



China Power New Energy  
Development Company Limited  
中國電力新能源發展有限公司\*

Incorporated in Bermuda with limited liability  
Stock Code: 0735

Interim Report 2010

\* For identification purposes only



## INTERIM RESULTS

The Board of Directors (the “Board”) of China Power New Energy Development Company Limited (the “Company”) is pleased to present the unaudited interim results of the Company and its subsidiaries (together, the “Group”) for the six months period ended 30 June 2010 (the “Interim Period”). The interim financial information has not been audited but has been reviewed by the Audit Committee of the Company and PricewaterhouseCoopers.

The existing principal activities of the Group are the development, construction, ownership, operation and management of clean energy power plants in the People’s Republic of China (the “PRC”), including but not limited to the following types of energy generation – wind power generation, hydro-power generation, waste-to-energy power generation, natural gas and oil power generation and other power generation. The power generation plants currently owned or controlled by the Group are mainly situated in Guangdong, Fujian and Gansu, and the electricity generated thereof is sold to Southern Power Grid, East China Power Grid and Northwest Power Grid. The Group is also engaged in investment holding in the clean energy power industry, the sale of clean energy power generating equipment and property investments.

### Business Review for the Six Months Ended 30 June 2010

For the six months period ended 30 June 2010, the Group recorded revenue and tariff adjustment of approximately RMB809,208,000 (for the six months period ended 30 June 2009: RMB493,906,000), the growth of which was primarily attributed to the increase in volume of electricity sold.

For the six months period ended 30 June 2010, the Group’s fuel costs amounted to approximately RMB386,449,000 (for the six months period ended 30 June 2009: RMB201,903,000), finance costs (mainly comprised of interest expenses on borrowings in respect of the operation of new energy power projects) amounted to approximately RMB40,034,000 (for the six months period ended 30 June 2009: RMB45,875,000), and fair value loss on financial assets at fair value through profit or loss amounted to approximately RMB7,092,000 (for the six months period ended 30 June 2009: gain of RMB11,142,000). The Group’s profit for the period was approximately RMB151,846,000 (for the six months period ended 30 June 2009: RMB66,254,000) and the Group recorded profit attributable to equity holders of the Company amounted to approximately RMB125,908,000 (for the six months period ended 30 June 2009: RMB50,086,000). Basic earnings per share was approximately RMB0.018 (for the six months period ended 30 June 2009: RMB0.007).



## Business Environment

China's energy demand continued to increase amid stable economic growth during the first half of 2010, as the PRC Government continued to implement its macro-economic policy in continuity and stability. The government continued to enhance issue-specific measures and the flexibility of its macro-economic control, improving the standards of macro-economic control by managing policy execution with the right magnitude, tempo and emphasis. These measures are set to further consolidate the positive trends in economic development and drive the growth of domestic demand for energy.


In first half of 2010, Nation Energy Administration was seeking comments from the industry players in relation to the grid integration of wind power, with an aim to standardise the grid integration of wind power, increase the acceptance level of wind power by the grid as well as providing favorable environment to the large scale development of wind power.

In addition, the PRC Government announced in November 2009 the initiative to increase the use of non-fossil energy to account for approximately 15% of its one-off energy consumption by 2020. Meanwhile, the government continued to improve the structure of the nation's energy consumption with strong emphasis on the development of new energy forms and renewable energy, which contributed to the continued growth of new energy in the first six months of 2010.

Our clean energy projects were operating in sound conditions during the interim period. Prolonged precipitation in Fujian Province in China contributed to the notable growth of our hydro-electric power generation project in Fujian over the corresponding period last year, underpinning the importance of our strategy of diversifying investments to new energy.

As at 30 June 2010, the Group owned the following power plants held by its subsidiaries or jointly controlled entities:

Project	Company name	Nature of business	Installed capacity (MW)	Interest (%)	Attributable installed capacity (MW)
1	Gansu China Power Jiuquan Wind Power Company Limited 甘肅中電酒泉風力發電有限公司	Wind power generation	100.5	100	100.50
2	Gansu China Power Jiuquan Second Wind Power Company Limited 甘肅中電酒泉第二風力發電有限公司	Wind power generation	49.5	100	49.50
3	CPI (Fujian) Power Development Limited 中電(福建)電力開發有限公司	Hydro-electric power generation	300.0	100	300.00
4	Fujian Shou Ning Niu Tou Shan Hydro Power Company Limited 福建壽寧牛頭山水電有限公司	Hydro-electric power generation	122.2	52	61.59
5	Zhangping Huakou Hydro Power Company Limited 漳平市華口水電有限公司	Hydro-electric power generation	36.6	100	36.60
6	Zhongdian Hongze Reproductive Substance Thermal Power Company Limited 中電(洪澤)生物質熱電有限公司	Biomass power generation	15.0	100	15.00
7	Dongguan City Kewei Environmental Power Company Limited 東莞市科偉環保電力有限公司	Waste-to-energy power generation	36.0	40	14.40
8	Yunnan Shuangxing Green Energy Company Limited 雲南雙星綠色能源有限公司	Waste-to-energy power generation	30.0	100	30.00



Project	Company name	Nature of business	Installed capacity (MW)	Interest (%)	Attributable installed capacity (MW)
9	Zhejiang Deqing County Jialun Waste Incineration Power Generation Company Limited 浙江德清縣佳能垃圾焚燒發電有限公司	Waste-to-energy power generation	6.0	100	6.0
10	Dongguan China Power New Energy Heat and Power Company Limited 東莞中電新能源熱電有限公司	Natural gas and oil power generation	360.0	80	288.00
11	Zhongdian Hongze Thermal Power Company Limited 中電(洪澤)熱電有限公司	Coal-fired power generation	30.0	60	18.00
Total			1,085.8		919.59

The above power plants have a total installed capacity of 1,085.8MW, of which the installed capacity attributable to the Group is 919.59MW.

## Wind power generation Business

### *Phase I of the Gansu Wind Power Project (甘肅風力發電項目一期)*

Taking into account the 10% equity interest in Phase I of the Gansu Wind Power Project acquired from Gansu Hui Neng New Energy Technical Development Company Limited (甘肅匯能新能源技術發展有限責任公司) in March 2010 and the 90% equity interest already held by the Group, the Company has a 100% ownership in this project. Please refer to the Company's announcement dated 4 March 2010 for further details.

Phase I of the Gansu Wind Power Project has 134 wind turbines each with an output of 0.75MW, all of which are operating smoothly.



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

Installed capacity (MW)	100.5
Average tariff (RMB/kWh)	0.462
Latest tariff (RMB/kWh)	0.462
Average utilisation hours (hours)	752
Gross generation (MWh)	75,626
Net generation (MWh)	72,348

***Phase II of the Gansu Wind Power Project (甘肅風力發電項目二期)***

Phase II of the Gansu Wind Power Project has 66 wind turbines with a unit output of 0.75MW and total installed capacity of 49.5MW, all of which are operating smoothly.

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

Installed capacity(MW)	49.5
Average tariff (RMB/kWh)	0.540
Latest tariff (RMB/kWh)	0.540
Average utilisation hours (hours)	1,040
Gross generation (MWh)	51,473
Net generation (MWh)	49,479

***Phases III and IV of the Gansu Wind Power Project (甘肅風力發電項目三期及四期)***

In May 2008, the Group obtained approval from the Development and Reform Commission of Gansu Province (甘肅省發展改革委員會) to construct two wind power projects:

- Phase III of the Gansu Wind Power Project (developed by the Group as sole investor) with an installed capacity of 200MW; and
- Phase IV of the Gansu Wind Power Project (developed by the Group as sole investor) with an installed capacity of 100MW.

The above two projects have been included in the initial list of projects under the plan for a 10,000MW class wind power base in Jiuquan of PRC and construction is currently underway.



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

Shanghai Dong Hai Wind Power Electric Generating Company Limited (上海東海風力發電有限公司), in which the Group holds a 24% equity interests, has obtained approval to construct, own and operate a sea wind electricity generation plant near Dong Hai Bridge, Shanghai, the PRC, comprising 34 wind turbines each with an output of 3MW and a total installed capacity of 102MW. All power generating units were connected to the power grid and commenced power generation in July 2010.

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

In October 2008, the Group obtained approval from the Development and Reform Commission of Heilongjiang Province (黑龍江省發展和改革委員會) to construct and operate the Hongqi Wind Power Plant and the Hailang Wind Power Plant in Hailin County, Mudanjiang City, Heilongjiang Province in the PRC.

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

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

### *Shanghai Chongming Island Wind Power Project (上海崇明島風電項目)*

In December 2009, the Group, Shanghai Green Environmental Protection Energy Company Limited (上海綠色環保能源有限公司) ("Shanghai Green"), and CLP Power China (Chongming) Limited (中電中國崇明有限公司) ("CLP Chongming") entered into a joint venture agreement, pursuant to which a Shanghai joint venture will be established in Shanghai, the PRC, for the purposes of (inter alia) construction and operation of a wind power project (the "Project"), located at the northeastern part of Chongming Island, Shanghai, the PRC, which will install 24 wind turbines, each with an output of 2MW and a total installed capacity of 48MW.

The equity interests in the Shanghai Joint Venture will be held as to 51% by Shanghai Green, 29% by CLP Chongming and 20% by the Group, respectively. The proposed term of operation of the Shanghai Joint Venture will be for a period of 21 years from the date of the issue of the Shanghai Joint Venture's business licence.

