to equity owners of the Company of RMB149,704,000, RMB215,035,000, RMB337,448,000 and RMB425,317,000 during the Track Record Period and the 5,000 million ordinary shares in issue as at the date of the Document as if the share were outstanding throughout the entire Track Record Period.

The Company did not have any potential dilutive shares throughout the entire Track Record Period. Accordingly, diluted earnings per share is the same as basic earnings per share.

11 SEGMENT REPORTING

The Group manages its businesses by divisions, which are organized by types of business. Consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following two reportable segments.

— Wind power: this segment constructs, manages and operates wind power plants and generates electric power for sale to external power grid companies.

— Coal power: this segment constructs, manages and operates coal power plants and generates electric power for sale to external power grid companies.

The Group combined other business activities that are not reportable in "All others." Revenue included in this category is mainly from manufacturing and sales of power equipment, and provision of consulting services, and maintenance and training services to wind power plants.

(a) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible, intangible assets and current assets with the exception of investments in associates and jointly controlled entities, investments in financial assets, deferred tax assets, tax recoverable and other corporate assets. Segment liabilities include trade creditors, bills payable, other payables and bank borrowings managed directly by the segments. Segment liabilities do not include deferred tax liabilities, tax payable and other corporate liabilities.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortization of assets attributable to those segments. Segment revenue and expenses do not include share of profits less losses of associates and jointly controlled entities, net finance expenses, service concession construction revenue and cost and unallocated corporate expenses.

The measure used for reporting segment profit is the operating profit. Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended December 31, 2006, 2007 and 2008 and for the six months ended June 30, 2008 and 2009 is set out below.

For the year ended December 31, 2006

	Wind power	Coal power	All others	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Revenue from external customers				
- Sales of electricity	304,088	3,798,312	14,462	4,116,862
- Others	2,083	230,528	120,417	353,028
Subtotal	306,171	4,028,840	134,879	4,469,890
Inter-segment revenue	—	—	37,450	37,450
Reportable segment revenue	306,171	4,028,840	172,329	4,507,340
Reportable segment profit (operating profit)	128,111	866,491	32,778	1,027,380
Depreciation and amortization before inter-segment elimination	(110,749)	(477,412)	(20,857)	(609,018)
Impairment of property, plant and equipment	—	(31,802)	—	(31,802)
Impairment of trade and other receivables	1,897	(2,500)	(24,790)	(25,393)
Interest income	1,753	12,743	7,867	22,363
Interest expense	(54,184)	(174,753)	(82,561)	(311,498)
Reportable segment assets	5,189,731	7,053,039	860,677	13,103,447
Expenditures for reportable segment non-current assets during the year	3,198,354	535,018	18,582	3,751,954
Reportable segment liabilities	3,503,120	4,930,472	639,581	9,073,173

For the year ended December 31, 2007

	Wind power	Coal power	All others	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Revenue from external customers				
- Sales of electricity	725,537	3,670,037	16,453	4,412,027
- Others	1,237	347,843	128,171	477,251
Subtotal	726,774	4,017,880	144,624	4,889,278
Inter-segment revenue	—	—	91,602	91,602
Reportable segment revenue	726,774	4,017,880	236,226	4,980,880
Reportable segment profit (operating profit)	443,026	724,296	41,729	1,209,051
Depreciation and amortization before inter-segment elimination	(271,631)	(483,418)	(23,248)	(778,297)
Impairment of property, plant and equipment	—	—	—	—
Impairment of trade and other receivables	1,405	(2,500)	(272)	(1,367)
Interest income	6,317	12,651	5,968	24,936
Interest expense	(172,536)	(166,663)	(106,327)	(445,526)
Reportable segment assets	13,173,581	6,975,026	1,062,482	21,211,089
Expenditures for reportable segment non-current assets during the year	7,461,434	338,932	184,645	7,985,011
Reportable segment liabilities	9,726,406	4,890,052	996,349	15,612,807

For the year ended December 31, 2008

	Wind power	Coal power	All others	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Revenue from external customers				
- Sales of electricity	1,634,852	4,089,698	27,551	5,752,101
- Others	3,257	283,672	315,264	602,193
Subtotal	1,638,109	4,373,370	342,815	6,354,294
Inter-segment revenue	—	—	112,375	112,375
Reportable segment revenue	1,638,109	4,373,370	455,190	6,466,669
Reportable segment profit (operating profit)	1,076,130	329,619	73,942	1,479,691
Depreciation and amortization before inter-segment elimination	(566,099)	(493,595)	(29,807)	(1,089,501)
Impairment of property, plant and equipment	(103,813)	—	—	(103,813)
Impairment of trade and other receivables	(39,102)	(2,500)	(814)	(42,416)
Interest income	15,579	13,258	8,238	37,075
Interest expense	(508,653)	(264,129)	(159,457)	(932,239)
Reportable segment assets	27,851,977	6,928,655	1,004,007	35,784,639
Expenditures for reportable segment non-current assets during the year	12,491,835	159,495	32,924	12,684,254
Reportable segment liabilities	20,751,658	4,937,492	1,645,582	27,334,732

For the six months period ended June 30, 2008 (unaudited)

	Wind power	Coal power	All others	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Revenue from external customers				
- Sales of electricity	735,890	2,053,039	8,393	2,797,322
- Others	1,725	127,153	53,502	182,380
Subtotal	737,615	2,180,192	61,895	2,979,702
Inter-segment revenue	—	—	49,637	49,637
Reportable segment revenue	737,615	2,180,192	111,532	3,029,339
Reportable segment profit (operating profit)	545,080	211,186	4,168	760,434
Depreciation and amortization before inter-segment elimination	(246,952)	(248,998)	(12,949)	(508,899)
Impairment of property, plant and equipment	—	—	—	—
Impairment of trade and other receivables	(2,884)	—	(525)	(3,409)
Interest income	4,258	3,917	5,713	13,888
Interest expense	(194,719)	(129,507)	(70,477)	(394,703)

For the six months period ended June 30, 2009

	Wind power	Coal power	All others	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Revenue from external customers				
- Sales of electricity	1,324,289	1,634,964	20,132	2,979,385
- Others	162	460,347	107,909	568,418
Subtotal	1,324,451	2,095,311	128,041	3,547,803
Inter-segment revenue	—	—	100,019	100,019
Reportable segment revenue	1,324,451	2,095,311	228,060	3,647,822
Reportable segment profit (operating profit)	1,004,103	449,079	34,658	1,487,840
Depreciation and amortization before inter-segment elimination	(462,571)	(268,550)	(16,740)	(747,861)
Impairment of property, plant and equipment	—	—	—	—
Impairment of trade and other receivables	(1,027)	—	(732)	(1,759)
Interest income	5,102	8,942	4,283	18,327
Interest expense	(347,537)	(85,849)	(99,358)	(532,744)
Reportable segment assets	37,604,648	7,101,711	2,105,055	46,811,414
Expenditures for reportable segment non-current assets during the six months period ended June 30, 2009	7,552,478	308,478	49,550	7,910,506
Reportable segment liabilities	28,454,307	5,154,928	2,791,085	36,400,320

(b) **Reconciliations of reportable segment revenues, profit or loss, assets and liabilities**

	Years ended December 31,			Six months ended June 30	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Revenue					
Reportable segment revenue	4,507,340	4,980,880	6,466,669	3,029,339	3,647,822
Service concession construction revenue	975,481	2,073,808	2,200,360	774,235	364,511
Elimination of inter-segment revenue	(37,450)	(91,602)	(112,375)	(49,637)	(100,019)
Consolidated revenue	5,445,371	6,963,086	8,554,654	3,753,937	3,912,314
Profit					
Reportable segment profit	1,027,380	1,209,051	1,479,691	760,434	1,487,840
Elimination of inter-segment profits	(15,227)	(18,615)	(16,765)	(9,793)	(18,919)
	1,012,153	1,190,436	1,462,926	750,641	1,468,921
Share of profits less losses of associates and jointly controlled entities	16,871	18,072	52,698	17,825	29,078
Net finance expenses	(277,092)	(363,711)	(857,459)	(302,218)	(526,188)
Unallocated head office and corporate expenses	(45,852)	(71,990)	(42,174)	(23,167)	(22,388)
Consolidated profit before taxation	706,080	772,807	615,991	443,081	949,423

	At December 31, 2006	At December 31, 2007	At December 31, 2008	At June 30, 2009
	RMB'000	RMB'000	RMB'000	RMB'000
Assets				
Reportable segment assets	13,103,447	21,211,089	35,784,639	46,811,414
Inter-segment elimination	(1,654,216)	(4,610,463)	(9,412,137)	(13,279,746)
	11,449,231	16,600,626	26,372,502	33,531,668
Investments in associates and jointly controlled entities.	309,583	585,749	526,560	599,760
Other financial assets	738,126	808,366	269,190	350,388
Trading securities	55	232	54	146
Tax recoverable	11,438	6,864	462	1,200
Deferred tax assets	80,225	91,675	190,326	167,094
Unallocated head office and corporate assets	1,965,532	5,231,584	8,690,313	9,266,880
Consolidated total assets	14,554,190	23,325,096	36,049,407	43,917,136
Liabilities				
Reportable segment liabilities	9,073,173	15,612,807	27,334,732	36,400,320
Inter-segment elimination	(1,635,107)	(4,572,739)	(9,357,648)	(13,211,199)
	7,438,066	11,040,068	17,977,084	23,189,121
Tax payable	11,600	28,548	80,015	90,333
Deferred tax liabilities	13,835	26,841	23,300	29,404
Unallocated head office and corporate liabilities	2,889,946	6,701,674	10,896,143	12,860,522
Consolidated total liabilities	10,353,447	17,797,131	28,976,542	36,169,380

(c) **Geographical information**

All of the Group's operations are located in the PRC, therefore no geographic segment reporting existed.

(d) **Major customers**

Revenue from the PRC government controlled power grid companies amounted to RMB3,906,825,000, RMB4,333,052,000, RMB5,446,314,000, RMB2,790,700,000 (unaudited) and RMB2,891,417,000 for the years ended December 31, 2006, 2007, 2008, and for the six months ended June 30, 2008 and 2009, respectively. Service concession construction revenue is all from the PRC government.

