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

Sustainable Development

ANNUAL REPORT 2010

*For identification purpose only

About CPNE

CHINA POWER NEW ENERGY DEVELOPMENT COMPANY LIMITED IS COMMITTED TO THE DEVELOPMENT OF ENVIRONMENTALLY-FRIENDLY ENERGY PROJECTS

- Wind Power
- Hydro Power
- Waste-to-energy Power
- Natural Gas Power
- Other Power

Contents

Corporate Information

CHAIRMAN OF THE BOARD:
Ms. Li Xiaolin

CHIEF EXECUTIVE OFFICER:
Mr. Liu Genyu

DIRECTORS:
Executive Directors:
Ms. Li Xiaolin
Mr. Zhao Xinyan
Mr. Wang Hao
Mr. Liu Genyu

Non-Executive Director:
Mr. Cheng Chi

Independent Non-Executive Directors:
Mr. Chu Kar Wing
Dr. Chow King Wai
Mr. Wong Kwok Tai

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

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

COMPANY SECRETARY:
Mr. Fung Chun Nam

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

REGISTERED OFFICE:
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2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG:

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26 Harbour Road
Wanchai, Hong Kong

PRINCIPAL SHARE REGISTRAR:

HSBC Securities Services (Bermuda) Limited
6 Front Street
Hamilton HM 11
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE:

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Hong Kong

COMPANY WEBSITE:

www.cpne.com.hk

STOCK CODE:

735

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Distribution of Projects

* As at 31 December 2010

WELL-ESTABLISHED PLATFORMS WITH VARIOUS RENEWABLE PROJECTS

Wind Power

No.	Project	Installed Capacity (MW)	Interest	Attributable Installed Capacity (MW)
1	Phase I of the Gansu Wind Power Project	100.50	100%	100.50
2	Phase II of the Gansu Wind Power Project	49.50	100%	49.50
3	Phase III of the Gansu Wind Power Project	201.00	100%	201.00
4	Heilongjiang Hongqi Wind Power Project	28.50	100%	28.50
5	China Power Dafeng Wind Power Project	200.25	100%	200.25
6	Shanghai Sea Wind Power Project	102.00	24%	24.48
	Sub-total	**681.75**		**604.23**

Hydro Power

No.	Project	Installed Capacity (MW)	Interest	Attributable Installed Capacity (MW)
7	Fujian Shaxikou Hydro-electric Power Plant	300.00	100%	300.00
8	Niu Tou Shan Power Stations	122.20	52%	61.60
9	Zhangping Huakou Hydro Power Plant	36.60	100%	36.60
	Sub-total	**458.80**		**398.20**

Waste-to-energy Power

No.	Project	Installed Capacity (MW)	Interest	Attributable Installed Capacity (MW)
10	Dongguan Waste Incineration Power Plant	36.00	40%	14.40
11	Deqing Waste Incineration Power Plant	6.00	100%	6.00
12	Kunming Waste Incineration Power Plant	30.00	100%	30.00
	Sub-total	**72.00**		**50.40**

Natural Gas Power

No.	Project	Installed Capacity (MW)	Interest	Attributable Installed Capacity (MW)
13	Dongguan China Power New Energy Heat and Power Plant	360.00	80%	288.00
	Sub-total	**360.00**		**288.00**

Other Power

No.	Project	Installed Capacity (MW)	Interest	Attributable Installed Capacity (MW)
14	Zhongdian Hongze Reproductive Substance Thermal Power Plant	15.00	100%	15.00
15	Zhongdian Hongze Thermal Plant	30.00	60%	18.00
	Sub-total	**45.00**		**33.00**

► Kunming Waste Incineration Power Plant

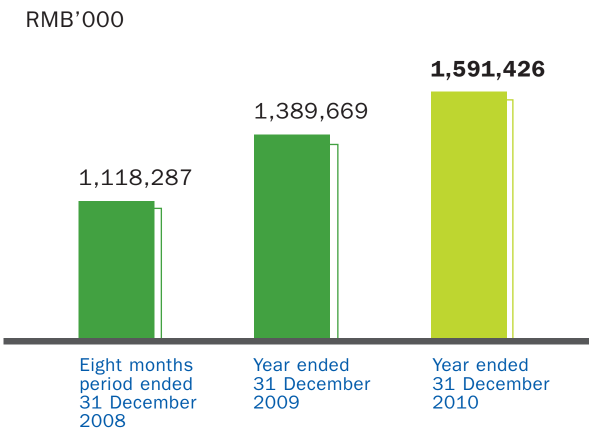
◄ Dongguan China Power New Energy Heat and Power Plant