The proposed core businesses of the Shanghai Joint Venture will be the development, survey, design and construction of new energy; assembly, testing and maintenance of wind turbines; generation and sale of power; and related technological consultation. Project preparations are currently underway.

## Hydro-electric Power Generation Projects

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

The Shaxikou Plant is located on a tributary of the Minjiang River in Nanping City, Fujian Province, the PRC. This power plant has 4 hydro-electric power generating units each with a unit capacity of 75MW and a total installed capacity of 300MW.

The amount of power generation from the Shaxikou Plant increased notably during the interim period as compared with the corresponding period last year as a result of continued precipitation in the region where the plant was located. As its tariff had been increased to RMB0.21 per kWh since the fourth quarter of 2009, the plant generated significant revenue contributions to the Group.

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

Installed capacity (MW)	300.0
Average tariff (RMB/kWh)	0.210
Latest tariff (RMB/kWh)	0.210
Average utilisation hours (hours)	2,493
Gross generation (MWh)	747,946
Net generation (MWh)	726,757

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

As a result of continued precipitation in Fujian province during the interim period, the amount of power generation from the three power plants increased substantially over the corresponding last year and contributed considerable revenue for the Group.

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

Installed capacity (MW)	122.2
Average tariff (RMB/kWh)	0.339
Latest tariff (RMB/kWh)	0.339
Average utilisation hours (hours)	2,480
Gross generation (MWh)	302,996
Net generation (MWh)	298,336





Taking into account the 49% equity interest in Zhangping Huakou Hydro Power Company Limited (漳平市華口水電有限公司) acquired from an independent third party in May 2010 and the 51% equity interest already held by the Group, the Company has a 100% ownership in this project. The hydro power station is located in the river of Jiu Long Jiang Bei Xi, Zhangping City (漳平市九龍江北溪) with a total installed capacity of 36.6MW. Construction is current underway. Please refer to the Company's announcement dated 24 May 2010 for further details.

## **Waste-to-energy power generation project**

### *Dongguan Waste Incineration Power Plant (東莞廢物焚化發電廠) ("Dongguan WTE")*

Dongguan WTE utilises wastes from towns including Hengli Town of Dongguan City (東莞市橫瀝鎮) to mix with coal to generate electricity. The plant occupies a site area of over 120,000 square metres with a daily waste treatment capacity of 1,200 tons and a total installed capacity of 36MW.

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

Installed capacity (MW)	36.0
Average tariff (RMB/kWh)	0.580
Latest tariff (RMB/kWh)	0.580
Average utilisation hours (hours)	3,355
Gross generation (MWh)	120,762
Net generation (MWh)	104,830

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

The Group owns a waste incineration power plant in Deqing, Zhejiang Province, the PRC. The plant has 2 sets of circulating fluidised bed boilers, each with a daily waste treatment capacity of 400 tons, and equipped with a steam turbine unit of 6MW capacity.

The following table sets out key operational statistics of Deqing Waste Incineration Power Plant for the interim period:

Installed capacity (MW)	6.0
Average tariff (RMB/kWh)	0.525
Latest tariff (RMB/kWh)	0.525
Average utilisation hours (hours)	4,213
Gross generation (MWh)	25,277
Net generation (MWh)	19,733



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

Taking into account the 40% equity interest in Kunming Waste Incineration Power Plant acquired from Dongguan Xiecheng Power Equipment Company Limited (東莞市協誠電力設備有限公司) in March 2010 and the 60% equity interest already held by the Group, the Company has a 100% ownership in this project. Please refer to the Company's announcement dated 5 March 2010 for further details.

The Group's waste incineration power plant in Kunming, Yunnan, the PRC has 4 sets of circulating fluidised bed boilers, each with a daily waste treatment capacity of 550 tons, and is equipped with 2 steam turbine units each of 15MW capacity. The project is under trial operation.

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

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

It is planned that 2 sets of grate boilers each with a daily waste treatment capacity of 600 tons will be installed, and the plant will be equipped with 2 steam turbine units each of 12MW for the Hainan Project. Construction by the Group is currently underway.

## **Biomass power generation project**

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

Zhongdian Hongze Reproductive Substance Thermal Power Plant is a wholly-owned subsidiary of the Group located in Hongze County, Jiangsu Province, the PRC with a site area of approximately 7,500 square metres. This plant has one boiler with a biomass processing capacity of 75 tons per hour and is equipped with a 15MW steam turbine unit.

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

Installed capacity (MW)	15.0
Average tariff (RMB/kWh)	0.746
Latest tariff (RMB/kWh)	0.746
Average utilisation hours (hours)	3,531
Gross generation (MWh)	52,970
Net generation (MWh)	49,903



## Natural Gas Power Generation Project

### *Dongguan China Power New Energy Heat and Power Plant (東莞中電新能源熱電廠) (“Dongguan Heat and Power”)*

The Group has an 80% equity interest in Dongguan Heat and Power, which is located in the Dong Cheng Economic Development Zone of Dongguan City, Guangdong, a district accounting for a substantial portion of Dongguan’s electricity consumption. The electricity generated by this power plant is transmitted to the grid of the Dongguan City Electricity Supply Bureau for supplying electricity and heat to industrial users in the surrounding areas as well as corporate users in the neighbourhood. This plant has power generating units with a capacity of 360MW.

The following table sets out key operational statistics of Dongguan Heat and Power for the interim period:

Installed capacity (MW)	360.0
Average tariff (RMB/kWh)	0.990
In which: approved on-grid tariff (RMB/kWh)	0.620
Average utilisation hours (hours)	1,655
Gross generation (MWh)	595,716
Net generation (MWh)	581,200

## Other Power Generation Projects

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

The Group owns a combined heat-and-power coal-fired plant in Hongze County, Jiangsu Province, the PRC. Occupying an area of approximately 53,000 square metres and operating 5 coal-fired boilers and 3 steam turbine units with a total installed capacity of 30MW, this power plant supplies heat to more than 60 customers.

In view of rising fuel costs, the Group will endeavour to trim production costs through various means.

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

Installed capacity (MW)	30.0
Average tariff (RMB/kWh)	0.500
Latest tariff (RMB/kWh)	0.500
Average utilisation hours (hours)	467
Gross generation (MWh)	14,010
Net generation (MWh)	5,498

## FUTURE PLANS

With increasing appreciation of the importance of clean energy, the PRC Government is expected to continue introducing measures to promote development in this sector. The Group believes that this business segment enjoys bright prospects with immense potential for development. To this end, the Group will focus on the development of clean-energy power generation as a major business approach and continue to commit resources and efforts to clean energy projects.

The Group's future efforts will focus on:

1. enhancement and improvement of business management with an emphasis on profit growth;
2. ongoing development of a diversified portfolio of clean energy projects;
3. optimisation of treasury management with a view to avoiding capital risks;
4. ongoing enhancement of project work construction and production safety; and
5. upgrading human resources and strengthening corporate governance.

## FINANCIAL REVIEW

### Revenue and Tariff Adjustment

For the six months period ended 30 June 2010, revenue and tariff adjustment were approximately RMB809,208,000 (for the six months period ended 30 June 2009: approximately RMB493,906,000), representing an increase of 64% over the same period last year. The increase was primarily attributed to the increase in sales volume of electricity.

### Fuel Costs

For the six months period ended 30 June 2010, fuel costs of the Group were approximately RMB386,449,000 (for the six months period ended 30 June 2009: approximately RMB201,903,000), representing an increase of 92% over the same period last year, which was mainly attributed to increased fuel costs at Dongguan Heat and Power as a result of more electricity generated, together with the price fluctuation in respect of coal, heavy oil and natural gas.

### Depreciation and Amortisation

For the six months period ended 30 June 2010, depreciation and amortisation of the Group were approximately RMB85,114,000 (for the six months period ended 30 June 2009: approximately RMB86,228,000), representing a decrease of 1% over the same period last year.



## Staff Costs

For the six months period ended 30 June 2010, staff costs of the Group were approximately RMB51,850,000 (for the six months period ended 30 June 2009: approximately RMB36,426,000), representing an increase of 42% over the same period last year. The increase in staff costs was primarily attributed to an increase in the number of staff.

## Repairs and Maintenance

For the six months period ended 30 June 2010, expenditure on repairs and maintenance of the Group was approximately RMB16,499,000 (for the six months period ended 30 June 2009: approximately RMB16,375,000), representing an increase of 1% over the same period last year, which was mainly attributed to the Group's business expansion and greater installed capacity.

## Operating Profit

For the six months period ended 30 June 2010, operating profit of the Group was approximately RMB211,959,000 (for the six months period ended 30 June 2009: approximately RMB121,048,000), representing an increase of 75% over the same period last year. The increase was primarily attributed to the increase in sales volume of electricity.

## Finance Costs, Net

For the six months period ended 30 June 2010, net finance costs of the Group amounted to approximately RMB38,060,000 (for the six months period ended 30 June 2009: approximately RMB44,224,000), representing a decrease of 14% over the same period last year. The decrease was attributed to the capitalisation of certain interest expenses in property, plant and equipment.

## Income Tax

For the six months period ended 30 June 2010, income tax of the Group was approximately RMB37,104,000 (for the six months period ended 30 June 2009: approximately RMB9,717,000), representing an increase of 282% over the same period last year. The increase was primarily attributed to the increase in sales volume of electricity and expiry of tax holiday of a subsidiary.

## Profit Attributable to the Equity Holders of the Company

For the six months period ended 30 June 2010, profit attributable to equity holders of the Group was approximately RMB125,908,000 (for the six months period ended 30 June 2009: approximately RMB50,086,000), representing an increase of 151% over the same period last year, which was mainly attributable to profit from clean energy power generation business.