12 PROPERTY, PLANT AND EQUIPMENT

	Land, buildings and structures	Generators and related equipment	Motor vehicles	Furniture, fixtures and others	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost:						
At January 1, 2006	2,124,188	7,332,773	99,643	100,823	693,828	10,351,255
Acquired through business combination (note 35)	1,363	77,845	1,348	728	181,979	263,263
Additions	14,618	11,780	22,451	17,005	2,664,834	2,730,688
Transfer from construction in progress	75,821	1,308,390	1,664	7,140	(1,393,015)	—
Transfer from investment properties (note 13)	19,695	—	—	—	—	19,695
Transfer to other assets	—	—	—	—	(41,192)	(41,192)
Disposals	(29,806)	(79,917)	(4,683)	(8,325)	(9,835)	(132,566)
At December 31, 2006	2,205,879	8,650,871	120,423	117,371	2,096,599	13,191,143
At January 1, 2007	2,205,879	8,650,871	120,423	117,371	2,096,599	13,191,143
Additions	9,868	6,740	16,259	17,263	5,749,934	5,800,064
Transfer from construction in progress	230,824	3,131,027	—	10,008	(3,371,859)	—
Transfer from investment properties (note 13)	19,695	—	—	—	—	19,695
Transfer to other assets	—	—	—	—	(29,788)	(29,788)
Disposals	(1,222)	(1,924)	(2,652)	(145)	(1,050)	(6,993)
At December 31, 2007	2,465,044	11,786,714	134,030	144,497	4,443,836	18,974,121
At January 1, 2008	2,465,044	11,786,714	134,030	144,497	4,443,836	18,974,121
Additions	27,557	14,930	23,257	22,970	10,283,821	10,372,535
Transfer from construction in progress	247,865	6,939,089	—	4,319	(7,191,273)	—
Transfer from investment properties (note 13)	61,264	—	—	—	—	61,264
Transfer to other assets	—	—	—	—	(10,501)	(10,501)
Disposals	(16,159)	(949)	(22,237)	(6,345)	—	(45,690)
At December 31, 2008	2,785,571	18,739,784	135,050	165,441	7,525,883	29,351,729
At January 1, 2009	2,785,571	18,739,784	135,050	165,441	7,525,883	29,351,729
Additions due to the change in consolidation scope (Section A note (iii))	594	—	903	19	304	1,820
Additions	28,122	111,352	16,238	7,563	7,294,145	7,457,420
Transfer from construction in progress	54,937	3,881,756	—	958	(3,937,651)	—
Transfer from investment properties (note 13)	20,859	—	—	—	—	20,859
Transfer to other assets	—	—	—	—	(30,690)	(30,690)
Transfer to service concession construction costs	—	—	—	—	(24,119)	(24,119)
Disposals	—	(151)	(1,657)	(2,757)	—	(4,565)
At June 30, 2009	2,890,083	22,732,741	150,534	171,224	10,827,872	36,772,454

	Land, buildings and structures	Generators and related equipment	Motor vehicles	Furniture, fixtures and others	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Accumulated depreciation and impairment losses:						
At January 1, 2006	492,336	2,139,318	77,410	49,169	42,326	2,800,559
Acquired through business combination (note 35)	205	11,757	1,124	304	—	13,390
Depreciation charge for the year	93,095	478,224	7,969	9,966	—	589,254
Impairment loss (note (iii))	607	31,195	—	—	—	31,802
Transfer from investment properties (note 13)	201	—	—	—	—	201
Written back on disposal	(18,226)	(76,770)	(4,457)	(7,851)	—	(107,304)
At December 31, 2006	568,218	2,583,724	82,046	51,588	42,326	3,327,902
At January 1, 2007	568,218	2,583,724	82,046	51,588	42,326	3,327,902
Depreciation charge for the year	106,756	578,168	11,445	15,436	—	711,805
Transfer from investment properties (note 13)	827	—	—	—	—	827
Written back on disposal	(485)	(615)	(2,448)	(141)	—	(3,689)
At December 31, 2007	675,316	3,161,277	91,043	66,883	42,326	4,036,845
At January 1, 2008	675,316	3,161,277	91,043	66,883	42,326	4,036,845
Depreciation charge for the year	115,539	805,990	11,648	17,182	—	950,359
Impairment loss (note (iii))	—	—	—	—	103,813	103,813
Transfer from investment properties (note 13)	6,978	—	—	—	—	6,978
Written back on disposal	(8,567)	(844)	(21,197)	(5,873)	—	(36,481)
At December 31, 2008	789,266	3,966,423	81,494	78,192	146,139	5,061,514
At January 1, 2009	789,266	3,966,423	81,494	78,192	146,139	5,061,514
Additions due to the change in consolidation scope (Section A note (iii))	—	—	198	4	—	202
Depreciation charge for the period	68,125	557,014	6,604	11,022	—	642,765
Transfer from investment properties (note 13)	3,049	—	—	—	—	3,049
Written back on disposal	—	(60)	(706)	(110)	—	(876)
At June 30, 2009	860,440	4,523,377	87,590	89,108	146,139	5,706,654
Net book value:						
At December 31, 2006	1,637,661	6,067,147	38,377	65,783	2,054,273	9,863,241
At December 31, 2007	1,789,728	8,625,437	42,987	77,614	4,401,510	14,937,276
At December 31, 2008	1,996,305	14,773,361	53,556	87,249	7,379,744	24,290,215
At June 30, 2009	2,029,643	18,209,364	62,944	82,116	10,681,733	31,065,800

Notes:

(i) The Group's property, plants and buildings are located in the PRC.

(ii) Certain of the Group's interest-bearing bank and other borrowings were secured by certain of the Group's buildings and machinery (see note 23), which had an aggregate net book value of RMB304,829,000, RMB636,484,000, RMB1,064,309,000 and RMB1,033,098,000 as at December 31, 2006, 2007 and 2008 and June 30, 2009 respectively.

(iii) During the year ended December 31, 2006, impairment was mainly provided for certain equipment which were replaced by more technical advanced equipment. During the year ended December 31, 2008, the impairment of construction in progress was mainly provided for the damaged equipment of a subsidiary of the Company. The recoverable amount was estimated based on the fair value of the assets less costs to sell, determined by reference to the market bid prices and most recent transactions.

(iv) Property, plant and equipment held under finance leases

Certain properties and equipment of the Group with an aggregate net book value of RMB133,645,000, RMBnil, RMB72,881,000 and RMB70,215,000 as at December 31, 2006, 2007 and 2008 and June 30, 2009 respectively, are accounted for as finance leases pursuant to the sales and leaseback transactions.

(v) As at June 30, 2009, the Group is in the process of applying for or changing registration of the ownership certificates for certain of its properties. The aggregate carrying value of such properties of the Group was approximately RMB43,891,000. The directors are of the opinion that the Group is entitled to lawfully occupy or use these properties.

13 INVESTMENT PROPERTIES

	At December 31,			At June 30,
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Cost:				
At January 1	347,244	327,549	307,854	202,403
Transfer to property, plant and equipment (note 12)	(19,695)	(19,695)	(61,264)	(20,859)
Disposals	—	—	(44,187)	—
At the end of the year/period	327,549	307,854	202,403	181,544
Accumulated depreciation:				
At January 1	25,542	34,411	42,270	30,497
Charge for the year/period	9,070	8,686	7,541	2,625
Transfer to property, plant and equipment (note 12)	(201)	(827)	(6,978)	(3,049)
Written back on disposal	—	—	(12,336)	—
At the end of the year/period	34,411	42,270	30,497	30,073
Net book value:	293,138	265,584	171,906	151,471

All the investment properties owned by the Group are located in the PRC, which comprise a number of commercial properties that are leased to third parties. The leases typically run for a short initial period of one to three years, with an option to renew the lease after that date at which time all terms are renegotiated. Lease payments are usually adjusted periodically to reflect market rentals. None of these leases includes contingent rentals. All lease contracts could be terminated with an insignificant penalty.

According to the Property Valuation Report issued by Jones Lang LaSalle Sallmanns Limited, a firm of independent qualified valuer in Hong Kong, on [●], the fair value of the Group's investment properties as at December 31, 2006, 2007 and 2008 and June 30, 2009 are RMB[551,366,000], RMB[559,322,000], RMB[391,703,000] and RMB[393,247,000], respectively.

As at June 30, 2009, the Group is in the process of applying for or changing registration of the ownership certificates for certain of its investment properties. The aggregate carrying value of such properties of the Group was approximately RMB151,471,000. The directors are of the opinion that the Group legally owns the use rights of these properties.

14 LEASE PREPAYMENTS

	At December 31,			At June 30,
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Cost:				
At January 1	417,600	463,559	573,836	683,794
Acquired through business combination (note 35)	225	—	—	—
Additions due to the change in consolidation scope (Section A note (iii))	—	—	—	3,008
Additions	45,734	110,277	109,958	87,950
At the end of the year/period	463,559	573,836	683,794	774,752
Accumulated amortization:				
At January 1	90,304	101,412	112,707	127,074
Additions due to the change in consolidation scope (Section A note (iii))	—	—	—	15
Amortization for the year/period	11,108	11,295	14,367	8,393
At the end of the year/period	101,412	112,707	127,074	135,482
Net book value:	362,147	461,129	556,720	639,270

Lease prepayments mainly represent prepayments for acquiring rights to use land, which is all located in the PRC, for own use properties with lease period from 20 to 50 years.

15 INTANGIBLE ASSETS

	Concession assets	Software and others	Total
	RMB'000	RMB'000	RMB'000
Cost:			
At January 1, 2006	—	1,577	1,577
Additions	975,481	51	975,532
Disposals	—	(472)	(472)
At December 31, 2006	975,481	1,156	976,637
Additions	2,073,808	862	2,074,670
At December 31, 2007	3,049,289	2,018	3,051,307
Additions	2,200,360	1,401	2,201,761
At December 31, 2008	5,249,649	3,419	5,253,068
Additions due to the change in consolidation scope (Section A note (iii))	335,842	18	335,860
Additions	364,511	625	365,136
Disposals	—	(14)	(14)
At June 30, 2009	5,950,002	4,048	5,954,050
Accumulated amortization:			
At January 1, 2006	—	1,056	1,056
Charge for the year	1,405	104	1,509
Written back on disposal	—	(332)	(332)
At December 31, 2006	1,405	828	2,233
Charge for the year	51,977	95	52,072
At December 31, 2007	53,382	923	54,305
Charge for the year	114,920	390	115,310
At December 31, 2008	168,302	1,313	169,615
Additions due to the change in consolidation scope (Section A note (iii))	12,897	4	12,901
Charge for the period	88,339	148	88,487
Written back on disposal	—	(14)	(14)
At June 30, 2009	269,538	1,451	270,989
Net book value:			
At December 31, 2006	974,076	328	974,404
At December 31, 2007	2,995,907	1,095	2,997,002
At December 31, 2008	5,081,347	2,106	5,083,453
At June 30, 2009	5,680,464	2,597	5,683,061

Concession assets represent the rights the Group received for the usage of the concession wind power plants for the generation of electricity. The Group recognized the intangible assets at the fair value of the concession construction service (see note 2 (i)). The concession assets are amortized over the operating period of the service concession projects.