▼ Fujian Shaxikou Hydro-electric Power Plant

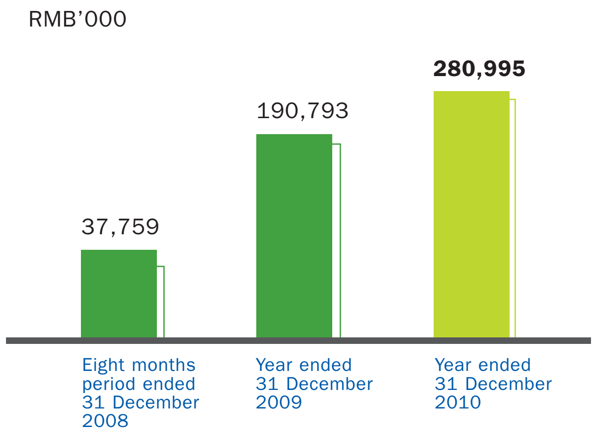
▲China Power Dafeng Wind Power Project

Financial Highlights

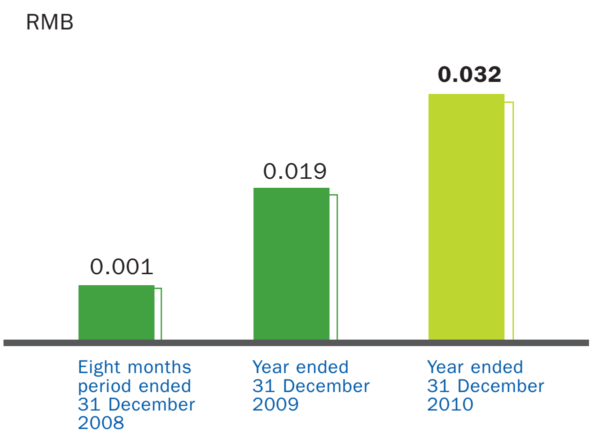
REVENUE AND TARIFF ADJUSTMENT



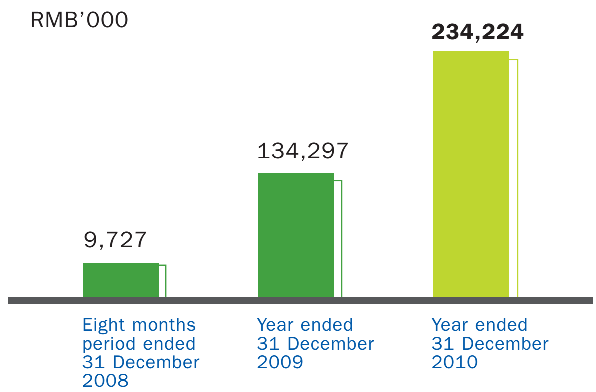
PROFIT FOR THE YEAR/PERIOD



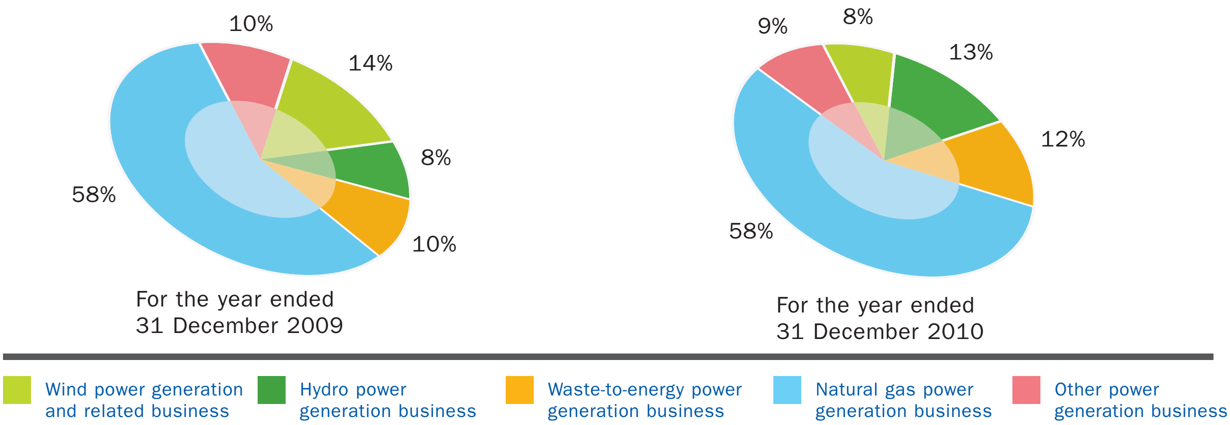
BASIC EARNINGS PER SHARE



PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY



REVENUE AND TARIFF ADJUSTMENT BY BUSINESS SEGMENTS



Letter to Shareholders

On behalf of the board of directors (the "Board") of China Power New Energy Development Company Limited (the "Company" or "CPNE"), I am pleased to present the financial results of the Company and its subsidiaries (together, the "Group") for the year ended 31 December 2010.

Dear Shareholders,

As one of the pioneers in developing clean energy in the People's Republic of China (the "PRC"), the Group has power generation projects in wind power, hydro power, waste-to-energy power, natural gas power and others with a total installed capacity of approximately 1,617.55MW as at 31 December 2010. Development of the abovementioned five segments by rotation will not only open up different sources of revenue, but also diversify our investment risks. The structure of the clean energy industry has consistently been optimised in view of the collaborative development within the five geographical regions of the PRC, thereby setting a solid foundation for the Group's future development.

According to statistics from the National Bureau of Statistics, the gross domestic product of the PRC rose by 10.3% year-on-year in 2010, reflecting steady and robust growth of the economy with corresponding increase in demands for energy. Despite changes in the macroeconomic environment due to active efforts by the PRC government to control inflation and realign its monetary policy, the management team and all units of the Company took concerted actions in applying stringent control over costs, optimising debt structure and expanding sales and marketing of electricity power. Thanks to these efforts, the Group achieved favourable operating results in 2010.