## Liquidity and Financial Resources

As at 30 June 2010, the Group had cash and cash equivalents of approximately RMB1,255,633,000. The Group's principal sources of funds include cash inflow from operations, as well as the working capital and project financing of its respective subsidiaries from financial institutions.

## Capital Expenditure

For the six months period ended 30 June 2010, capital expenditure of the Group was approximately RMB1,381,825,000, spent mainly on developments of new projects, the purchase of equipment and technical renovation. The major sources of the invested funds were cash on hand and project financing.

## Borrowings

As at 30 June 2010, the total loans of the Group amounted to approximately RMB4,149,960,000 (31 December 2009: approximately RMB1,965,288,000), consisting of short-term bank borrowings and current portion of long-term borrowings of approximately RMB2,223,394,000 and long-term bank and other borrowings of approximately RMB1,926,566,000. The interest rate of the Group's bank borrowings will be adjusted in accordance with the relevant rules of the People's Bank of China.

## Gearing Ratio

As at 30 June 2010, the gearing ratio of the Group, based on net debt divided by total capital, was 39% (31 December 2009: 24%). Increase in the gearing ratio during the interim period was primarily attributed to additional borrowings being obtained for the payment of capital investment in the construction and development of new power plants.

## Foreign Exchange and Currency Risks

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

## Capital Structure

As at 30 June 2010, the authorised share capital of the Company was HK\$1 billion divided into 10 billion shares of HK\$0.10 each, of which 7,120,600,000 shares were issued and fully paid.



## **Investment Risk of the Capital Market**

The Group has some of its funds invested in securities. With the business focus on clean energy related businesses, the Group will terminate/reduce the securities investment business.

For the six months period ended 30 June 2010, fair value loss on financial assets at fair value through profit and loss amounted to approximately RMB7,092,000 (for the six months period ended 30 June 2009: gain of approximately RMB11,142,000).

## **Charge on the Group's Assets**

As at 30 June 2010, certain bank deposits, properties under development, land use rights and investment properties of the Group with an aggregate amount of approximately RMB1,785,582,000 (31 December 2009: approximately RMB1,467,335,000) were pledged as securities for certain notes payable and bank borrowings of the Group.

## **Contingent Liabilities**

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

## **EMPLOYEE AND REMUNERATION POLICIES**

As at 30 June 2010, the Group had approximately 1,161 employees in Hong Kong and the PRC (31 December 2009: 1,155).

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

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

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

## **CHANGES OF DIRECTORS AND SENIOR MANAGEMENT**

Mr. Clive William Oxley resigned as an executive director of the Company on 28 February 2010. For more information, please refer to the announcement of the Company dated 28 February 2010.

Mr. Hong Zhao resigned as an executive director of the Company on 20 May 2010. For more information, please refer to the announcement of the Company dated 20 May 2010.

## DIRECTORS' INTEREST IN SHARES AND UNDERLYING SHARES

As at 30 June 2010, the interests of the directors of the Company in the shares and underlying shares of the Company which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited ("the Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (the "SFO") (including interests and short positions which he/she was deemed or taken to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), to be notified to the Company and the Stock Exchange were as follows:

### (i) Long position in underlying shares of the Company – physically settled unlisted equity derivatives

Pursuant to the Company's share option scheme, the Company has granted options to the following Directors to subscribe for shares of the Company, details of which as at 30 June 2010 were as follows:

Name of director	Nature of interest	Number of underlying shares in respect of the share options granted	Percentage <sup>+</sup> of underlying shares over the Company's issued share capital as at 30 June 2010
Ms. Li Xiaolin	Beneficial owner	23,000,000	0.32%
Mr. Zhao Xinyan	Beneficial owner	18,000,000	0.25%
Mr. Wang Hao	Beneficial owner	30,000,000	0.42%
Mr. Liu Genyu	Beneficial owner	18,000,000	0.25%

<sup>+</sup> The percentage represents the number of underlying shares interested divided by the number of the Company's issued shares as at 30 June 2010.

Save as disclosed above, as at 30 June 2010, none of the directors or chief executives of the Company or their associates had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were deemed or taken to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code to be notified to the Company and the Stock Exchange; nor had there been any grant or exercise of rights of such interests to/by them during the six months period ended 30 June 2010.



## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES


Apart from the share option scheme operated by the Company as set out in note 15 to the financial information and save as disclosed in the section headed "Directors' interests in shares and underlying shares" above, at no time during the Interim Period was the Company or any of its subsidiaries a party to any arrangement to enable the Company's directors, their respective spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

### SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants for their contributions to the Group. Further details of the Scheme are disclosed in note 15 to the financial information.

The following table discloses movements in the Company's share options during the six months ended 30 June 2010:

Name or category of participant	Number of share options**					Outstanding at 30 June 2010	Date of grant of share options	Exercise period of share options*	Exercise price of share options** HK\$ per share
	Outstanding at 1 January 2010	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period				
<b>Directors</b>									
Ms. Li Xiaolin	23,000,000	-	-	-	-	23,000,000	8 June 2007	26 June 2007 to 7 June 2017	0.836
Mr. Zhao Xinyan	18,000,000	-	-	-	-	18,000,000	8 June 2007	15 June 2007 to 7 June 2017	0.836
Mr. Wang Hao	30,000,000	-	-	-	-	30,000,000	9 March 2007	26 March 2007 to 8 March 2017	0.630
Mr. Liu Genyu	18,000,000	-	-	-	-	18,000,000	8 June 2007	15 June 2007 to 7 June 2017	0.836
	<u>89,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>89,000,000</u>			



Name or category of participant	Number of share options**					Outstanding at 30 June 2010	Date of grant of share options	Exercise period of share options*	Exercise price of share options** HK\$ per share
	Outstanding at 1 January 2010	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period				
<b>Other employees working under continuous employment contracts</b>									
In aggregate	39,500,000	-	(39,500,000)	-	-	-	22 March 2007	22 March 2007 to 8 March 2017	0.630
	60,000,000	-	(40,000,000)	-	-	20,000,000	23 March 2007	22 March 2007 to 8 March 2017	0.630
	20,000,000	-	(20,000,000)	-	-	-	28 March 2007	22 March 2007 to 8 March 2017	0.630
	1,000,000	-	(1,000,000)	-	-	-	20 June 2007	20 June 2007 to 7 June 2017	0.836
	5,000,000	-	-	-	-	5,000,000	28 June 2007	28 June 2007 to 7 June 2017	0.836
	<u>125,500,000</u>	<u>-</u>	<u>(100,500,000)</u>	<u>-</u>	<u>-</u>	<u>25,000,000</u>			
	<u>214,500,000</u>	<u>-</u>	<u>(100,500,000)</u>	<u>-</u>	<u>-</u>	<u>114,000,000</u>			

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

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

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

As at the date of this interim report, a total of 114,000,000 shares (representing approximately 1.6% of the existing issued share capital of the Company) may be issued by the Company if all the outstanding options under the Scheme have been exercised in full.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES


As at 30 June 2010, the following parties had interests of 5% or more of the issued share capital of the Company according to the register as required to be kept by the Company pursuant to Section 336 of the SFO or as the Company was aware:

Name	Nature of interest	Note	Number of shares interested or deemed to be interested	Percentage <sup>+</sup> of the Company's issued share capital
China Power New Energy Limited	Beneficial owner	1	2,003,464,400	28.14%
State-owned Assets Supervision and Administration Commission of The State Council, the PRC	Corporate interests	1	2,003,464,400	28.14%
China Power Investment Corporation	Corporate interests	1	2,003,464,400	28.14%
China Power International Holding Limited	Corporate interests	1	2,003,464,400	28.14%
Tianying Holding Limited	Corporate interests	1	2,003,464,400	28.14%
China National Offshore Oil Corporation	Corporate interests	2	900,000,000	12.64%

### Notes:

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

<sup>+</sup> The percentage represents the number of ordinary shares interested divided by the number of the Company's issued shares as at 30 June 2010.



Save as disclosed above, as at 30 June 2010, no person, other than the directors of the Company whose interests were set out in the section headed “Directors’ interests in shares and underlying shares” above, had registered an interest or a short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

## **PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES**

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company’s listed securities during the six months period ended 30 June 2010.

## **EVENT AFTER BALANCE SHEET DATE**

On 24 August 2010, the Group entered into a share purchase agreement with China Power International Holding Limited to acquire 100% equity interest in China Power Dafeng Wind Power Company Limited (“CP Dafeng”) at consideration of RMB504,000,000 (approximately HK\$576,329,000) to be satisfied by way of the issue of consideration shares of the Company at the issue price of HK\$0.75 per share. Upon the completion, CP Dafeng will become a wholly-owned subsidiary of the Group. Please refer to the Company’s announcement dated 24 August 2010 for further details.

## **PUBLIC FLOAT**

Based on the information that is publicly available to the Company and to the best knowledge of the directors of the Company, there was sufficient public float of not less than 25% of the Company’s issued shares as required under the Listing Rules throughout the six months ended 30 June 2010.

## **CORPORATE GOVERNANCE REPORT**

The Company complied with the Code Provisions on Corporate Governance (the “Code Provision(s)”) as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2010 except for the following deviations:

### **Term of Office of the Directors**

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

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



## **Model Code for Securities Transactions by Directors of Listed Issuers**

The Company has adopted its code of conduct (the “Own Code”) for dealings in securities of the Company by directors on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) set out in Appendix 10 of the Listing Rules. Having made enquiry by the Company, all directors of the Company have confirmed that they complied with the required standards set out in the Model Code and the Own Code throughout the six months period ended 30 June 2010.