16 INVESTMENTS IN ASSOCIATES AND JOINTLY CONTROLLED ENTITIES

	At December 31,			At June 30,
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Share of net assets	309,583	585,749	526,560	599,760

The following list contains only the particulars of associates and jointly controlled entities, all of which are corporate entities and established in the PRC, which principally affected the results or assets of the Group:

	Name of company	Place of establishment	Particulars of registered capital	Attributable equity interest Direct	Attributable equity interest Indirect	Principal activities
			RMB'000			
1	Yilan Longyuan Wind Power Co., Ltd. (依蘭龍源風力發電有限公司)	the PRC	293,562	15%	25%	Wind power generation
2	Yantai Longyuan Power Technology Co., Ltd. (煙台龍源電力技術股份有限公司)	the PRC	66,000	—	25%	Manufacturing and sales of power equipment
3	Shanghai Wind Power Generation Co., Ltd. (上海風力發電有限公司)	the PRC	79,070	33%	—	Wind power generation
4	Guodian Union Power Technology Co., Ltd. (國電聯合動力技術有限公司)	the PRC	313,046	30%	—	Manufacturing and sales of power equipment
5	Hangtian Longyuan (Benxi) Wind Power Generation Co., Ltd. (航天龍源(本溪)風力發電有限公司)	the PRC	93,800	45%	—	Wind power generation
6	Hebei Jiantou Longyuan Chongli Wind Energy Co., Ltd. (河北建投龍源崇禮風能有限公司)	the PRC	90,000	50%	—	Wind power generation
7	Shantou Fu'ao Wind Power Generation Co., Ltd. (汕頭福澳風力發電公司)	the PRC	10,000	50%	—	Wind power generation
8	Anhui Anqing Wanjiang Power Generation Co., Ltd.* (安徽安慶皖江發電有限責任公司)	the PRC	621,000	20%	—	Coal power generation
9	Zhejiang Zheneng Leqing Power Generation Co., Ltd.* (浙江浙能樂清發電有限責任公司)	the PRC	990,000	23%	—	Coal power generation
10	Shanghai Yinhua Shipping Co., Ltd. (上海銀樺航運有限公司)	the PRC	200,000	—	49%	Transportation and logistics

* The Company's shares in these entities were transferred to Guodian with nil consideration on September 30, 2008 as part of the Reorganization, as described in Section A.

Summary financial information on major associates and jointly controlled entities:

	At December 31,						At June 30, 2009	
	2006		2007		2008			
	100 per cent	Group's effective interest	100 per cent	Group's effective interest	100 per cent	Group's effective interest	100 per cent	Group's effective interest
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Assets	6,469,428	1,565,874	11,579,141	2,875,531	5,568,868	1,901,712	6,511,048	2,331,338
Liabilities	5,190,384	1,256,291	9,220,456	2,289,782	4,046,691	1,375,152	4,836,015	1,731,578
Equity	1,279,044	309,583	2,358,685	585,749	1,522,177	526,560	1,675,033	599,760

	Years ended December 31,						Six months ended June 30,			
	2006		2007		2008		2008		2009	
	100 per cent	Group's effective interest	100 per cent	Group's effective interest	100 per cent	Group's effective interest	100 per cent	Group's effective interest	100 per cent	Group's effective interest
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
							(unaudited)			
Revenue	1,912,441	462,891	2,188,765	543,552	1,354,620	460,329	940,701	260,132	869,440	311,311
Profit	69,704	16,871	72,771	18,072	155,075	52,698	64,435	17,825	81,208	29,078

The current period un-recognized share of losses of associates and jointly controlled entities as at December 31, 2006, 2007 and 2008 and June 30, 2009 is RMB3,257,000, RMBnil, RMBnil and RMBnil respectively. The accumulated un-recognized share of losses of associates and jointly controlled entities as at December 31, 2006, 2007 and 2008 and June 30, 2009 is RMB5,674,000, RMB5,439,000, RMBnil and RMBnil respectively.

17 OTHER FINANCIAL ASSETS

	At December 31,			At June 30, 2009
	2006	2007	2008	
	RMB'000	RMB'000	RMB'000	RMB'000
Available-for-sale investments, measured at fair value	12,618	38,228	13,174	19,372
Unquoted equity investments in non-listed companies, at cost	330,889	375,519	256,016	331,016
Loans to				
- associates (note (i))	151,730	88,790	80,580	80,580
- third party (note (ii))	—	—	—	51,000
Others (note (iii))	394,619	394,619	—	—
	889,856	897,156	349,770	481,968

Notes:

(i) The loans to associates are designated loans and are unsecured, not past due as at balance sheet dates, and bear interest at the rates of 5.75% to 6.16%, 5.75% to 6.48%, 6.48% to 7.05%, and 5.35% to 7.05% per annum for the years ended December 31, 2006, 2007 and 2008, and for the six months ended June 30, 2009 respectively. The current portion is recorded in other current assets (see note 20).

(ii) The balance at June 30, 2009 is unsecured, interest free and is expected to be repaid in 2011.

(iii) The Group held equity interests in a listed subsidiary of Guodian, namely 國電電力發展股份有限公司, which was transferred back to Guodian as part of the Reorganization in 2008 as described in Section A.

The following list contains the particulars of major unquoted equity investments in non-listed entities, all of which are corporate entities and established in the PRC:

	Name of company	Particulars of registered capital	Attributable equity interest	Principal activities
		RMB'000		
1	Guodian Fuel Co., Ltd. (國電燃料有限公司)	2,034,830	8%	Trading of coal and fuel
2	Guodian Finance Corporation Ltd. (國電財務有限公司)	1,300,000	15%	Financial services

18 INVENTORIES

	At December 31,			At June 30,
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Coal	48,885	73,411	97,196	149,990
Fuel oil	4,974	4,340	5,929	4,500
Spare parts and others	77,702	127,365	176,125	234,529
	131,561	205,116	279,250	389,019

19 TRADE DEBTORS AND BILLS RECEIVABLE

	At December 31,			At June 30,
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Amounts due from third parties	549,438	832,450	1,210,637	1,732,730
Amounts due from fellow subsidiaries	17,220	32,248	26,764	39,929
Amounts due from associates	338	3,805	9,371	3,817
	566,996	868,503	1,246,772	1,776,476
Less: allowance for doubtful debts	(3,720)	(2,608)	(5,904)	(5,967)
	563,276	865,895	1,240,868	1,770,509

(a) **Ageing analysis**

The ageing analysis of trade debtors and bills receivable of the Group is as follows:

	At December 31,			At June 30,
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Current	561,910	863,583	1,238,095	1,767,065
Past due within 1 year	651	1,285	4,922	795
Past due between 1 to 2 years	220	20	120	4,861
Past due between 2 to 3 years	3,080	220	20	120
Over 3 years	1,135	3,395	3,615	3,635
	566,996	868,503	1,246,772	1,776,476
Less: Allowances for doubtful accounts	(3,720)	(2,608)	(5,904)	(5,967)
	563,276	865,895	1,240,868	1,770,509

Trade debtors are generally due within 15-30 days from the date of billing. Certain wind power projects collect on-grid tariff premium representing 30% to 55% of total electricity sales in 6 to 12 months from the date of recognition of sales as agreed in the electricity sales contracts signed between the Group and local grid companies.

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

Impairment losses in respect of trade debtors and bills receivable are recorded using an allowance account.

The movement in the allowance for bad and doubtful accounts during the Track Record Period is as follows:

	At December 31,			At June 30,
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
At the beginning of the year/period	2,116	3,720	2,608	5,904
Impairment losses recognized	1,844	74	4,538	1,089
Reversal of impairment losses	(240)	(366)	(1,242)	—
Uncollectible amounts written off	—	(820)	—	(1,026)
At the end of the year/period	3,720	2,608	5,904	5,967

The Group's trade debtors and bills receivable of RMB4,117,000, RMB3,570,000, RMB5,904,000 and RMB5,967,000 as at December 31, 2006, 2007 and 2008 and June 30, 2009 were individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties and management assessed that only a portion of the receivables is expected to be recovered. Consequently, specific allowances for doubtful debts were recognized. The Group does not hold any collateral over these balances.

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

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

	At December 31,			At June 30,
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Neither past due nor impaired	561,910	863,583	1,238,095	1,767,065
Past due within 1 year	651	130	1,433	795
Past due over 1 year	318	1,220	1,340	2,649
	562,879	864,933	1,240,868	1,770,509

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

All trade debtors and bills receivable are expected to be recovered within one year.

20 PREPAYMENTS AND OTHER CURRENT ASSETS

	At December 31,			At June 30,
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Loans and advances to (note (i)):				
- associates	211,793	537,206	346,926	82,699
- Guodian	3,000	16,270	11,405	11,792
- fellow subsidiaries	46,735	34,213	21,137	20,162
- third parties	131,045	165,470	149,001	73,148
Prepayments	47,785	88,388	109,056	223,371
Government grant receivables	1,146	6,912	1,143,368	561,977
CERs receivable	—	35,058	41,099	145,696
Dividends receivable	25,704	45,420	191	16,188
Deductible VAT (note (ii))	35	123	4,641	133,726
Other debtors (note (iii))	177,544	201,301	74,914	75,674
	644,787	1,130,361	1,901,738	1,344,433
Less: allowance for doubtful debts	(155,261)	(156,315)	(96,943)	(97,613)
	489,526	974,046	1,804,795	1,246,820

Notes:

(i) Except for the interest bearing loans and advances amounting to RMB200,965,000, RMB391,821,000, RMB275,713,000 and RMB16,420,000 with annum interest rates of 4.69% to 7.05% as at December 31, 2006, 2007, 2008 and June 30, 2009, respectively, other loans and advances are unsecured, interest free and have no fixed terms of repayment.