For the year ended 31 December 2010, the Group recorded revenue and tariff adjustment of RMB1,591,426,000 (2009: RMB1,389,669,000), an increase of 15% over the previous year, which was primarily attributed to increases in volume of electricity sold. The Group's net profit for the year was approximately RMB280,995,000 (2009: RMB190,793,000), an increase of 47% over the previous year, and profit attributable to equity holders of the Company amounted to approximately RMB234,224,000 (2009: RMB134,297,000), an increase of 74% over the previous year.

Subsequent to the promulgation of the Twelfth Five-Year Plan by the PRC Government in October 2010 and the draft plan on renewable energy in the PRC, the development of new energy has been highlighted as one of the country's key support projects, integral to economic development policy. In addition, the Xinjiang Power Grid and the Northwest Power Grid, which signify the PRC's execution of its Green Transmission Grid Planning, have commenced construction in July 2010. These projects will undoubtedly bring substantive benefits to the new energy industry. In such favourable circumstances, the Group will capitalise on the opportunity afforded to formulate appropriate plans, optimise its assets and implement the practice of scientific development, thereby striving to foster the development of the Group.

As the new energy frontrunner of China Power Investment Corporation, the Group will be proactive in the construction of wind power, medium-to-small hydro power, natural gas power and other power plants, while expediting the preliminary stages of biomass and solar power generation projects in order to create and attain economies of scale.

To respond to our buoyant growth and to optimise our financial structure, the Company entered into a share purchase agreement with China Yangtze Power Co., Ltd. and its wholly-owned subsidiary, China Yangtze International (Hongkong) Co., Ltd. ("HK Co") on 21 January 2011, pursuant to which, the Company conditionally agreed to allot and issue 2,800,000,000 new shares to HK Co at the price of HK$0.75 per share. The total proceeds from the issue of shares of HK$2,100,000,000 will be used by the Company in furtherance of its business plan of investing in power generating projects to be identified by the Group.