## **COMMITTEES OF THE BOARD**

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

### **Audit Committee**

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

The interim financial information for the six months period ended 30 June 2010 has not been audited but has been reviewed by the Audit Committee of the Company and PricewaterhouseCoopers.

### **Remuneration Committee**

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



## Interim Dividend

The Board of Directors does not recommend the payment of an interim dividend for the six months period ended 30 June 2010 (six months period ended 30 June 2009: Nil).

## PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the website of Hong Kong Exchange and Clearing Limited ("HKEx") at [www.hkexnews.hk](http://www.hkexnews.hk) and on the Company's website at [www.cpne.com.hk](http://www.cpne.com.hk).

The printed copy of the 2010 Interim Report will be sent to shareholders of the Company by the beginning of September 2010 and the soft copy of the Interim Report will be published on websites of both HKEx and the Company.

By order of the Board

**China Power New Energy Development Company Limited**

**Li Xiaolin**

*Chairman*

Hong Kong, 25 August 2010

## CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months period ended 30 June 2010



		<b>Unaudited</b>	
		<b>Six months ended 30 June</b>	
	Note	<b>2010</b>	2009
		<b>RMB'000</b>	RMB'000 (Restated) (Note 4)
Revenue	5	<b>649,560</b>	424,788
Tariff adjustment	5	<b>159,648</b>	69,118
		<b>809,208</b>	493,906
Other income	6	<b>14,249</b>	15,708
Other gains, net	7	<b>8,484</b>	5,594
Fuel costs		<b>(386,449)</b>	(201,903)
Depreciation and amortisation		<b>(85,114)</b>	(86,228)
Staff costs		<b>(51,850)</b>	(36,426)
Repairs and maintenance		<b>(16,499)</b>	(16,375)
Consumables		<b>(4,710)</b>	(2,893)
(Decrease)/increase in fair value of financial assets at fair value through profit or loss		<b>(7,092)</b>	11,142
Cost of power generating equipment sold		<b>(322)</b>	(17,791)
Discount on acquisition of a subsidiary		–	12,304
Other operating expenses		<b>(67,946)</b>	(55,990)
Operating profit	8	<b>211,959</b>	121,048
Finance costs, net	9	<b>(38,060)</b>	(44,224)
Share of profits/(losses) of associated companies and jointly controlled entities		<b>15,051</b>	(853)
Profit before income tax		<b>188,950</b>	75,971
Income tax	10	<b>(37,104)</b>	(9,717)
Profit for the period		<b>151,846</b>	66,254
Attributable to:			
Equity holders of the Company		<b>125,908</b>	50,086
Non-controlling interests		<b>25,938</b>	16,168
		<b>151,846</b>	66,254
Earnings per share for profit attributable to equity holders of the Company during the period (expressed in RMB per share)			
– basic	11	<b>0.018</b>	0.007
– diluted	11	<b>0.018</b>	0.007

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months period ended 30 June 2010

	Unaudited	
	Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000 (Restated) (Note 4)
Profit for the period	<b>151,846</b>	66,254
Other comprehensive income, net of tax:		
Currency translation differences	<b>1,335</b>	62
Total comprehensive income for the period	<b>153,181</b>	66,316
Attributable to:		
Equity holders of the Company	<b>127,243</b>	50,148
Non-controlling interests	<b>25,938</b>	16,168
	<b>153,181</b>	66,316



## CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2010



	Note	As at	
		30 June 2010 Unaudited RMB'000	31 December 2009 Audited RMB'000
<b>ASSETS</b>			
Non-current assets			
Property, plant and equipment	13	<b>4,785,462</b>	3,841,783
Land use rights and leasehold land prepayments	13	<b>137,878</b>	133,423
Investment properties	13	<b>250,110</b>	249,142
Intangible assets	13	<b>1,048,859</b>	1,048,677
Interests in associated companies and jointly controlled entities		<b>269,365</b>	254,313
Other long-term deposits and prepayments		<b>589,072</b>	241,425
Deferred income tax assets		<b>26,521</b>	26,015
		<b>7,107,267</b>	5,794,778
Current assets			
Inventories		<b>116,698</b>	99,686
Accounts receivable	14	<b>397,474</b>	319,986
Prepayments, deposits and other receivables		<b>359,935</b>	218,062
Financial assets at fair value through profit or loss		<b>17,204</b>	24,296
Pledged deposits		<b>34,510</b>	57,364
Cash and cash equivalents		<b>1,255,633</b>	475,312
		<b>2,181,454</b>	1,194,706
Total assets		<b>9,288,721</b>	6,989,484



As at

**30 June**  
**2010**  
**Unaudited**  
**RMB'000**

31 December  
2009  
Audited  
RMB'000

Note

## EQUITY

Capital and reserves attributable to equity holders of the Company

Share capital	15	<b>686,475</b>	677,635
Share premium		<b>3,484,434</b>	3,426,360
Reserves		<b>151,488</b>	44,433

		<b>4,322,397</b>	4,148,428
		<b>246,551</b>	301,982

Non-controlling interests

Total equity		<b>4,568,948</b>	4,450,410
--------------	--	------------------	-----------

## LIABILITIES

Non-current liabilities

Long-term bank and other borrowings	16	<b>1,926,566</b>	1,502,573
Deferred income tax liabilities		<b>14,360</b>	14,592

		<b>1,940,926</b>	1,517,165
--	--	------------------	-----------

Current liabilities

Accounts payable	17	<b>174,613</b>	220,961
Other payables and accrued charges		<b>349,451</b>	328,630
Short-term bank borrowings	16	<b>2,007,310</b>	362,001
Current portion of long-term bank and other borrowings	16	<b>216,084</b>	100,714
Income tax payable		<b>31,389</b>	9,603

		<b>2,778,847</b>	1,021,909
--	--	------------------	-----------

Total liabilities		<b>4,719,773</b>	2,539,074
-------------------	--	------------------	-----------

Total equity and liabilities		<b>9,288,721</b>	6,989,484
------------------------------	--	------------------	-----------

Net current (liabilities)/assets		<b>(597,393)</b>	172,797
----------------------------------	--	------------------	---------

Total assets less current liabilities		<b>6,509,874</b>	5,967,575
---------------------------------------	--	------------------	-----------

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months period ended 30 June 2010

	Unaudited						
	Attributable to equity holders of the Company						
	Share capital RMB'000	Share premium RMB'000	Other reserves RMB'000	(Accumulated losses)/ retained earnings RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2009	677,635	3,426,360	(57,952)	(31,974)	4,014,069	195,413	4,209,482
Profit for the period	-	-	-	50,086	50,086	16,168	66,254
Currency translation differences	-	-	62	-	62	-	62
Total comprehensive income for the period	-	-	62	50,086	50,148	16,168	66,316
Acquisition of a subsidiary (Note 19)	-	-	-	-	-	16,974	16,974
Contribution from a minority shareholder of a subsidiary	-	-	-	-	-	34,299	34,299
Dividend paid to a minority shareholder of a subsidiary	-	-	-	-	-	(1,200)	(1,200)
	-	-	-	-	-	50,073	50,073
Balance at 30 June 2009	677,635	3,426,360	(57,890)	18,112	4,064,217	261,654	4,325,871
Balance at 1 January 2010	<b>677,635</b>	<b>3,426,360</b>	<b>(57,890)</b>	<b>102,323</b>	<b>4,148,428</b>	<b>301,982</b>	<b>4,450,410</b>
Profit for the period	-	-	-	125,908	125,908	25,938	151,846
Currency translation differences	-	-	1,335	-	1,335	-	1,335
Total comprehensive income for the period	-	-	1,335	125,908	127,243	25,938	153,181
Issue of shares upon exercise of share options	8,840	58,074	(12,374)	-	54,540	-	54,540
Acquisition of non-controlling interests (Note 20)	-	-	(7,814)	-	(7,814)	(95,209)	(103,023)
Disposal of a subsidiary (Note 18)	-	-	-	-	-	13,840	13,840
	8,840	58,074	(20,188)	-	46,726	(81,369)	(34,643)
Balance at 30 June 2010	<b>686,475</b>	<b>3,484,434</b>	<b>(76,743)</b>	<b>228,231</b>	<b>4,322,397</b>	<b>246,551</b>	<b>4,568,948</b>

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months period ended 30 June 2010

	Unaudited	
	Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
Net cash generated from operating activities	<b>50,239</b>	68,717
Net cash used in investing activities	<b>(1,510,465)</b>	(66,864)
Net cash generated from financing activities	<b>2,240,547</b>	113,020
Net increase in cash and cash equivalents	<b>780,321</b>	114,873
Cash and cash equivalents at 1 January	<b>475,312</b>	423,656
Cash and cash equivalents at 30 June	<b>1,255,633</b>	538,529
Analysis of cash and cash equivalents:		
Cash and bank balances	<b>1,255,633</b>	538,529



# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 1 General information

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

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

This condensed consolidated interim financial information is presented in thousands of Renminbi (RMB'000), unless otherwise stated, and has been approved for issue on 25 August 2010.