(ii) Deductible VAT mainly represents the input VAT relating to acquisition of property, plant and equipment and intangible assets, which is deductible from output VAT since January 1, 2009. Such input VAT was recorded as part of the costs of the related assets before January 1, 2009.

(iii) Other debtors mainly represented receivables arising from disposal of property, plant and equipment and investment properties and deposits.

Impairment losses in respect of prepayments and other current asset are recorded using an allowance account.

The movement in the allowance for bad and doubtful accounts during the Track Record Period is as follows:

	At December 31,			At June 30,
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
At the beginning of the year/period	132,166	155,261	156,315	96,943
Impairment losses recognized	26,368	3,683	39,779	670
Reversal of impairment losses	(2,579)	(2,024)	(659)	—
Uncollectible amounts written off	(694)	(605)	(98,492)	—
At the end of the year/period	155,261	156,315	96,943	97,613

The Group's prepayments and other current assets of RMB158,403,000, RMB158,011,000, RMB96,943,000 and RMB97,613,000 as at December 31, 2006, 2007 and 2008 and June 30, 2009 were individually determined to be impaired. The individually impaired receivables related to the counterparties that were in financial difficulties and management assessed that only a portion of the receivables is expected to be recovered. Consequently, specific allowances for doubtful debts were recognized. The Group does not hold any collateral over these balances.

For the other balances of prepayments and other current assets, the management is of the opinion that the counterparties are with good credit quality and the balances are considered fully recoverable.

21 RESTRICTED DEPOSITS

Restricted deposits mainly represent cash pledged as collateral for bills payable and housing maintenance fund designated for specific purposes as requested by PRC regulations. These restricted deposits are expected to be released within one year.

22 CASH AT BANK AND ON HAND

	At December 31,			At June 30,
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Cash on hand	838	6,375	663	1,160
Cash at bank and other financial institutions	101,568	802,394	1,054,322	1,249,374
	102,406	808,769	1,054,985	1,250,534
Representing:				
- Cash and cash equivalents	102,406	808,769	1,001,935	1,244,474
- Time deposits with original maturity over three months	—	—	53,050	6,060

23 BORROWINGS

(a) **The Group's long-term interest-bearing borrowings comprise:**

	At December 31,			At June 30,
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Bank loans				
- Secured	1,333,074	4,152,645	9,473,092	11,130,293
- Unsecured	2,060,448	3,571,111	8,500,603	8,453,692
Loan from government				
- Unsecured	2,000	2,000	2,000	2,000
Other borrowings (note (e)(i))				
- Secured	630,000	630,000	315,000	315,000
	4,025,522	8,355,756	18,290,695	19,900,985
Less: Current portion of long-term borrowings				
- Bank loans	(134,765)	(195,698)	(630,653)	(973,062)
- Other borrowings (note (e)(i))	—	(315,000)	(315,000)	(315,000)
	3,890,757	7,845,058	17,345,042	18,612,923

As at December 31, 2006, 2007 and 2008 and June 30, 2009, bank loans guaranteed by Guodian amounted to RMB833,356,000, RMB2,920,452,000, RMB6,558,665,000 and RMB6,024,503,000, respectively.

(b) **The Group's short-term interest-bearing borrowings comprise:**

	At December 31,			At June 30,
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Bank loans				
- Secured	1,024,000	300,000	—	—
- Unsecured	1,566,195	3,413,075	2,992,907	3,062,314
Loans from Guodian (unsecured)	—	845,000	—	—
Loans from fellow subsidiaries (unsecured)	—	305,000	—	—
Loans from other financial institutions				
- Unsecured (note (i))	41,000	233,280	141,000	3,948,652
Other borrowings (unsecured) (note (e)(ii))	—	548,947	606,678	625,274
Current portion of long-term borrowings				
- Bank loans	134,765	195,698	630,653	973,062
- Other borrowings (note (e)(i))	—	315,000	315,000	315,000
	2,765,960	6,156,000	4,686,238	8,924,302

Notes:

(i) The Group had unpaid loans of RMB40,000,000 as of each date of December 31, 2006, 2007 and 2008 and June 30, 2009. These unpaid loans represent loans borrowed by a subsidiary, China Fulin Wind Power Engineering Co., Ltd., from third parties.

(ii) As at December 31, 2006, 2007 and 2008 and June 30, 2009, bank loans guaranteed by Guodian amounted to RMB1,000,000,000, RMB300,000,000, RMBnil and RMB303,116,000, respectively.

(c) **The Group's effective interest rates per annum on borrowings are as follows:**

	At December 31,			At June 30,
	2006	**2007**	**2008**	**2009**
Long-term				
Bank loans	3.79%~7.01%	3.79%~7.47%	3.22%~7.83%	3.80%~7.05%
Loan from government	2.55%	2.55%	2.55%	2.55%
Other borrowings	3.74%	3.74%	—	—
Short-term				
Bank loans	4.78%~6.12%	4.47%~7.29%	4.54%~7.47%	4.37%~7.21%
Loans from related parties	—	5.22%~6.72%	—	—
Loans from other financial institutions	3.60%~6.12%	3.60%~6.12%	3.60%~6.72%	3.60%~6.12%
Other borrowings	3.74%	3.74%~4.42%	3.74%~6.25%	3.74%~6.25%

(d) **The Group's long-term borrowings are repayable as follows:**

	At December 31,			At June 30,
	2006	**2007**	**2008**	**2009**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Within 1 year or on demand	134,765	510,698	945,653	1,288,062
After 1 year but within 2 years	593,062	769,817	1,343,607	2,460,897
After 2 years but within 5 years	1,671,634	2,598,471	5,196,374	5,078,558
After 5 years	1,626,061	4,476,770	10,805,061	11,073,468
	4,025,522	8,355,756	18,290,695	19,900,985

(e) **Significant terms of other borrowings**

	At December 31,			At June 30,
	2006	**2007**	**2008**	**2009**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Long-term				
Other borrowings (note (i))	630,000	315,000	—	—
Short-term				
Other borrowings (note (i))	—	315,000	315,000	315,000
Debentures (note (ii))	—	548,947	606,678	625,274
	630,000	1,178,947	921,678	940,274

Notes:

(i) In August 2006, Nantong Tianshenggang Power Generation Co., Ltd. (南通天生港發電有限公司) issued a debt of RMB630,000,000 to finance its working capital, which was pledged by its future electricity revenue with a maturity period of three years. The effective interest rate is 3.74% per annum.

(ii) On January 19, 2007, Jiangyin Sulong Power Generation Co., Ltd. (江陰蘇龍發電有限公司) issued short-term debentures of RMB550,000,000 at a discount to par with a maturity period of 365 days in the PRC inter-bank debenture market. The unit par value is RMB100 and the issue price is RMB96.17. The effective annual interest rate is 4.42%. The short-term debentures of RMB550,000,000 were repaid on January 19, 2008.

On October 28, 2008, Jiangyin Sulong Power Generation Co., Ltd. (江陰蘇龍發電有限公司) issued short-term debentures of RMB600,000,000 at par with a maturity period of 365 days in the PRC inter-bank debenture market. The effective annual interest rate is 6.25%.

24 OBLIGATIONS UNDER FINANCE LEASES

The Group had obligations under finance leases repayable as follows:

	At December 31,			At June 30,
	2006	2007	2008	2009
Present value of the minimum lease payments	RMB'000	RMB'000	RMB'000	RMB'000
Within one year	104,717	—	—	—
After one year but within two years	—	—	—	50,000
After two years but within five years	—	—	50,000	—
Present value of finance lease obligations	104,717	—	50,000	50,000

	At December 31,			At June 30,
	2006	2007	2008	2009
Total minimum lease payments	RMB'000	RMB'000	RMB'000	RMB'000
Within one year	107,741	—	2,930	2,700
After one year but within two years	—	—	2,835	52,700
After two years but within five years	—	—	51,417	—
	107,741	—	57,182	55,400
Less: total future interest expenses	(3,024)	—	(7,182)	(5,400)
Present value of finance lease obligations	104,717	—	50,000	50,000

At inception, the lease period of the finance lease obligation in 2008 is three years. Except for the interest expenses to be paid annually, the principal obligation is to be paid at the end of the lease period.

25 TRADE CREDITORS AND BILLS PAYABLE

	At December 31,			At June 30,
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Bills payable	2,098,470	1,587,595	2,689,475	2,432,723
Creditors and accrued charges	196,130	184,714	38,275	300,566
Amounts due to fellow subsidiaries	16,652	7,044	944	—
	2,311,252	1,779,353	2,728,694	2,733,289

As at December 31, 2006, 2007 and 2008 and June 30, 2009, all trade creditors and bills payable are within one year since the invoice date.

26 OTHER PAYABLES

	At December 31, 2006	At December 31, 2007	At December 31, 2008	At June 30, 2009
	RMB'000	RMB'000	RMB'000	RMB'000
Payables for acquisition of property, plant and equipment	575,862	695,199	1,306,879	2,704,014
Payables for staff related costs	145,595	176,249	166,987	174,741
Payables for other taxes	54,493	85,531	105,841	83,730
Dividends payable	207,165	193,772	13,994	172,931
Deposits	20,469	30,876	61,260	63,334
Interests payable	9,890	25,783	46,818	42,299
Receipts in advance				
- associates	—	—	—	34
- fellow subsidiaries	3,774	1,595	5,629	350
- third parties	2,354	6,686	23,105	85,521
Amounts due to associates and jointly controlled entities (note (i))	16,753	141,342	76,638	91,022
Amounts due to fellow subsidiaries (note (i))	9,863	9,849	9,127	12,721
Amounts due to Guodian (note (i))	—	—	—	1,500
Other accruals and payables (note (ii))	137,140	175,031	101,691	137,993
	1,183,358	1,541,913	1,917,969	3,570,190

Notes:

(i) Amounts due to Guodian, fellow subsidiaries, associates and jointly controlled entities are unsecured, interest-free and have no fixed terms of repayment.

(ii) Other accruals and payables mainly represent payable for repair and maintenance expenses, consulting fees and payable to non-controlling equity owners of subsidiaries for payments made on behalf of the Group.

All of the other payables are expected to be settled or recognized as income within one year or are repayable on demand.