Adhering to our corporate culture of "Still Waters Run Deep" and acting on our mission statement of "light and energy to the world and clear water and blue sky to our next generations", we will standardise our operations, stabilise our business, fine-tune our management and enhance our results. In line with State policy and industry clustering, we will follow a development mode that takes into account the requirements of different areas, the speeding up of development, the expansion of scale, the contribution to green energy, the canvassing for preferential policies and the lowering of development costs. On this basis, we will consolidate our development advantage, promote project development, and put strong efforts into conducting preliminary development stages for projects, mergers and acquisitions, approval of project construction and management of operating projects in order to continually structure and extend our new energy industry chain. Whilst creating increasingly greater value for shareholders, the Group is at the same time aspiring to be an energy-saving and environmentally-friendly enterprise, offering economic, green and stable energy to the society.

Apart from the above, guided by corporate core values and based on such factors as profitability, asset quality, debt risks and growth capacity as essential components, the Group will establish an integrated evaluation and appraisal system for performance results. In order to improve the Company's results and enhance management standards overall, the Group will establish an all-directional management and appraisal mechanism based on performance targets and in conjunction with the target system, implement point-to-point target management. The Group will continue to optimise internal management and enhance corporate governance by adhering to an incentive-based performance management approach overall with an appropriate balance of incentives and controls to stimulate staff initiative and creativity in developing the business and in pushing through reforms. These measures will facilitate staff to realize their fullest potential.

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

Li Xiaolin
Chairman of the Board

15 March 2011

BUSINESS REVIEW

The principal activities of the Group are the development, construction, ownership, operation and management of clean energy power plants, including but not limited to wind power generation, hydro power generation, waste-to-energy power generation, natural gas power generation and other power generation, in the Mainland China. 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, sale of clean energy power generating equipment and property investments.

Business Performance for the Year Ended 31 December 2010

For the year ended 31 December 2010, the Group recorded revenue and tariff adjustment of approximately RMB1,591,426,000 (2009: RMB1,389,669,000), the growth of which was primarily attributed to the increase in volume of electricity sold.

For the year ended 31 December 2010, the Group's fuel costs amounted to approximately RMB794,983,000 (2009: RMB682,151,000), net finance costs (mainly comprised of interest expenses on borrowings in respect of new energy power projects) amounted to approximately RMB72,231,000 (2009: RMB78,868,000), and fair value loss on financial assets at fair value through profit or loss amounted to approximately RMB9,381,000 (2009: gain of RMB9,430,000). The Group's profit for the year was approximately RMB280,995,000 (2009: RMB190,793,000) and the profit attributable to equity holders of the Company amounted to approximately RMB234,224,000 (2009: RMB134,297,000). Basic earnings per share was approximately RMB0.032 (2009: RMB0.019).

Business Environment

The Chinese economy sustained steady and robust development in 2010, which was also a pivotal year for orienting towards a new economic cycle. The year 2011, as the commencing year of the Twelfth Five-Year Plan, will be an important year for accelerating change to the economic model. Within the span of the Twelfth Five-Year Plan, the State's policy direction for the development of new energy has been clearly defined, and the new energy industry has been duly given strong support.

The initial draft of a plan for renewable energy under the Twelfth Five-Year Plan has been completed. The draft proposes Ten Key Renewable Energy Projects, including development of major hydro power generation bases, 10,000MW wind power generation bases and model cities of renewable energy.

In terms of policy support for renewable energy, apart from starting up the Ten Key Renewable Energy Projects, the renewable energy quota system continues to be implemented and will be incorporated into the enterprise appraisal system. Major efforts will be directed at implementing a power grid connection policy and speeding up the construction of ancillary facilities for power grids to satisfy the demands from robust development of the renewable energy industry. Plans for renewable energy and power grids will converge in the context of the Twelfth Five-Year Plan to resolve renewable energy and network bottlenecks relating especially to mega-sized wind power generation bases.

Backed by a sound policy platform, the Group is actively conducting preliminary development work for new projects so as to lay a solid foundation for future development.