## 2 Basis of preparation

The Company has a financial year end date of 31 December. This condensed consolidated interim financial information for the six months period ended 30 June 2010 has been prepared in accordance with HKAS 34 "Interim Financial Reporting". This condensed consolidated interim financial information should be read in conjunction with the consolidated financial statements for the year ended 31 December 2009, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

As at 30 June 2010, a bank borrowing of approximately RMB137,310,000 (31 December 2009: RMB60,000,000) has been reclassified from non-current liabilities to current liabilities following the fact that a subsidiary of the Group did not fulfill a financial ratio as required in the loan agreement in respect of the relevant bank borrowing, details of which have been disclosed in Note 16. In preparing this condensed consolidated interim financial information, the Directors have taken into account all information that could reasonably be expected to be available and have ascertained that the Group has obtained adequate financial resources to support the Group to continue in operational existence for the foreseeable future. As of 30 June 2010, the Group had undrawn committed banking facilities amounting to approximately RMB1,178,190,000 and will refinance and/or restructure certain short-term borrowings into long-term borrowings or to consider alternative sources of financing, where applicable. Under these circumstances, the Directors are of the opinion that the Group will be able to meet its liabilities as and when they fall due within the next twelve months and therefore have prepared this condensed consolidated interim financial information on a going concern basis notwithstanding that at 30 June 2010, the Group's current liabilities exceeded its current assets by RMB597,393,000.

### 3 Accounting policies

The accounting policies and method of computation used in the preparation of this condensed consolidated interim financial information are consistent with those used in the annual financial statements for the year ended 31 December 2009, except as mentioned below.

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

The following amendments to standards are mandatory for the financial year beginning 1 January 2010.

- HKFRS 3 (Revised) "Business Combinations", and consequential amendments to HKAS 27 "Consolidated and Separate Financial Statements", HKAS 28 "Investments in Associates" and HKAS 31 "Interests in Joint Ventures", are effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009.
- The revised standard continues to apply the acquisition method to business combinations but with some significant changes compared with HKFRS 3. For example, all payments to purchase a business are recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs are expensed.
- As the Group has adopted HKFRS 3 (Revised), it is required to adopt HKAS 27 (Revised) at the same time. HKAS 27 (Revised) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. Further details of transactions with non-controlling interests that were entered into during the six months period ended 30 June 2010 are set out in Note 20.

The following amendments to standards and interpretations are mandatory for the financial year beginning 1 January 2010 but not relevant to the Group:

HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners
HKAS 1 (Amendment)	Capital Disclosures
HKAS 17	Leases
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 39 (Amendment)	Eligible Hedged Items
HKFRS 1 (Amendment)	Additional exemptions for first-time adopters
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transaction
HKFRSs (Amendment)	Second Improvements to HKFRS 2009

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

### 3 Accounting policies (Continued)

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

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

HKFRS 9	Financial Instruments <sup>3</sup>
HKAS 24 (Revised)	Related Party Disclosures <sup>2</sup>
HKAS 32 (Amendment)	Classification of Rights Issues <sup>2</sup>
HK(IFRIC)-Int 14	Prepayments of a Minimum Funding Requirement <sup>2</sup>
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments <sup>1</sup>
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters <sup>1</sup>
HKFRSs (Amendment)	Third Improvements to HKFRS 2010 <sup>2</sup>

<sup>1</sup> Effective for the Group for annual period beginning 1 July 2010

<sup>2</sup> Effective for the Group for annual period beginning 1 January 2011

<sup>3</sup> Effective for the Group for annual period beginning 1 January 2013

### 4 Restatement of certain comparative financial information

(a) *Changes in functional and presentation currencies*

Items included in the condensed consolidated financial information of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency").

In prior years, the Directors regarded Hong Kong dollars ("HK\$") as the functional currency of the Company. During the period ended 30 June 2010, the Group disposed of a subsidiary whose principal activities are located in Hong Kong (Note 7) and the Directors reassessed the Company's functional and presentation currencies and considered to change the functional and presentation currencies of the Company from HK\$ to RMB starting from June 2010 as RMB has become the currency that mainly influences the operation of the Group's significant entities.

The change in functional currency of the Company was applied prospectively from the date of change in accordance with HKAS 21 "The Effect of Changes in Foreign Exchange Rates". On the date of the change of functional currency all assets, liabilities, issued capital and other components of equity and income statement items were translated into RMB at the exchange rate on that date. As a result the cumulative currency translation differences which had arisen up to the date of the change of functional currency were reallocated to other components within equity.

Whereas the change in presentation currency of the Company was applied retrospectively in accordance with HKAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors", the comparative figures as at 31 December 2009 and for the six months ended 30 June 2009 have also been restated to the change in presentation currency to RMB accordingly.

#### 4 Restatement of certain comparative financial information (Continued)

(b) Finalisation of provisional accounting for acquisition of a subsidiary in 2009

In accordance with HKFRS 3, certain provisionally estimated fair value of assets and liabilities acquired on the acquisition of 漳平市華口水電有限公司 (Zhangping Huakou Hydro Power Company Limited ("Huakou")) in March 2009 were used for the preparation of the condensed consolidated interim financial information for the six months period ended 30 June 2009. The fair value exercise for this acquisition that was determined provisionally as of 30 June 2009 was reassessed and completed during the year ended 31 December 2009, and, pursuant to HKFRS 3, the comparative condensed consolidated income statement has been restated to reflect the revised fair value of assets and liabilities acquired. The effect of the reassessed fair values was as follows:

	RMB'000
Balances as at 30 June 2009	
Increase in property, plant and equipment	37,962
Decrease in goodwill (included in intangible assets)	(2,217)
Decrease in deferred tax assets	(1,276)
Increase in deferred tax liabilities	(8,214)
Increase in non-controlling interests	(13,951)
	<hr/>
Increase in profit and total comprehensive income for the period ended 30 June 2009	12,304

#### 5 Revenue, tariff adjustment and segment information

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

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2010</b>	2009
	<b>RMB'000</b>	RMB'000
Sales of electricity to provincial power grid companies	<b>583,436</b>	350,028
Heat supply by thermal power plants to other companies	<b>35,529</b>	26,494
Sales of power generating equipment	<b>2,216</b>	29,746
Rubbish handling income	<b>25,799</b>	17,825
Rental income from investment properties	<b>2,580</b>	695
	<hr/>	<hr/>
Total revenue	<b>649,560</b>	424,788
Tariff adjustment (note)	<b>159,648</b>	69,118
	<hr/>	<hr/>
	<b>809,208</b>	493,906

Note:

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



## 5 Revenue, tariff adjustment and segment information *(Continued)*

### *(b) Segment information*

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

The CODM assesses the performance of the operating segments based on each segment’s profit/(loss) before income tax and share of results of associated companies and jointly controlled entities (“segment results”).

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

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

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

The securities investment segment is engaged in securities trading.

No sales between operating segments are undertaken.

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

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

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



## 5 Revenue, tariff adjustment and segment information (Continued)

### (b) Segment information (Continued)

The segment information provided to the CODM for the reportable segments for the six months ended 30 June 2010 and 30 June 2009 is as follows:

	Power generation								Total
	Natural gas and oil power generation business	Wind power generation and related business	Hydro power generation business	Waste-to-energy power generation business	Other power generation business	Property development and investment	Securities investment	Unallocated	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>For the six months ended 30 June 2010</b>									
Segment revenue	317,314	53,596	132,294	86,720	57,056	2,580	-	-	649,560
Tariff adjustment	155,402	-	-	-	4,246	-	-	-	159,648
	<u>472,716</u>	<u>53,596</u>	<u>132,294</u>	<u>86,720</u>	<u>61,302</u>	<u>2,580</u>	<u>-</u>	<u>-</u>	<u>809,208</u>
Results of reportable segments	<u>116,435</u>	<u>12,012</u>	<u>64,365</u>	<u>14,148</u>	<u>(2,399)</u>	<u>(5,097)</u>	<u>(7,092)</u>	<u>-</u>	<u>192,372</u>
A reconciliation of results of reportable segments to profit for the period is as follows:									
Results of reportable segments									192,372
Unallocated income									6,610
Unallocated expenses									(25,083)
Share of profits/(losses) of associated companies and jointly controlled entities									15,051
Profit before income tax									188,950
Income tax									(37,104)
Profit for the period									<u>151,846</u>
Segment results included:									
Depreciation and amortisation, net	16,478	23,511	21,457	12,725	7,210	2,187	-	1,546	85,114
Interest income	737	131	944	125	14	5	18	-	1,974
Interest expense	(13,452)	(14,055)	(1,050)	(4,217)	(3,738)	(3,516)	(4)	(2)	(40,034)

## 5 Revenue, tariff adjustment and segment information (Continued)

### (b) Segment information (Continued)

	Power generation								Total RMB'000
	Natural gas and oil power generation business RMB'000	Wind power generation and related business RMB'000	Hydro power generation business RMB'000	Waste-to- energy power generation business RMB'000	Other power generation business RMB'000	Property development and investment RMB'000	Securities investment RMB'000	Unallocated RMB'000	
For the six months ended 30 June 2009									
Segment revenue	151,310	87,346	55,930	62,013	67,494	695	-	-	424,788
Tariff adjustment	69,118	-	-	-	-	-	-	-	69,118
	<u>220,428</u>	<u>87,346</u>	<u>55,930</u>	<u>62,013</u>	<u>67,494</u>	<u>695</u>	<u>-</u>	<u>-</u>	<u>493,906</u>
Results of reportable segments	<u>34,819</u>	<u>15,019</u>	<u>15,154</u>	<u>9,067</u>	<u>1,134</u>	<u>1,318</u>	<u>11,672</u>	<u>-</u>	<u>88,183</u>
A reconciliation of results of reportable segments to profit for the period is as follows:									
Results of reportable segments									88,183
Unallocated income									12,836
Unallocated expenses									(24,195)
Share of profits/(losses) of associated companies and jointly controlled entities									(853)
Profit before income tax									75,971
Income tax									(9,717)
Profit for the period									<u>66,254</u>
Segment results included:									
Depreciation and amortisation, net	22,491	23,106	21,556	9,401	7,711	350	113	1,500	86,228
Interest income	259	88	241	43	9	62	528	421	1,651
Interest expense	(16,401)	(19,447)	(999)	(3,773)	(5,036)	(40)	-	(179)	(45,875)