27 INCOME TAX IN THE CONSOLIDATED BALANCE SHEETS

(a) **Tax payable / (tax recoverable) in the consolidated balance sheets represents:**

	At December 31, 2006	At December 31, 2007	At December 31, 2008	At June 30, 2009
	RMB'000	RMB'000	RMB'000	RMB'000
Net tax payable at beginning of year/period	11,836	162	21,684	79,553
Provision for the year/period (note 6(a))	47,997	68,806	103,024	122,444
Under/(over) provision in respect of prior years (note 6(a))	416	(2,586)	(371)	488
Income tax paid	(60,087)	(44,698)	(44,784)	(113,352)
Net tax payable at end of year/period	162	21,684	79,553	89,133
Representing:				
Tax payable	11,600	28,548	80,015	90,333
Tax recoverable	(11,438)	(6,864)	(462)	(1,200)
	162	21,684	79,553	89,133

(b) **Deferred tax assets and liabilities recognized:**

The components of deferred tax assets/(liabilities) recognized in the consolidated balance sheets and the movements during the Track Record Period are as follows:

Deferred tax assets arising from:	Provision for impairment of assets	Tax credits for domestic equipment	Tax losses	Unrealized profits on intra-group transactions	Deferred government grant	Depreciation and amortization	Provision for defined benefit retirement plan	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2006	11,779	61,918	1,175	582	—	4,489	5,750	3,300	88,993
Credited/(charged) to profit or loss	1,460	(27,095)	2,747	3,747	8,907	102	(57)	1,421	(8,768)
At December 31, 2006	13,239	34,823	3,922	4,329	8,907	4,591	5,693	4,721	80,225
Credited/(charged) to profit or loss	2,115	8,406	(2,744)	2,968	559	(1,147)	(1,028)	2,321	11,450
At December 31, 2007	15,354	43,229	1,178	7,297	9,466	3,444	4,665	7,042	91,675
Credited/(charged) to profit or loss	22,191	33,479	44,892	4,808	(466)	(1,646)	(22)	58	103,294
Charged to reserves	—	—	—	—	—	—	(4,643)	—	(4,643)
At December 31, 2008	37,545	76,708	46,070	12,105	9,000	1,798	—	7,100	190,326
Credited/(charged) to profit or loss	992	(12,629)	(37,893)	5,458	14,740	7,522	—	(1,422)	(23,232)
At June 30, 2009	38,537	64,079	8,177	17,563	23,740	9,320	—	5,678	167,094

Deferred tax liabilities arising from:	Available-for-sale investments	Amortization of intangible assets	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2006	—	(10,051)	—	(10,051)
Credited/(charged) to profit or loss	—	742	(3,026)	(2,284)
Charged to reserves	(1,500)	—	—	(1,500)
At December 31, 2006	(1,500)	(9,309)	(3,026)	(13,835)
(Charged)/credited to profit or loss	—	(6,793)	1,169	(5,624)
Charged to reserves	(7,382)	—	—	(7,382)
At December 31, 2007	(8,882)	(16,102)	(1,857)	(26,841)
(Charged)/credited to profit or loss	—	(3,161)	438	(2,723)
Credited to reserves	6,264	—	—	6,264
At December 31, 2008	(2,618)	(19,263)	(1,419)	(23,300)
(Charged)/credited to profit or loss	—	(4,584)	30	(4,554)
Charged to reserves	(1,550)	—	—	(1,550)
At June 30, 2009	(4,168)	(23,847)	(1,389)	(29,404)

(c) **Deferred tax assets not recognized**

In accordance with the accounting policy set out in note 1(s), the Group has not recognized deferred tax assets in respect of cumulative tax losses, certain provision for impairment of assets and provision for the defined benefit retirement plan of RMB334,718,000, RMB505,526,000, RMB642,278,000 and RMB748,008,000 as at December 31, 2006, 2007, 2008 and June 30, 2009 respectively as it is not probable that future taxable profits against which the losses and the provisions can be utilized will be available in the relevant tax jurisdiction and entity. The tax losses will expire in five years after the tax losses generated under current tax legislation. The tax losses that will expire in the year ending December 31, 2009, 2010, 2011, 2012, 2013 and 2014 are RMB4,029,000, RMB14,198,000, RMB93,805,000, RMB172,344,000, RMB210,247,000 and RMB119,297,000 respectively.

(d) **Deferred tax liabilities not recognized**

There are no significant taxable temporary differences not recognized during the Track Record Period.

28 EMPLOYEE BENEFITS

(a) **Defined benefit retirement plan**

The Group paid supplementary pension subsidies (including post-retirement medical benefits) and early retirement benefits to its employees who retired prior to September 30, 2008. Pursuant to the Reorganization as described in Section A, Guodian agreed to assume the liabilities of the supplementary pension and early retirement benefits of the retired employees of the Group from September 30, 2008, amounting to RMB29,817,000 net of taxation. The Group terminated the supplementary pension and early retirement subsidies plan for its employees who retired after September 30, 2008.

The Group's obligations in respect of the supplementary pension and early retirement benefits at the balance sheet dates were computed by an independent actuary, Towers Perrin, whose actuaries are members of the Society of Actuaries of the United States of America, using the projected unit credit actuarial cost method.

(i) ***The provision for supplementary pension subsidies and early retirement benefits recognized in the balance sheets are determined as follows:***

	At December 31,			At June 30,
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Present value of defined benefit obligations	36,700	31,440	33,290	—
Unrecognized net actuarial (losses)/gains	(1,100)	3,140	1,170	—
Transfer to Guodian	—	—	(34,460)	—
Provisions for supplementary pension subsidies and early retirement benefits in balance sheets	35,600	34,580	—	—
Current portion included in other payables	(1,610)	(1,680)	—	—
Non-current portion	33,990	32,900	—	—

(ii) ***The movements of provisions for supplementary pension subsidies and early retirement benefits are as follows:***

	At December 31,			At June 30,
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
At beginning of the year/period	35,980	35,600	34,580	—
Benefits paid	(1,610)	(1,680)	(1,160)	—
Actuarial gain recognized	—	(500)	—	—
Interest expense	1,230	1,160	1,040	—
Transfer to Guodian	—	—	(34,460)	—
At end of the year/period	35,600	34,580	—	—

(iii) ***Expenses recognized in consolidated statements of comprehensive income:***

	At December 31,			At June 30,
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Actuarial gain recognized	—	(500)	—	—
Interest expense	1,230	1,160	1,040	—
At end of the year/period	1,230	660	1,040	—

(iv) ***The principal actuarial assumptions used for the purpose of the actuarial valuation are as follows:***

	At December 31,			At June 30,
	2006	**2007**	**2008**	**2009**
Discount rate	3.25%	4.50%	4.00%	—
Cost of living increase rate	4.50%	4.50%	4.50%	—
Medical expense increase rate	8.00%	8.00%	8.00%	—

Mortality is assumed to be the average life expectancy of the residents in the PRC and the subsidies paid are assumed to continue until the death of the retirees.

(b) **Defined contribution retirement plan**

Pursuant to the relevant labour rules and regulations in the PRC, the Group participated in defined contribution retirement schemes (the "Schemes") organized by the relevant local government authorities for its employees. The Group is required to make contributions to the Schemes at 16% to 20% of the salaries of the employees. The local government authorities are responsible for the entire pension obligations payable to retired employees. In addition, the Group and its staff participate in a retirement plan managed by Guodian to supplement the above-mentioned Schemes. The Group has no other material obligation to make payments in respect of pension benefits associated with these Schemes and supplementary retirement plan other than the annual contributions described above.

29 DEFERRED INCOME

	At December 31,			At June 30,
	2006	**2007**	**2008**	**2009**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
At January 1	15,191	37,978	386,518	2,145,284
Additions	24,241	359,270	1,791,321	47,816
Credited to profit or loss	(1,454)	(10,730)	(32,555)	(34,161)
At the end of the year/period	37,978	386,518	2,145,284	2,158,939

Deferred income mainly represents VAT refund granted by the government relating to the purchase of domestic equipment and other subsidies relating to the construction of property, plant and equipment, which would be recognized as income on a straight-line basis over the expected useful life of the relevant assets.

30 CAPITAL AND RESERVES

(a) **Dividends**

The Company has not distributed any dividends during the Track Record Period.

(b) **Paid-in capital**

For the purpose of this report, the paid-in capital of the Group prior to the establishment of the Company represents the paid-in capital of CLEPG.

(c) **Reserves**

(i) ***Capital reserve***

Capital reserve includes the contributions or distributions to equity owners, and the difference between the considerations of acquisition or disposal of equity interests from/to non-controlling equity owners and the carrying amount of the proportionate net identifiable assets.

(ii) ***Reserve fund***

Pursuant to the Articles of Association of the Company, the Company are required to transfer 10% of its profit after taxation to statutory reserve fund. The transfer will no longer be recognized when the accumulated statutory reserve fund reaches 50% of the registered capital. This reserve fund can be utilized in setting off accumulated losses or increasing capital of the subsidiaries and is non-distributable other than in liquidation.

(iii) ***Fair value reserve***

Fair value reserve represents the cumulative net change in the fair value of available-for-sale securities held after income tax, which is dealt with in accordance with the accounting policies set out in notes 1(g) and 1(s).

(iv) ***Exchange reserve***

Exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations that have functional currency other than the RMB which are dealt with in accordance with the accounting policies as set out in note 1(v).

(v) ***Distributability of reserves***

Following the Reorganization, the payment of future dividends will be determined by the Company's Board of Directors. The payment of the dividends will depend upon, the future earnings, capital requirements and financial conditions and general business conditions of the Company. As the controlling shareholder, Guodian will be able to influence the Company's dividend policy.

Following the establishment of the Company, under the Company Law of the PRC and the Company's Articles of Association, net profit after tax as reported in the statutory financial statements prepared in accordance with the accounting rules and regulations of the PRC can only be distributed as dividends after allowances have been made for the following:

(i) Making up prior years' cumulative losses, if any;

(ii) Allocations to the reserve fund as set out in note 30 (c) (ii) above; and

(iii) Allocations to the discretionary common reserve if approved by the shareholders.

In accordance with the Articles of Association of the Company, the net profit after tax of the Company for the purpose of dividends payment will be the lesser of (i) the net profit determined in accordance with the accounting rules and regulations of the PRC; and (ii) the net profit determined in accordance with IFRSs.

(d) **Capital management**

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of liability-to-asset ratio, which is calculated by dividing total liabilities by total assets. The liability-to-asset ratios of the Group as at December 31, 2006, 2007 and 2008 and June 30, 2009 are 71%, 76%, 80% and 82%, respectively.