As at 31 December 2010, the following operating power projects were owned by the Group through its subsidiaries, associated companies and jointly-controlled entities:

No.	Project Name	Nature of Business	Installed Capacity (MW)	Interest (%)	Attributable Installed Capacity (MW)
1	Phase I of the Gansu Wind Power Project (甘肅風力發電項目一期)	Wind power generation	100.50	100	100.50
2	Phase II of the Gansu Wind Power Project (甘肅風力發電項目二期)	Wind power generation	49.50	100	49.50
3	Phase III of the Gansu Wind Power Project (甘肅風力發電項目三期)	Wind power generation	201.00	100	201.00
4	Heilongjiang Hongqi Wind Power Project (黑龍江紅旗風電項目)	Wind power generation	28.50	100	28.50
5	China Power Dafeng Wind Power Project (中電大豐風力發電項目)	Wind power generation	200.25	100	200.25
6	Shanghai Sea Wind Power Project (上海海風發電項目)	Wind power generation	102.00	24	24.48
7	Fujian Shaxikou Hydro-electric Power Plant (福建沙溪口水力發電廠)	Hydro power generation	300.00	100	300.00
8	Niu Tou Shan Power Stations (牛頭山發電廠)	Hydro power generation	122.20	52	61.60
9	Zhangping Huakou Hydro Power Plant (漳平市華口水電廠)	Hydro power generation	36.60	100	36.60
10	Dongguan Waste Incineration Power Plant (東莞廢物焚化發電廠)	Waste-to-energy power generation	36.00	40	14.40

No.	Project Name	Nature of Business	Installed Capacity (MW)	Interest (%)	Attributable Installed Capacity (MW)
11	Deqing Waste Incineration Power Plant (德清廢物焚化發電廠)	Waste-to-energy power generation	6.00	100	6.00
12	Kunming Waste Incineration Power Plant (昆明廢物焚化發電廠)	Waste-to-energy power generation	30.00	100	30.00
13	Dongguan China Power New Energy Heat and Power Plant (東莞中電新能源熱電廠)	Natural gas power generation	360.00	80	288.00
14	Zhongdian Hongze Reproductive Substance Thermal Power Plant (中電洪澤生物質發電廠)	Biomass power generation	15.00	100	15.00
15	Zhongdian Hongze Thermal Plant (中電洪澤熱電廠)	Coal-fired power generation	30.00	60	18.00
	Total		1,617.55		1,373.83

The above power projects have a total installed capacity of 1,617.55MW, of which the Group's total attributable installed capacity is 1,373.83MW.

Wind Power Generation Projects

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

Taking into account the 10% equity interests 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 interests 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 are wholly owned by the Group and has 134 wind turbines, each with a unit output of 0.75MW and a total installed capacity of 100.5MW, 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 2010:

Installed capacity (MW)	100.5
Average tariff (RMB/kWh)	0.462
Latest tariff (RMB/kWh)	0.462
Average utilisation hours (hours)	1,341
Gross generation (MWh)	134,773
Net generation (MWh)	129,761

In addition, the Company's Phase I of the Gansu Wind Power Project recognised, for the first time, income from voluntary emission reduction project of approximately RMB12,447,000 in 2010.

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, each with a unit output of 0.75MW and a 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 2010:

Installed capacity (MW)	49.5
Average tariff (RMB/kWh)	0.540
Latest tariff (RMB/kWh)	0.540
Average utilisation hours (hours)	1,843
Gross generation (MWh)	91,212
Net generation (MWh)	88,288

Phase III of the Gansu Wind Power Project (甘肅風力發電項目三期)

Phase III of the Gansu Wind Power Project has 134 wind turbines, each with a unit output of 1.5MW and a total installed capacity of 201MW, all of which completed construction by the end of 2010. Operation will be commenced in 2011.

Phase IV of the Gansu Wind Power Project (甘肅風力發電項目四期)

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 Phase IV of the Gansu Wind Power Project with an installed capacity of 100MW. This is one of the initial projects under the State plan for a 10,000MW class wind power base in Jiuquan and construction is currently underway.

China Power Dafeng Wind Power Project (中電大豐風力發電項目)

On 10 November 2010, the Company completed the acquisition of 100% equity interests in China Power Dafeng Wind Power Company Limited (中電大豐風力發電有限公司). Please refer to the Company's announcements of 24 August 2010 and 8 October 2010, respectively, and circular of 14 September 2010 for further details.