## 5 Revenue, tariff adjustment and segment information (Continued)

### (b) Segment information (Continued)

	Power generation							Unallocated RMB'000	Total RMB'000
	Natural gas and oil power generation business RMB'000	Wind power generation and related business RMB'000	Hydro power generation business RMB'000	Waste-to- energy power generation business RMB'000	Other power generation business RMB'000	Property development and investment RMB'000	Securities investment RMB'000		
<b>As at 30 June 2010</b>									
Segment assets	1,859,337	3,698,641	1,603,566	1,087,328	261,412	359,144	105,805	-	8,975,233
Interests in associated companies and jointly controlled entities								269,365	269,365
Deferred income tax assets								26,521	26,521
Other unallocated assets								17,602	17,602
Total assets per consolidated balance sheet									<u>9,288,721</u>
Additions to non-current assets	<u>10,238</u>	<u>1,210,986</u>	<u>22,925</u>	<u>134,205</u>	<u>1,602</u>	<u>358</u>	<u>-</u>	<u>1,511</u>	<u>1,381,825</u>
<b>As at 31 December 2009</b>									
Segment assets	1,866,473	1,695,746	1,420,733	995,148	243,162	352,528	123,914	-	6,697,704
Interests in associated companies and jointly controlled entities								254,313	254,313
Deferred income tax assets								26,015	26,015
Other unallocated assets								11,452	11,452
Total assets per consolidated balance sheet									<u>6,989,484</u>
Additions to non-current assets	<u>17,254</u>	<u>5,769</u>	<u>284,754</u>	<u>125,371</u>	<u>2,984</u>	<u>36,729</u>	<u>-</u>	<u>-</u>	<u>472,861</u>

Substantially all of the Group's revenue and assets are generated or located in the PRC except that cash and cash equivalents held at corporate level of RMB93,055,000 (31 December 2009: RMB104,132,000) were deposited in Hong Kong, investment property of RMB21,110,000 (31 December 2009: RMB20,142,000) were situated in Hong Kong and the certain other financial assets at fair value through profit or loss in the amount of RMB17,204,000 (31 December 2009: RMB24,296,000) were relating to equity securities listed in Hong Kong.

For the six months period ended 30 June 2010, external revenue of approximately RMB493,334,000 (six months period ended 30 June 2009: RMB304,091,000) is generated from two (six months period ended 30 June 2009: three) major customers, each of which accounts for 10% or more of the Group's external revenue. The revenue is attributable to the power generation segment.

## 6 Other income

	Unaudited	
	Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
Government grants (note)	1,670	3,700
Refund of value added tax (note)	9,199	8,939
Repairs and maintenance services fee income	1,780	1,850
Others	1,600	1,219
	<u>14,249</u>	<u>15,708</u>

Note:

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

## 7 Other gains, net

	Unaudited	
	Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
Fair value gain on investment properties (Note 13)	968	2,426
Gain on disposal of property, plant and equipment	180	207
Gain on disposal of a subsidiary, net (note)	6,614	54
Others	722	2,907
	<u>8,484</u>	<u>5,594</u>

Note:

On 23 June 2010, the Group entered into a sale and purchase agreement with a third party to dispose of its entire 51% equity interest in a subsidiary engaging in the provision of bakery and food business in Hong Kong at a cash consideration of RMB1 resulting in a gain on disposal of RMB6,614,000 (Note 18) recognised during the six months period ended 30 June 2010.

## 8 Operating profit

Operating profit is stated after charging the following:

	Unaudited Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
Amortisation of land use rights and leasehold land prepayments	<b>1,960</b>	2,584
Less: Amounts capitalised in properties under development	–	(1,186)
	<b>1,960</b>	1,398
Amortisation of intangible assets	<b>558</b>	546
Depreciation of property, plant and equipment	<b>82,596</b>	84,284
Operating lease rental in respect of leasehold land and buildings	<b>5,401</b>	4,708
Provision for other receivables	–	7,232
Direct outgoings in respect of rental income	<b>1,909</b>	316

## 9 Finance costs, net

	Unaudited Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
Interest income from		
– bank deposits	<b>1,321</b>	1,640
– others	<b>653</b>	11
	<b>1,974</b>	1,651
Interest expense on		
– bank borrowings not wholly repayable within five years	<b>(18,638)</b>	(19,104)
– bank borrowings wholly repayable within five years	<b>(52,144)</b>	(17,191)
– other borrowings wholly repayable within five years	<b>(5,898)</b>	(10,924)
– loan from a minority shareholder of a subsidiary	–	(2,784)
	<b>(76,680)</b>	(50,003)
Less: Amounts capitalised in property, plant and equipment	<b>36,646</b>	4,128
	<b>(40,034)</b>	(45,875)
Finance costs, net	<b>(38,060)</b>	(44,224)

## 10 Income tax

No Hong Kong profits tax has been provided for as the Group did not have any assessable profit in Hong Kong for the six months period ended 30 June 2010 (six months period ended 30 June 2009: Nil).

The provision for PRC corporate income tax is calculated based on the statutory tax rate of 25% (six months period ended 30 June 2009: 25%) on the estimated assessable income for the period except that certain subsidiaries of the Group are entitled to a two-year exemption from income tax starting from year 2008 followed by a 50% reduction in income tax rate at 12.5% towards year 2012, and at 25% thereafter.

The amount of income tax charged to the condensed consolidated income statement represents:

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2010</b>	<b>2009</b>
	<b>RMB'000</b>	<b>RMB'000</b>
PRC current income tax	<b>37,839</b>	9,453
Deferred income tax	<b>(735)</b>	264
	<b>37,104</b>	9,717

There is no tax impact relating to components of other comprehensive income for the six months period ended 30 June 2010 (six months period ended 30 June 2009: Nil).

## 11 Earnings per share

- (a) The calculation of basic earnings per share is based on the profit attributable to equity holders of the Company of RMB125,908,000 (six months period ended 30 June 2009: RMB50,086,000) and weighted average number of ordinary shares in issue during the six months period ended 30 June 2010 of 7,075,277,000 (six months period ended 30 June 2009: 7,020,100,000).
- (b) Diluted earnings per share for the six months period ended 30 June 2010 is calculated based on the profit attributable to equity holders of the Company of RMB125,908,000, and the weighted average number of ordinary shares of 7,086,585,000 which is the weighted average number of shares in issue during the period plus the weighted average number of dilutive potential ordinary shares of 11,308,000 deemed to be issued at nil consideration if all outstanding options had been exercised.

Diluted earnings per share for the six months period ended 30 June 2009 equals to the basic earnings per share as the potential ordinary shares outstanding during the period has an anti-dilutive effect on the basic earnings per share for the period.

## 12 Interim dividend

The Board of Directors of the Company does not recommend the payment of an interim dividend for the six months period ended 30 June 2010 (six months period ended 30 June 2009: Nil).

### 13 Capital expenditure

	Property, plant and equipment RMB'000	Land use rights and leasehold land prepayments RMB'000	Investment properties RMB'000	Properties under development RMB'000	Intangible assets RMB'000
Six months ended					
30 June 2009					
Balance at 1 January 2009	3,243,825	227,393	13,985	147,267	1,049,046
Additions	168,100	127	-	36,716	2,013
Acquisition of a subsidiary (Note 19)	228,884	-	-	-	-
Disposals	(194)	-	-	-	-
Refund of value-added tax (note)	(41,274)	-	-	-	-
Disposal of a subsidiary	(864)	-	-	-	-
Depreciation and amortisation	(84,284)	(2,584)	-	-	(546)
Reclassification	54,654	(97,860)	227,189	(183,983)	-
Increase in fair value (Note 7)	-	-	2,426	-	-
	<u>3,568,847</u>	<u>127,076</u>	<u>243,600</u>	<u>-</u>	<u>1,050,513</u>
Six months ended					
30 June 2010					
Balance at 1 January 2010	<b>3,841,783</b>	<b>133,423</b>	<b>249,142</b>	-	<b>1,048,677</b>
Additions	<b>1,027,023</b>	<b>6,415</b>	-	-	<b>740</b>
Disposals	<b>(748)</b>	-	-	-	-
Depreciation and amortisation	<b>(82,596)</b>	<b>(1,960)</b>	-	-	<b>(558)</b>
Increase in fair value (Note 7)	-	-	<b>968</b>	-	-
	<u><b>4,785,462</b></u>	<u><b>137,878</b></u>	<u><b>250,110</b></u>	<u><b>-</b></u>	<u><b>1,048,859</b></u>

Note:

During the six months period ended 30 June 2009, refund of value-added tax was received by the Group from the relevant government authorities in respect of its purchase of certain depreciable assets. Consequently, the amounts have been deducted from the carrying amount of the relevant assets of the Group.