There were no changes in the Group's approach to capital management compared with previous years. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

31 FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group is also exposed to equity price risk arising from its equity investments in other entities.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) **Credit risk**

The Group's credit risk is primarily attributable to cash and cash equivalents, trade debtors and bills receivable and prepayments and other current assets.

Substantially all of the Group's cash and cash equivalents are mainly deposited in the stated owned/controlled PRC banks and a related party which the directors assessed the credit risk to be insignificant.

The receivables from sales of electricity mainly represent receivables from the provincial power grid companies. The Group have no significant credit risk with any of these power grid companies as the Group and its subsidiaries maintain long-term and stable business relationships with these companies. The receivables from the provincial power grid companies accounted for 91%, 87%, 83% and 81% of total trade debtor and bills receivable as at December 31, 2006, 2007 and 2008 and June 30, 2009, respectively. For other trade and other receivables, the Group performs an ongoing individual credit evaluation of its customers' and counterparties' financial conditions. The allowance for doubtful debts has been made in the Financial Information.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet after deducting any impairment allowance.

The Group provided financial guarantees to third parties and related parties. Except for the financial guarantees extended by the Group as set out in note 33(a), the Group does not provide any other guarantees which would expose the Group to credit risk. The maximum exposure to credit risk in respect of these financial guarantees at the balance sheet date is disclosed in note 33(a).

(b) **Liquidity risk**

The Group's objective is to ensure continuity of sufficient funding and flexibility by utilizing a variety of bank and other borrowings with debt maturities spreading over a range of periods, thereby ensuring that the Group's outstanding borrowing obligation is not exposed to excessive repayment risk in any one year.

The Company is responsible for the Group's overall cash management and the raising of borrowings to cover expected cash demands. The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term. In order to repay the borrowings due within one year, the Group negotiates banking facilities and utilizes operating cash inflows in its subsidiaries. The Group manages the proportion of its current liabilities with respect to the total liabilities to mitigate the liquidity risk.

The Group had net current liabilities of RMB4,595,291,000, RMB6,416,289,000, RMB4,532,459,000 and RMB10,189,402,000 as at December 31, 2006, 2007, 2008 and June 30, 2009 respectively. With regards to its future capital commitments and other financing requirements, the Group has unutilized banking facilities of RMB7.2 billion as of September 30, 2009. The Company will issue debenture with no more than RMB1.6 billion, according to a shareholders' meeting resolution dated July 17, 2009, with the maturity of seven years.

In addition, the directors of the Group have carried out a review of the cash flow forecast for the 18-month period ending December 31, 2010. Based on such forecast, the directors have determined that adequate liquidity exists to finance the working capital and capital expenditure requirements of the Group during the period. In preparing the cash flow forecast, the directors have considered historical cash requirements of the Group as well as other key factors, including the availability of the above-mentioned borrowings financing which may impact the operations of the Group prior to the end of the next twelve months after the date of this report. The directors are of the opinion that the assumptions which are included in the cash flow forecast are reasonable. However, as with all assumptions in regard to future events, these are subject to inherent limitations and uncertainties and some or all of these assumptions may not be realized.

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

	Carrying amount	Contractual cash flows	1 year or less	1-2 years	2-5 years	more than 5 years
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
December 31, 2006						
Long-term borrowings (note 23(a))	3,890,757	4,930,074	231,911	796,793	2,200,807	1,700,563
Short-term borrowings (note 23(b))	2,765,960	2,860,511	2,860,511	—	—	—
Obligations under finance leases (note 24)	104,717	107,741	107,741	—	—	—
Trade creditors and bills payable (note 25)	2,311,252	2,311,252	2,311,252	—	—	—
Other payables (note 26)	1,183,358	1,183,358	1,183,358	—	—	—
	10,256,044	11,392,936	6,694,773	796,793	2,200,807	1,700,563

	Carrying amount	Contractual cash flows	1 year or less	1-2 years	2-5 years	more than 5 years
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
December 31, 2007						
Long-term borrowings (note 23(a))	7,845,058	10,846,713	544,804	1,285,044	3,395,254	5,621,611
Short-term borrowings (note 23(b))	6,156,000	6,268,358	6,268,358	—	—	—
Trade creditors and bills payable (note 25)	1,779,353	1,779,353	1,779,353	—	—	—
Other payables (note 26)	1,541,913	1,541,913	1,541,913	—	—	—
	17,322,324	20,436,337	10,134,428	1,285,044	3,395,254	5,621,611

	Carrying amount	Contractual cash flows	1 year or less	1-2 years	2-5 years	more than 5 years
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
December 31, 2008						
Long-term borrowings (note 23(a))	17,345,042	25,472,776	1,202,348	2,486,675	7,864,752	13,919,001
Short-term borrowings (note 23(b))	4,686,238	4,795,187	4,795,187	—	—	—
Obligations under finance leases (note 24)	50,000	57,182	2,930	2,835	51,417	—
Trade creditors and bills payable (note 25)	2,728,694	2,728,694	2,728,694	—	—	—
Other payables (note 26)	1,917,969	1,917,969	1,917,969	—	—	—
	26,727,943	34,971,808	10,647,128	2,489,510	7,916,169	13,919,001

	Carrying amount	Contractual cash flows	1 year or less	1-2 years	2-5 years	more than 5 years
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
June 30, 2009						
Long-term borrowings (note 23(a))	18,612,923	25,401,545	1,016,336	3,442,612	7,393,708	13,548,889
Short-term borrowings (note 23(b))	8,924,302	9,167,915	9,167,915	—	—	—
Obligations under finance leases (note 24)	50,000	55,400	2,700	52,700	—	—
Trade creditors and bills payable (note 25)	2,733,289	2,733,289	2,733,289	—	—	—
Other payables (note 26)	3,570,190	3,570,190	3,570,190	—	—	—
	33,890,704	40,928,339	16,490,430	3,495,312	7,393,708	13,548,889

(c) **Interest rate risk**

The Group's interest rate risk arises primarily from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk.

The Group regularly reviews and monitors the mix of fixed and variable rate borrowings in order to manage its interest rate risks. During the Track Record Period, however, management of the Group did not consider it necessary to use interest rate swaps to hedge their exposure to interest.

The following table details the profile of the Group's net borrowings (interest-bearing financial liabilities less interest-bearing financial assets) at the balance sheet date. The detailed interest rates and maturity information of the Group's borrowings are disclosed in note 23.

	At December 31,			At June 30,
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Net fixed rate borrowings:				
Borrowings	3,198,188	5,859,798	4,155,621	7,825,228
Obligations under finance lease	104,717	—	—	—
Less: Loans and advances (note 20(i))	—	—	(6,000)	—
Bank deposits (including restricted deposits)	(472,979)	(217,280)	(540,621)	(399,455)
	2,829,926	5,642,518	3,609,000	7,425,773
Net floating rate borrowings:				
Borrowings	3,458,529	8,141,260	17,875,659	19,711,997
Obligations under finance lease	—	—	50,000	50,000
Less: Loans and advances (note 20(i))	(200,965)	(391,821)	(269,713)	(16,420)
Designated loans (note 17(i))	(151,730)	(88,790)	(80,580)	(80,580)
Bank deposits (including restricted deposits)	(111,923)	(813,717)	(1,013,744)	(1,320,403)
	2,993,911	6,846,932	16,561,622	18,344,594
Total net borrowings	5,823,837	12,489,450	20,170,622	25,770,367

At December 31, 2006, 2007, 2008 and June 30, 2009, it is estimated that a general increase/decrease of 100 basis points in interest rates of net floating borrowings, with all other variables held constant, would have decreased/increased the Group's profit after tax and retained profits by approximately RMB23,684,000, RMB51,737,000, RMB106,522,000 and RMB120,416,000, respectively.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the balance sheet date and had been applied to the exposure to interest rate risk for non-derivative financial instruments in existence at the balance sheet date.

The estimated 100 basis points increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual balance sheet date. The sensitivity analysis is performed on the same basis for the entire Track Record Period.

(d) **Currency risk**

The Group is exposed to currency risk primarily through sales and purchases which give rise to receivables, borrowings and cash balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily Euros and United States dollars.

(i) ***Recognized assets and liabilities***

Except for CERs and VERs sales which were denominated in foreign currencies, all of the revenue-generating operations of the Group are transacted in RMB. In addition, the Group has certain borrowings that are denominated in Euros and United States dollars. The directors considered that the Group's exposure to foreign currency risk is insignificant.

On the other hand, RMB is not a freely convertible currency and the PRC Government may at its discretion restrict access to foreign currencies for current account transactions in the future. Changes in the foreign exchange control system may prevent the Group from satisfying sufficient foreign currency demands and the Group may not be able to pay dividends in foreign currencies to its shareholders.

(ii) ***Exposure to currency risk***

The following table details the Group's exposure at the balance sheet date to currency risk arising from recognized assets or liabilities denominated in a currency other than RMB to which they relate.

	At December 31,						At June 30,	
	2006		2007		2008		2009	
	USD	EUR	USD	EUR	USD	EUR	USD	EUR
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cash and cash equivalents	413	13	80,936	6,616	52,926	11,920	53,419	58,203
Trade debtors	—	—	—	—	—	79,074	—	42,865
Other current assets	—	187,695	—	418,670	—	41,099	—	141,475
Long-term borrowings	(91,332)	(47,480)	(789,466)	(43,226)	(1,399,260)	(33,140)	(1,543,474)	(30,634)
Short-term borrowings	—	(187,695)	—	(528,756)	—	—	—	—
Net exposure	(90,919)	(47,467)	(708,530)	(146,696)	(1,346,334)	98,953	(1,490,055)	211,909

The followings are USD and EUR exchange rates to RMB during the Track Record Period:

	Average rate				Reporting date spot rate			
	2006	2007	2008	Six months ended June 30, 2009	2006	2007	2008	June 30, 2009
USD	7.9395	7.5567	7.0696	6.8333	7.8087	7.3046	6.8346	6.8319
EUR	9.9231	10.4667	10.1630	9.6499	10.2665	10.6669	9.6590	9.6408

A 5% strengthening of RMB against the following currencies as at December 31, 2006, 2007 and 2008 and June 30, 2009 would have increased/(decreased) the net profit and retained profit by the amount shown below.