The China Power Dafeng Wind Power Project has 81 wind turbines, each with a unit output of 0.75MW and 93 wind turbines, each with a unit output of 1.5MW, and a total installed capacity of 200.25MW.

The following table sets out the key operational statistics of the China Power Dafeng Wind Power Project for 2010:

Installed capacity (MW)	200.25
Average tariff (RMB/kWh)	0.488
Latest tariff (RMB/kWh)	0.488
Average utilisation hours (hours)	1,880
Gross generation (MWh)	376,542
Net generation (MWh)	366,670

Shanghai Sea Wind Power Project (上海海風發電項目)

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 24% equity interests, has obtained approval to construct, own and operate a sea wind electricity generation plant near Dong Hai Bridge, Shanghai in the PRC, comprising 34 wind turbines, each with a unit 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 finance, 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 a unit output of 1.5MW and a total installed capacity of 49.5MW. In 2011, some of the power generating units are connected to the power grid and have commenced power generation.

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

Jiangsu Sea Wind Power Project (江蘇海上風力發電項目)

The Group secured some of the rights to develop the sea wind power project to be installed in Sheyang County, Jiangsu Province (江蘇省射陽縣) in the PRC. The Group plans to have 100 wind turbines, each with a unit output of 3MW and a total installed capacity of 300MW.

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 joint venture company will be established in Shanghai, the PRC (the "Shanghai Joint Venture"), for the purposes of (inter alia) constructing and operating a wind power project, located at the north-eastern part of Chongming Island, Shanghai, the PRC, which will have 24 wind turbines, each with a unit output of 2MW and a total installed capacity of 48MW.

The equity interests in the Shanghai Joint Venture will be held as follows: 51% by Shanghai Green, 29% by CLP Chongming and 20% by the Group. 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 its 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.

Hydro Power Generation Projects

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

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

The operating results of the Shaxikou Plant recorded significant growth during the first half of 2010 as a result of continued precipitation and ample water resources available in Fujian Province where the plant is located.

The following table sets out key operational statistics of the Shaxikou Plant for 2010:

Installed capacity (MW)	300.0
Average tariff (RMB/kWh)	0.210
Latest tariff (RMB/kWh)	0.210
Average utilisation hours (hours)	3,938
Gross generation (MWh)	1,181,480
Net generation (MWh)	1,162,981

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 Plant (壽寧牛頭山水電廠), 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) (collectively the "Niu Tou Shan Power Stations"), respectively, with total installed capacities of 100MW, 15MW and 7.2MW respectively.

The following table sets out key operational statistics of the Niu Tou Shan Power Stations (牛頭山發電廠) for 2010:

Installed capacity (MW)	122.2
Average tariff (RMB/kWh)	0.339
Latest tariff (RMB/kWh)	0.339
Average utilisation hours (hours)	3,679
Gross generation (MWh)	449,610
Net generation (MWh)	442,602

Zhangping Huakou Hydro Power Plant (漳平市華口水電廠)

Taking into account the 49% equity interests 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 interests already held by the Group, the Group has a 100% ownership in this project. The hydro power station is located in the Beixi section of Jiulongjiang, Zhangping City (漳平市九龍江北溪) with a total installed capacity of 36.6MW. Testing is currently underway. Please refer to the Company's announcement dated 24 May 2010 for further details.

Waste-to-energy Power Generation Projects

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

Dongguan WTE Power Plant 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 Power Plant for 2010:

Installed capacity (MW)	36.0
Average tariff (RMB/kWh)	0.580
Latest tariff (RMB/kWh)	0.580
Average utilisation hours (hours)	7,136
Gross generation (MWh)	256,884
Net generation (MWh)	218,362

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, which has 2 sets of circulating fluidised bed boilers, each with a daily waste treatment capacity of 400 tons, and is equipped with a steam turbine unit of an installed capacity of 6MW.