## 14 Accounts receivable

	As at	
	30 June 2010 RMB'000	31 December 2009 RMB'000
Accounts receivable from provincial power grid companies	<b>200,766</b>	163,315
Accounts receivable from other companies	<b>25,302</b>	18,348
Tariff adjustment receivable from the relevant government authorities	<b>166,928</b>	138,323
	<b>392,996</b>	319,986
Notes receivable ( <i>note</i> )	<b>4,478</b>	–
	<b>397,474</b>	319,986

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

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

	As at	
	30 June 2010 RMB'000	31 December 2009 RMB'000
1 to 3 months	<b>282,908</b>	229,822
4 to 6 months	<b>96,240</b>	76,294
7 to 12 months	<b>11,107</b>	11,588
Over 1 year	<b>2,741</b>	2,282
	<b>392,996</b>	319,986

*Note:*

As at 30 June 2010, notes receivable represented commercial acceptance notes and are with maturity period of 90 to 180 days.

## 15 Share capital

### (a) Authorised and issued capital

	Number of shares (HK\$ 0.1 each)	Nominal value RMB'000
Authorised:		
At 1 January 2009, 30 June 2009, 31 December 2009 and 30 June 2010	10,000,000,000	879,577
Issued and fully paid:		
At 1 January 2009, 30 June 2009, 31 December 2009 and 1 January 2010	<b>7,020,100,000</b>	<b>677,635</b>
Exercise of share option (note)	<b>100,500,000</b>	<b>8,840</b>
At 30 June 2010	<b>7,120,600,000</b>	<b>686,475</b>

#### Note:

During the period, 100,500,000 shares of HK\$0.1 each were issued at the price ranged from HK\$0.630 to HK\$0.836 each for cash upon the exercise of the relevant options to subscribe for 100,500,000 shares of the Company under the share option scheme of the Company (also see Note 15(b) below). These new shares rank pari passu in all respects with the existing shares.

### (b) Share option scheme

Details of the options granted under the share option scheme of the Company outstanding as at 30 June 2010 and 31 December 2009 are as follows:

	Date of grant	Expiry date	Exercise price	Number of shares subject to the options	
				30 June 2010	31 December 2009
Directors	9 March 2007	8 March 2017	HK\$0.630	30,000,000	30,000,000
	8 June 2007	7 June 2017	HK\$0.836	59,000,000	59,000,000
				<b>89,000,000</b>	89,000,000
Senior management and other employees	9 March 2007	8 March 2017	HK\$0.630	20,000,000	119,500,000
	8 June 2007	7 June 2017	HK\$0.836	5,000,000	6,000,000
				<b>25,000,000</b>	125,500,000
				<b>114,000,000</b>	214,500,000

A total of 100,500,000 shares were exercised during the period (six months period ended 30 June 2009: Nil).

## 16 Bank and other borrowings

Bank and other borrowings are analysed as follows:

	<b>As at</b>	
	<b>30 June 2010</b>	31 December 2009
	<b>Unaudited</b>	Audited
	<b>RMB'000</b>	RMB'000
Non-current borrowings		
Long-term bank borrowings, secured (note (a))	<b>1,039,390</b>	651,288
Long-term bank borrowings, unsecured (note (b))	<b>1,103,260</b>	824,999
Long-term other borrowings, secured (note (c))	–	127,000
	<b>2,142,650</b>	1,603,287
Less: current portion of long-term bank borrowings		
– secured	<b>(87,364)</b>	(33,713)
– unsecured	<b>(128,720)</b>	(67,001)
	<b>(216,084)</b>	(100,714)
Non-current portion	<b>1,926,566</b>	1,502,573
Current borrowings		
Short-term bank borrowings, secured (note (d) and (e))	<b>157,310</b>	80,000
Short-term bank borrowings, unsecured	<b>1,787,000</b>	282,001
Short-term other borrowings, secured (note (d))	<b>13,000</b>	–
Short-term other borrowings, unsecured	<b>50,000</b>	–
	<b>2,007,310</b>	362,001
Current portion of long-term borrowings	<b>216,084</b>	100,714
	<b>2,223,394</b>	462,715
Total borrowings	<b>4,149,960</b>	1,965,288

## 16 Bank and other borrowings (Continued)

Movements in bank and other borrowings are analysed as follows:

	Unaudited Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
Balance as at 1 January	1,965,288	1,576,420
Additions	2,805,461	979,000
Repayments	(620,789)	(800,063)
Balance as at 30 June	4,149,960	1,755,357

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

	As at	
	30 June 2010	31 December 2009
	Unaudited	Audited
	RMB'000	RMB'000
Wholly repayable within five years	604,300	397,000
Not wholly repayable within five years	1,538,350	1,206,287
	2,142,650	1,603,287

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

	As at	
	30 June 2010	31 December 2009
	Unaudited	Audited
	RMB'000	RMB'000
Within one year	216,084	100,714
In the second year	229,954	172,354
In the third to fifth year	605,161	508,061
After the fifth year	1,091,451	822,158
	2,142,650	1,603,287

Except for the long-term bank borrowings of RMB8,860,000 (31 December 2009: RMB9,047,000) which are denominated in HK\$, all borrowings are denominated in RMB.

## 16 Bank and other borrowings (Continued)

All of the bank and other borrowings are interest bearing at floating rates. The effective interest rate of the Group's HK\$-denominated long-term bank borrowing is 0.96% (31 December 2009: 0.93%) per annum. The effective interest rates of the Group's RMB-denominated bank and other borrowings are as follows:

	As at	
	30 June 2010 Unaudited	31 December 2009 Audited
Long-term bank borrowings	<b>5.34%</b>	5.47%
Long-term other borrowings	–	5.64%
Short-term bank borrowings	<b>4.72%</b>	4.83%
Short-term other borrowings	<b>5.12%</b>	–

Notes:

- (a) Secured long-term bank borrowings are secured by:
- all investment properties of the Group with a carrying amount of RMB250,110,000 (31 December 2009: RMB249,142,000);
  - certain leasehold land prepayments and property, plant and equipment of the Group with a carrying amount of RMB1,321,927,000 (31 December 2009: RMB820,563,000);
  - personal guarantee given by a former director of the Company; and
  - corporate guarantee given by a shareholder, China Power International Holding Limited ("CPIH").
- (b) Unsecured long-term bank borrowings to the extent of RMB552,000,000 (31 December 2009: RMB537,000,000) are guaranteed by a shareholder, CPIH.
- (c) As at 31 December 2009, secured long-term other borrowings representing borrowings obtained from certain PRC local financial bureaus, were guaranteed by certain former shareholders and minority shareholders of certain subsidiaries of the Group and secured by:
- certain leasehold land prepayments and buildings with a carrying amount of RMB32,996,000; and
  - certain property, plant and equipment of the Group with a carrying amount of RMB120,000,000.
- (d) As at 30 June 2010, short-term bank and other borrowings of RMB33,000,000 were secured by accounts receivable and certain leasehold land prepayments and buildings with carrying amounts of RMB155,400,000 and RMB23,635,000 respectively.
- As at 31 December 2009, short-term bank borrowings of RMB20,000,000 were secured by certain property, plant and equipment of the Group with a carrying amount of RMB187,271,000.
- (e) As at 30 June 2010, long-term bank borrowings amounting to RMB137,310,000 (31 December 2009: RMB60,000,000) were reclassified as current liabilities as a subsidiary of the Group did not fulfill a financial ratio as required in a loan agreement. Management has informed the bank which, taking into account of the Group's financial position, has not requested immediate repayment.

## 16 Bank and other borrowings (Continued)

Notes (Continued):

- (f) At 30 June 2010, the Group had the following undrawn committed borrowing facilities, all at floating rates:

	As at	
	30 June 2010	31 December 2009
	RMB'000	RMB'000
Long-term bank borrowings	1,132,190	1,024,150
Long-term other borrowings	11,000	–
Short-term bank borrowings	35,000	140,000
	<u>1,178,190</u>	<u>1,164,150</u>

## 17 Accounts payable

	As at	
	30 June 2010	31 December 2009
	RMB'000	RMB'000
Accounts payable (note (a))	38,750	26,178
Notes payable (note (b))	135,863	194,783
	<u>174,613</u>	<u>220,961</u>

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

Notes:

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

	As at	
	30 June 2010	31 December 2009
	RMB'000	RMB'000
Current to 3 months	35,411	21,967
4 to 6 months	1,203	892
7 to 12 months	314	722
Over 1 year	1,822	2,597
	<u>38,750</u>	<u>26,178</u>

- (b) Notes payable are normally with maturity period of 90 to 180 days (31 December 2009: 90 to 180 days).

As at 30 June 2010, notes payable of RMB131,400,000 (31 December 2009: RMB193,620,000) were drawn under the banking facilities which were secured by a bank deposit of the Group amounting to RMB34,510,000 (31 December 2009: RMB57,364,000) and a corporate guarantee given by a minority shareholder of a subsidiary.



**18 Disposal of a subsidiary**

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2010</b>	2009
	<b>RMB'000</b>	RMB'000
Net assets disposed of:		
Property, plant and equipment	–	864
Prepayments, deposits and other receivables	–	150
Other payables and accrued charges	<b>4,228</b>	–
Deferred income tax liabilities	–	(259)
Amount due to a minority shareholder	<b>16,226</b>	–
Non-controlling interests	<b>(13,840)</b>	–
	<b>6,614</b>	755
Consideration	–	809
	<b>6,614</b>	54
Gain on disposal (Note 7)	<b>6,614</b>	54

**19 Business combinations**

Effective from 16 March 2009, the Group acquired 51% equity interest in Haukou from certain independent third parties to the Group. The total consideration for the acquisition is RMB62,200,000. As a result, the Group has recognised a discount on acquisition of approximately RMB12,304,000 on such acquisition representing the excess of acquirer's interest in the fair value of acquiree's identified assets, liabilities and contingent liabilities over consideration paid.