	At December 31,			At June 30,
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
USD	3,836	29,662	61,637	56,109
EUR	1,717	5,224	(4,681)	(9,128)
	5,553	34,886	56,956	46,981

A 5% weakening of RMB against the above currencies as at December 31, 2006, 2007 and 2008 and June 30, 2009 would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the balance sheet date and had been applied to the Group's exposure to currency risk for both derivative and non-derivative financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant.

The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the next annual balance sheet date. The analysis is performed on the same basis for the Track Record Period.

(e) **Equity price risk**

The Group is exposed to equity price changes arising from equity investments classified as trading securities and available-for-sale equity securities (see note 17). The Group's listed investments are listed on Shanghai Stock Exchange and Shenzhen Stock Exchange in the PRC. Listed and unlisted investments held in the available-for-sale portfolio are held for long term purpose. Their performance is assessed at least annually based on the information available to the Group, together with an assessment of their relevance to the Group's long-term strategic plans.

The directors considered that the Group's exposure to equity price risk is insignificant.

(f) **Fair values**

All financial assets and liabilities are carried at the amounts not materially different from their fair values as at December 31, 2006, 2007 and 2008 and June 30, 2009 except as follows:

	At December 31,						At June 30,	
	2006		2007		2008		2009	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Fixed rate long-term bank loans	124,688	92,126	113,252	76,878	100,036	76,581	147,988	118,483

(g) **Estimation of fair values**

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

(i) ***Listed securities***

Fair value is based on quoted market prices at the balance sheet date without any deduction for transaction costs.

(ii) ***Interest-bearing borrowings and finance lease obligations***

The fair value is estimated as the present value of future cash flows, discounted at current market interest rates for similar financial instruments.

32 COMMITMENTS

(a) Capital commitments outstanding at each year/period end not provided for in the Financial Information were as follows:

	At December 31,			At June 30,
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Contracted for	2,818,190	3,010,938	8,139,217	10,401,279
Authorized but not contracted for	4,328,333	6,103,125	9,996,775	10,076,302
	7,146,523	9,114,063	18,135,992	20,477,581

(b) At each year/period end, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	At December 31,			At June 30,
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year	750	960	1,607	2,129
After 1 year but within 5 years	6,744	7,753	8,449	13,682
	7,494	8,713	10,056	15,811

The Group leases certain buildings through non-cancellable operating leases. These operating leases do not contain provisions for contingent lease rentals. None of the rental agreements contain escalation provisions that may require higher future rental payments.

33 CONTINGENT LIABILITIES

(a) **Financial guarantees issued**

At each year/period end, the Group issued the following guarantees:

(i) Guarantees to banks in respect of the bank loans granted to certain third parties or related parties are set forth below:

At December 31, 2006

	Period of guaranteed loans		Guaranteed amount
	From	To	RMB'000
Third parties:			
Jiangyin Xingtai New Materials Co., Ltd. 江陰興泰新材料有限公司	May 19, 2005	November 20, 2008	40,000
Jiangyin Chemical Fiber Factory 江陰市化學纖維廠	November 14, 2006	September 12, 2007	45,000
Jiangsu Xingye Plastics and Chemistry Co., Ltd. 江蘇興業塑化股份有限公司	September 1, 2006	June 20, 2007	30,000
Related party:			
Anhui Anqing Wanjiang Power Generation Co., Ltd. 安徽安慶皖江發電有限責任公司	November 10, 2006	April 18, 2014	4,000

At December 31, 2007

	Period of guaranteed loans		Guaranteed amount
	From	To	RMB'000
Third parties:			
Jiangyin Xingtai New Materials Co., Ltd. 江陰興泰新材料有限公司	May 19, 2005	November 20, 2008	40,000
Jiangyin Huamei Special Fiber Co., Ltd. 江陰華美特種纖維有限公司	March 19, 2007	March 12, 2008	40,000
Jiangyin Huamei Special Fiber Co., Ltd. 江陰華美特種纖維有限公司	April 17, 2007	January 29, 2008	50,000
Jiangsu Xingye Plastics and Chemistry Co., Ltd. 江蘇興業塑化股份有限公司	June 8, 2007	June 2, 2008	30,000
Jiangyin Huamei Special Fiber Co., Ltd. 江陰華美特種纖維有限公司	September 4, 2007	September 2, 2008	35,000
Jiangyin Yunlun Chemical Fiber Co., Ltd. 江陰運倫化纖有限公司	November 19, 2007	November 18, 2008	95,000
Related party:			
Anhui Anqing Wanjiang Power Generation Co., Ltd. 安徽安慶皖江發電有限責任公司	November 10, 2006	April 18, 2014	4,000

At December 31, 2008

	Period of guaranteed loans		Guaranteed amount
	From	To	RMB'000
Third parties:			
Jiangyin Huamei Special Fiber Co., Ltd. 江陰華美特種纖維有限公司	February 22, 2008	February 18, 2009	60,000
Jiangsu Xingye Plastics and Chemistry Co., Ltd. 江蘇興業塑化股份有限公司	June 10, 2008	June 9, 2009	30,000
Jiangyin Huamei Special Fiber Co., Ltd. 江陰華美特種纖維有限公司	September 10, 2008	September 9, 2010	35,000
Related party:			
Guodian United Power Techology Co., Ltd. 國電聯合動力技術有限公司	October 22, 2008	July 22, 2009	168,000

At June 30, 2009

	Period of guaranteed loans		Guaranteed amount
	From	To	RMB'000
Third parties:			
Jiangyin Huamei Special Fiber Co., Ltd. 江陰華美特種纖維有限公司	September 10, 2008	September 9, 2010	35,000
Related party:			
Guodian United Power Techology Co., Ltd. 國電聯合動力技術有限公司	October 22, 2008	June 11, 2010	258,000
Inner Mongolia Xinjin Wind Power Generation Co., Ltd. 內蒙古新錦風力發電有限公司	February 23, 2009	February 17, 2024	88,800

The Group has not made any provision on the outstanding guarantees during the Track Record Period as the directors of the Company are of the opinion that these companies have ability to repay the bank loans for the remaining guarantees. In addition, an equity owner of 江陰華美特種纖維有限公司 which is also a non-controlling equity owner of a subsidiary of the Company, issued a written confirmation that it will sell its equity interest in that subsidiary and the proceeds to repay the bank loans if the loans are not repaid upon maturity. Up to September 30, 2009, guarantees to third parties have been released.

(ii) A wholly-owned subsidiary of the Group issued guarantees to banks in respect of a banking facility granted to a third party for RMB24,000,000 in 1997. Due to the default of the third party, the PRC court ordered the subsidiary to execute the guarantee of RMB19,000,000. According to the relevant PRC regulations and the PRC lawyer's opinion, the Group will not be liable for the guarantee since the bank did not seek for enforcement of the original judgement by the PRC court within the statutory period of time.

(iii) The Company issued a counter-guarantee to Hubei Energy Group Co., Ltd. (湖北能源集團股份有限公司), the controlling equity owner of Hubei Jiugongshan Wind Power Co., Ltd. (湖北省九宮山風力發電有限責任公司) which is an associate of the Company, in respect of a guarantee issued by Hubei Energy Group Co., Ltd. (湖北能源集團股份有限公司) for a banking facility granted to the associate, amounting to RMB32,640,000 on July 22, 2008. The directors of the Company are of the opinion that the default of repaying the bank loans by Hubei Jiugongshan Wind Power Co., Ltd. (湖北省九宮山風力發電有限責任公司) is remote.

(b) **Contingent liability in respect of taxes on CDM revenue**

Up to date, there have been no rules issued on whether the revenue from sales of CERs and VERs is subject to any VAT or business tax. Based on the discussions with local tax authorities, the directors of the Company are of the opinion that no such taxes will be applicable to the revenue from sales of CERs and VERs. Therefore, the Group has not made any provision on such contingencies.

34 MATERIAL RELATED PARTY TRANSACTIONS

(a) **Transactions with related parties**

The Group is part of a large group of companies under Guodian and has significant transactions and relationships with the subsidiaries of Guodian.

Apart from those disclosed in Section A, the principal transactions which were carried out in the ordinary course of business are as follows:

	Years ended December 31,			Six months ended June 30,	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Sales of goods to					
Fellow subsidiaries	45,213	39,563	108,382	13,448	29,212
Associates and jointly controlled entities	—	—	19,556	2,956	4,008
Purchase of goods from					
Fellow subsidiaries	—	36,223	10,738	10,738	7,977
Associates and jointly controlled entities	11,383	20,489	—	—	575,676
Working capital provided to/(received from)					
Guodian	—	13,270	(4,865)	580,774	(1,113)
Fellow subsidiaries	16,872	(12,508)	(12,354)	(12,889)	5,759
Associates and jointly controlled entities	196,299	205,885	(131,995)	(56,380)	(185,229)
Loan guarantees provided by					
Guodian	355,263	1,387,096	3,338,213	2,254,141	(231,046)
Loan guarantees provided to					
Associates and jointly controlled entities	4,000	—	164,000	56,000	178,800
Loans provided to/(repayment from)					
Associates and jointly controlled entities	165,000	(68,000)	(5,000)	(5,000)	(5,000)
Loans received from/(repayment to)					
Guodian	—	845,000	(845,000)	(845,000)	—
Fellow subsidiaries	(80,000)	305,000	(305,000)	(265,000)	—
Interest expenses					
Guodian	—	13,608	17,692	17,206	—
Fellow subsidiaries	3,682	3,326	3,959	1,620	—
Interest income					
Fellow subsidiaries	141	2,040	3,684	1,720	746
Associates and jointly controlled entities	2,028	9,170	6,543	3,618	6,752

(b) **Outstanding balances with related parties**

The deposits placed with a fellow subsidiary amounted to RMB19,645,000, RMB519,208,000, RMB597,268,000 and RMB95,028,000 as at December 31, 2006, 2007 and 2008 and June 30, 2009 respectively. Details of the other outstanding balances with related parties are set out in notes 17, 19, 20, 23, 25 and 26.

(c) **Transactions with other state-controlled entities in the PRC**

The Group is a state-controlled entity and operates in an economic regime currently dominated by entities directly or indirectly owned or controlled by the PRC government and numerous government authorities and agencies (collectively referred to as "state-controlled entities").

Apart from transactions mentioned above, the Group conducts a majority of its business activities with state-controlled entities in the ordinary course of business. These transactions are carried out at terms similar to those that would be entered into with non-state-controlled entities. Transactions with other state-controlled entities included but are not limited to the following:

— Sales of electricity;

— Depositing and borrowing money;

— Purchase of materials and receiving construction work services; and

— Service concession arrangements.

The tariff of electricity is regulated by relevant government. The Group prices its other services and products based on the commercial negotiations. The Group has also established its approval process for sales of electricity, purchase of products and services and its financing policy for borrowing. Such approval process and financing policy do not depend on whether the counterparties are state-controlled entities or not.

Having considered the potential for transactions to be impacted by related party relationships, the Group's approval processes and financing policy, and what information would be necessary for an understanding of the potential effect of the relationship on the Financial Information, the directors are of the opinion that the following transactions require disclosure as other state-controlled entities transactions:

	Years ended December 31,			Six months ended June 30,	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Sales of electricity	4,116,862	4,412,027	5,658,714	2,797,322	2,944,092
Sales of other products	52,643	150,617	24,460	19,284	146,264
Interest income	7,289	8,542	9,046	3,076	5,965
Interest expense	208,676	374,559	1,064,189	483,541	645,749
Loans received/(repayment)	2,240,348	4,803,413	9,441,405	6,086,435	5,662,942
Purchase of materials and receiving construction service	813,910	1,673,330	2,902,880	729,052	2,443,570
Service concession construction revenue	975,481	2,073,808	2,200,360	774,235	346,511

The balances due from/(to) other state-controlled entities transactions are as follows:

	At December 31,			At June 30,
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Receivables from sale of electricity	516,770	780,911	1,028,676	1,463,813
Receivables from sales of other products	7,212	8,630	14,702	100,426
Cash on hand and at banks and restrict deposit	361,529	341,084	349,774	838,215
Borrowings	5,442,717	10,246,130	19,687,535	25,350,477
Payable for purchase of materials and receiving construction work service	52,807	118,517	413,243	1,085,497

(d) **Key management personnel remuneration**

Key management personnel are those persons holding positions with authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including the Group's directors.

Remuneration for key management personnel, including amounts paid to the Company's directors as disclosed in note 7, and certain of the highest paid employees as disclosed in note 8, is as follows:

	Years ended December 31,			Six months ended June 30,	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Salaries and other emoluments	905	1,470	1,634	556	526
Discretionary bonus	2,072	3,103	3,116	1,623	2,206
Retirement scheme contributions	246	325	365	157	171
	3,223	4,898	5,115	2,336	2,903

35 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENTS

(a) **Acquisition of subsidiaries**

(i) On January 1, 2006, Xinjiang Tianfeng Power Generation Joint Stock Company (新疆天風發電股份有限公司, "Xinjiang Tianfeng"), a subsidiary of CLEPG, acquired all the assets and liabilities and the related business of Xinjiang Dabancheng Wind Power Generation Co., Ltd. (新疆達阪城風力發電有限責任公司, "Xinjiang Dabancheng"), an associate of the Group before the acquisition, by issuing capital to other preceding equity owners of Xinjiang Dabancheng, the fair value of which amounted to RMB147,856,000. As a result of this acquisition, the non-controlling interest percentage of Xinjiang Tianfeng increased to 40.53%. The acquired operation has no material contribution to the revenue and profit of the Group for the year ended December 31, 2006.

The assets and liabilities at the date of acquisition are as follows:

	At January 1, 2006	
	Carrying value of the acquiree	Fair value
	RMB'000	RMB'000
Cash and cash equivalents	467	467
Other current assets	16,797	19,261
Property, plant and equipment	240,833	249,873
Lease prepayments	71	225
Less: Current liabilities	(61,675)	(61,675)
Non-current liabilities	(60,305)	(60,295)
Net assets	136,188	147,856
Less: Deferred tax liabilities	—	(1,838)
	136,188	146,018
Purchase consideration settled in cash		—
Less: Cash and cash equivalents acquired		(467)
Net cash inflow on acquisition		(467)

(ii) On June 2, 2009, Jiangyin Sulong Power Generation Co., Ltd (江陰蘇龍發電有限公司), acquired 100% equity interest in a subsidiary, Jiangsu New Longyuan Investment Co., Ltd. (江蘇新龍源投資有限公司) from a third party with total cash consideration of RMB45,000,000. The acquired operation has no material contribution to the revenue and profit of the Group for the six months period ended June 30, 2009.

The assets and liabilities at the date of acquisition are as follows:

	At June 2, 2009	
	Carrying value of the acquiree	Fair value
	RMB'000	RMB'000
Cash and cash equivalents	1,962	1,962
Investments in associates and jointly controlled entities	98,066	98,066
Less: Current liabilities	(55,028)	(55,028)
Net assets	45,000	45,000

(b) **Major non-cash transactions**

	Years ended December 31,			Six months ended June 30,	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Distributions to Guodian pursuant to the Reorganization (Section A)	—	—	810,090	—	—
Capital contribution in form of transferring interest in an associate	12,000	—	—	—	—

36 CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES IN APPLYING THE GROUP'S ACCOUNTING POLICIES

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

The selection of critical accounting policies, the judgements and other uncertainties affecting application of those polices and the sensitivity of reported results to changes in conditions and assumptions are factors to be considered when reviewing the Financial Information. The principal accounting policies are set forth in note 1. The Group believes the following critical accounting policies involve the most significant judgements and estimates used in the preparation of the Financial Information.

(a) **Impairment losses for bad and doubtful debts**

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

(b) **Impairment losses of non-current assets**

In considering the impairment losses that may be required for certain of the Group's assets which include property, plant and equipment, investment properties, lease prepayments, intangible assets and investments in associates and jointly controlled entities, recoverable amount of the asset needs to be determined. The recoverable amount is the greater of the fair value less costs to sell and the value in use. It is difficult to precisely estimate selling price because quoted market prices for these assets may not be readily available. In determining the value in use, expected cash flow generated by the asset are discounted to their present value, which requires significant judgement relating to items such as level of sale volume, selling price and amount of operating costs. The Group uses all readily available information in determining an amount that is reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of items such as sale volume, selling price and amount of operating costs.

(c) **Recognition of deferred tax assets**

Deferred tax assets in respect of unused tax losses and tax credit carried forward and deductible temporary differences are recognized and measured based on the expected manner of realization or settlement of the carrying amount of the assets, using tax rates enacted or substantively enacted at the balance sheet date. In determining the carrying amounts of deferred assets, expected taxable profits are estimated which involves a number of assumptions relating to the operating environment of the Group and require a significant level of judgement exercised by the directors. Any change in such assumptions and judgement would affect the carrying amounts of deferred tax assets to be recognized and hence the net profit in future years.

(d) **Depreciation**

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets, after taking into account the estimated residual value. The Group reviews the estimated useful lives of the assets regularly. The useful lives are based on the Group's historical experience with similar assets and taking into account anticipated technological changes. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

(e) **Income tax**

The Group files income taxes in numerous tax authorities. Judgement is required in determining the provision for taxation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts originally recorded, the differences will impact on the current income tax and deferred income tax provisions in the periods in which the differences arise.

(f) **Provisions for guarantees**

Provisions for outstanding guarantees are recognized if they become probable that the holders of these guarantees will call upon the Group under the guarantees and the amount of that claim on the Group is expected to exceed the amount currently carried in payables in respect of the guarantee. The Group reviews the financial position of these guarantee holders regularly and estimates the amount to claim on the Group based on historical experience. If the financial position of these guarantee holders were to deteriorate, actual provisions would be higher than estimated.

37 PARENT AND ULTIMATE HOLDING COMPANY

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

38 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE PERIOD ENDED JUNE 30, 2009

As at the date of this report, the IASB has issued the following amendments, new standards and interpretations which are not yet effective for the period ended June 30, 2009 and which have not been adopted in preparing the Financial Information:

	Effective for accounting periods beginning on or after
IFRS 3 (revised), "Business combinations"	Applied to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after July 1, 2009
IAS 27 (revised), "Consolidated and separate financial statement"	July 1, 2009
Amendment to IAS 39, "Financial instruments, Recognition and measurement — Eligible hedged items"	July 1, 2009
IFRIC 17, "Distribution of non-cash assets to owners"	July 1, 2009
Improvements to IFRSs 2009	July 1, 2009 or January 1, 2010
Amendment to IFRS 1, "First-time adoption of International Financial Reporting Standards — Additional exemptions for first-time adopters"	January 1, 2010
Amendment to IFRS 2, "Share-based payment — Group cash-settled share-based payment transactions"	January 1, 2010
Amendment to IAS32, "Financial instruments: Presentation — Classification of rights issues"	February 1, 2010
IAS 24 (revised), "Related party disclosures"	January 1, 2011
IFRS 9, "Financial instruments"	January 1, 2013

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application. So far the Group believes that the adoption of these new IFRSs is unlikely to have a significant impact on the Group's results of operations and financial position.

D SUBSEQUENT EVENTS

(a) Establishment of the Company

Pursuant to the Approval of Establishing China Longyuan Power Group Corporation Limited, issued by State-owned Assets Supervision and Administration Commission of the State Council, the Company was established as a joint stock company on July 9, 2009. The Company issued 4,900 million and 1,000 million ordinary shares with a par value of RMB1.00 each to Guodian and Guodian Northeast Electric Power Co., Ltd. (國電東北電力有限公司), respectively.

(b) Dividends

In accordance with the notice Provisional Regulation Relating to Corporate Reorganization of Enterprises and Related Management of State-owned Capital and Financial Treatment (企業公司制改建有關國有資本管理與財務處理的暫行規定) issued by the Ministry of Finance (the "MOF"), which became effective from August 27, 2002, and pursuant to the board resolution of the Company on July 17, 2009, the Company is to make a distribution to Guodian, which represents an amount equal to the net profit attributable to the equity holder of the Company, generated during the period from September 30, 2008 (date of the Reorganization) to July 9, 2009 by the businesses and operations contributed to the Group by CLEPG.

(c) Bond issuing

According to a resolution of shareholders' meeting dated July 17, 2009, the Company submitted an application to the PRC government for a proposed issuance of unsecured bonds in an aggregate principal amount of RMB1,600 million due 2016.

E SUBSEQUENT FINANCIAL INFORMATION

No audited financial statements have been prepared by the Group in respect of any period subsequent to June 30, 2009.

Yours faithfully

Certified Public Accountants
Hong Kong