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

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

	RMB'000
Purchase consideration:	
– Cash paid	5,100
– Assignment of shareholders' loans	57,100
– Direct costs relating to the acquisition	264
Total purchase consideration	62,464
Fair value of net assets acquired – shown as below	(74,768)
Discount on acquisition	(12,304)

## 19 Business combinations (Continued)

	Acquiree's carrying amount RMB'000	Fair value RMB'000
Property, plant and equipment	196,027	228,884
Prepayments, deposits and other receivables	11,398	11,398
Cash and cash equivalents	23,444	23,444
Other payables and accrued charges	(25,071)	(25,071)
Shareholders' loans	(138,699)	(138,699)
Deferred income tax liabilities	–	(8,214)
Non-controlling interests	(4,900)	(16,974)
Net assets acquired	62,199	74,768
Purchase consideration		62,464
Cash and cash equivalents in subsidiary acquired		(23,444)
Cash outflow on acquisition		39,020

There were no acquisitions in the six months period ended 30 June 2010.

## 20 Transactions with non-controlling interests

- (a) Gansu Hui Heng New Energy Technical Development Company Limited ("Gansu Hui Heng"), a minority shareholder of Gansu China Power Jiuquan Wind Power Company Limited ("Gansu China Power", a non-wholly owned subsidiary of the Group with 90% equity interest), failed to fulfill its obligation to contribute its share of registered capital of Gansu China Power by 22 September 2008 pursuant to the articles of association and the joint venture agreement. Pursuant to the joint venture agreement, the defaulting party would be deemed to have unconditionally consented to the transfer of its right to contribute to the registered capital to the non-defaulting party. On 4 March 2010, the Group entered into an equity transfer agreement with Gansu Hui Heng to take up its entire 10% equity interest in Gansu China Power at nil consideration. The carrying amount of the non-controlling interests in Gansu China Power on the date of acquisition was approximately RMB1,777,000. The Group recognised a decrease in non-controlling interests and an increase in equity attributable to equity holders of the Company by the same amount.
- (b) On 5 March 2010, the Group entered into an equity transfer agreement with Dongguan Xiecheng Power Equipment Company Limited ("Dongguan Xiecheng"), a minority shareholder of Yunnan Shuangxing Green Energy Company Limited ("Yunnan Shuangxing"), to acquire its entire 40% equity interest in Yunnan Shuangxing at a consideration of approximately RMB63,823,000. Thereafter, Yunnan Shuangxing became a wholly owned subsidiary of the Group. The carrying amount of the non-controlling interests in Yunnan Shuangxing on the date of acquisition was RMB42,157,000. The Group recognised a decrease in non-controlling interests of RMB42,157,000 and a decrease in equity attributable to equity holders of the Company of RMB21,666,000.



## 20 Transactions with non-controlling interests (Continued)

- (c) On 24 May 2010, the Group entered into an equity transfer agreement with a minority shareholder of Huakou to acquire his entire 49% equity interest in Huakou at a consideration of approximately RMB39,200,000. Thereafter, Huakou became a wholly owned subsidiary of the Group. The carrying amount of the non-controlling interests in Huakou on the date of acquisition was RMB51,275,000. The Group recognised a decrease in non-controlling interests of RMB51,275,000 and an increase in equity attributable to equity holders of the Company of RMB12,075,000.
- (d) Effects of transactions with non-controlling interests on the equity attributable to equity holders of the Company for the six months period ended 30 June 2010:

	<b>RMB'000</b>
Total comprehensive income for the period attributable to the equity holders of the Company	<b>127,243</b>
Changes in equity attributable to the equity holders of the Company arising from:	
– acquisition of additional interests in Gansu China Power	<b>1,777</b>
– acquisition of additional interests in Yunnan Shuangxing	<b>(21,666)</b>
– acquisition of additional interests in Zhangping Huakou	<b>12,075</b>
Net effect for transactions with non-controlling interests on changes in equity attributable to the equity holders of the Company	<b>(7,814)</b>
	<b>119,429</b>

## 21 Commitments

### (a) Capital commitments

	As at	
	30 June 2010	31 December 2009
	RMB'000	RMB'000
Contracted but not provided for in respect of		
– property, plant and equipment	1,690,282	2,554,210
– investment in an associated company	37,215	37,215
	<u>1,727,497</u>	<u>2,591,425</u>

### (b) Commitments under operating leases

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

	As at	
	30 June 2010	31 December 2009
	RMB'000	RMB'000
Land and buildings		
Not later than one year	6,979	7,278
Later than one year and not later than five years	4,643	6,463
	<u>11,622</u>	<u>13,741</u>

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

## 21 Commitments (Continued)

### (c) Future operating lease agreements

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

	<b>30 June 2010</b>	<b>As at</b>
	<b>RMB'000</b>	31 December 2009
		RMB'000
Land and buildings		
Not later than one year	<b>6,611</b>	3,933
Later than one year and not later than five years	<b>13,772</b>	11,274
Later than five years	<b>4,511</b>	5,475
	<b>24,894</b>	20,682

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

## 22 Related party transactions

The following is a summary of significant related party transactions which, in the opinion of the Directors, are entered into in the ordinary course of the Group's business in addition to the related party information shown elsewhere in this condensed consolidated interim financial information.

### (i) Transactions with related parties

		<b>Unaudited</b>	
		<b>Six months ended 30 June</b>	
		<b>2010</b>	2009
	Note	RMB'000	RMB'000
Interest income from a jointly controlled entity	(i)	<b>653</b>	733
Interest expense to a minority shareholder of a subsidiary	(ii)	-	3,165
Sale of power generating equipment to a minority shareholder of a subsidiary	(iii)	<b>2,216</b>	-
Repair and maintenance, management and service expenses to a subsidiary of a shareholder	(iii)	<b>14,690</b>	8,474

Notes:

- (i) Interest income from a jointly controlled entity was charged on outstanding loan balance at 5.84% (six months ended 30 June 2009: 5.84%) per annum.
- (ii) Interest expense to a minority shareholder of a subsidiary was charged on outstanding loan balance at 5.47% per annum for the six months ended 30 June 2009.
- (iii) The Group has entered into agreements for the sale of power generating equipment to a minority shareholder of a subsidiary and for the provision of repair and maintenance, management and other service from a subsidiary of a shareholder, the terms of which were mutually agreed between the parties.

## 22 Related party transactions (Continued)

(ii) Period-end balances with related parties

		<b>As at</b>	
		<b>30 June 2010</b>	31 December 2009
		<b>Unaudited</b>	Audited
	<i>Note</i>	<b>RMB'000</b>	RMB'000
Included in:			
<u>Other receivables</u>			
Amounts due from a shareholder	<i>(i)</i>	<b>6,545</b>	6,056
Amounts due from minority shareholders of certain subsidiaries	<i>(i)</i>	<b>39,943</b>	57,447
Loan to a jointly controlled entity	<i>(ii)</i>	<b>25,000</b>	25,044
Amount due from CPI Finance Company ("CPIF")	<i>(iii)</i>	<b>97</b>	781
<u>Other payables</u>			
Amounts due to a shareholder and certain of its subsidiaries	<i>(i)</i>	<b>19,815</b>	7,383
Amounts due to minority shareholders of certain subsidiaries	<i>(i)</i>	<b>6,264</b>	68,820

### Notes:

- (i) Except for an amount due from a minority shareholder of a subsidiary amounting to RMB20,000,000 as at 30 June 2010, which is interest bearing at 4.779% per annum and repayable on 9 December 2010, the balances with these related parties are unsecured, interest-free and repayable on demand.
- (ii) The loan to a jointly controlled entity is unsecured, interest bearing at 5.84% (31 December 2009: 5.84%) per annum and repayable on 16 December 2010.
- (iii) The amount due from CPIF, a fellow subsidiary of a shareholder, is unsecured, carries interest at 0.36% (31 December 2009: 0.36%) per annum and is repayable on demand.

## 22 Related party transactions (Continued)

(iii) Key management compensation

	Unaudited Six months ended 30 June	
	2010 RMB'000	2009 RMB'000
Basic salaries, housing allowance, other allowances, discretionary bonus and benefits in kind	<b>2,727</b>	4,102
Employer's contributions to pension schemes	<b>18</b>	21
	<b>2,745</b>	4,123

## 23 Subsequent event

On 24 August 2010, the Group entered into a share purchase agreement with CPIH to acquire 100% equity interest in China Power Dafeng Wind Power Company Limited ("CP Dafeng") at a consideration of RMB504,000,000 (approximately HK\$576,329,000) to be satisfied by way of the issue of consideration shares of the Company at the issue price of HK\$0.75 per share. Upon the completion, CP Dafeng will become a wholly-owned subsidiary of the Group.

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

*(Incorporated in Bermuda with limited liability)*

**INTRODUCTION**

We have reviewed the condensed consolidated interim financial information set out on pages 22 to 52 which comprises the condensed consolidated balance sheet of China Power New Energy Development Company Limited (the “Company”) and its subsidiaries (together, the “Group”) as at 30 June 2010 and the related condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six months period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

**SCOPE OF REVIEW**

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



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

**CONCLUSION**

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

**PricewaterhouseCoopers**  
*Certified Public Accountants*

Hong Kong, 25 August 2010