The following table sets out key operational statistics of Deqing Waste Incineration Power Plant for 2010:

Installed capacity (MW)	6.0
Average tariff (RMB/kWh)	0.525
Latest tariff (RMB/kWh)	0.525
Average utilisation hours (hours)	8,434
Gross generation (MWh)	50,603
Net generation (MWh)	39,837

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

The Group has a 100% ownership in this project. 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. Please refer to the Company's announcement dated 5 March 2010 for further details.

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

In August 2008, the Group and an independent third party (collectively 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.

Tangshan Waste Incineration Power Plant (唐山廢物焚化發電廠)

In January 2011, the Group obtained approval from the Development and Reform Commission of Hebei Province (河北省發展和改革委員會) to invest, construct, own and operate the Tangshan Waste Incineration Power Plant in Qianxi County, Tangshan City, Hebei Province (河北省唐山市遷西縣) in the PRC.

It is planned that the project will have an installed capacity of 18MW with an annual waste treatment capacity of 350,000 tons, to be completed in 2013.

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, wholly-owned by the Group, is 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 2010:

Installed capacity (MW)	15.0
Average tariff (RMB/kWh)	0.746
Latest tariff (RMB/kWh)	0.746
Average utilisation hours (hours)	7,498
Gross generation (MWh)	112,463
Net generation (MWh)	106,063

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 80% equity interests 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. This power plant is connected to the grid of the Dongguan City Electricity Supply Bureau for supplying electricity to industrial and corporate users in the surrounding areas as well as supplying heat to corporate users in the neighbourhood. It has a total installed capacity of 360MW.

The following table sets out key operational statistics of Dongguan Heat and Power for 2010:

Installed capacity (MW)	360.0
Average tariff (RMB/kWh)	0.890
In which: approved on-grid tariff (RMB/kWh)	0.620
Average utilisation hours (hours)	3,242
Gross generation (MWh)	1,167,290
Net generation (MWh)	1,136,870

The Group intends to upgrade the total installed capacity of Dongguan Heat and Power from 360MW to 1,140MW by installing two additional turbines, the feasibility study of which is currently underway.

Other Power Generation Project

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

The Group owns a combined coal-fired heat and power plant in Hongze County, Jiangsu Province, the PRC. With a site 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.

The following table sets out key operational statistics of the Zhongdian Hongze Thermal Plant for 2010:

Installed capacity (MW)	30.0
Average tariff (RMB/kWh)	0.500
Latest tariff (RMB/kWh)	0.500
Average utilisation hours (hours)	925
Gross generation (MWh)	27,739
Net generation (MWh)	10,435

FUTURE PLANS

The Twelfth Five-Year Plan of the PRC Government has laid down the fundamental framework for power generation: developing hydro power as a priority; optimising coal-fired power generation; multiplying efforts in developing nuclear power; proactively moving forward with new energy power generation; suitably centralising natural gas power generation; and diversifying power generation according to needs of the specific location. Accordingly, the Group believes that the clean energy business enjoys bright prospects with immense potential for development. To this end, the Group will focus on the development of clean energy power generation as the major driver of its business and continue to commit resources and efforts to developing clean energy projects.

The Group's future efforts will focus on:

1. Sustaining the drive in implementing the Group's strategy;

2. Strengthening and improving quality management in creating premium and quality projects;

3. Optimising capital management, fortifying internal structure and developing management and control systems;

4. Attracting and training talents, reinforcing corporate governance and achieving corporate standardised management; and

5. Enhancing monitoring and control procedures and promoting target management to form a long-term and efficient mechanism for safety production management.

FINANCIAL REVIEW

Revenue and Tariff Adjustment

For the year ended 31 December 2010, revenue and tariff adjustment were approximately RMB1,591,426,000 (2009: approximately RMB1,389,669,000), an increase of 15% over last year, which was primarily attributed to increases in sales volume of electricity.

Fuel Costs

For the year ended 31 December 2010, fuel costs of the Group were approximately RMB794,983,000 (2009: approximately RMB682,151,000), an increase of 17% over 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 fluctuations in respect of coal and natural gas.

Depreciation and Amortisation

For the year ended 31 December 2010, depreciation and amortisation of the Group were approximately RMB176,497,000 (2009: approximately RMB161,123,000), an increase of 10% over last year, which was mainly attributed to depreciation incurred on power generation units, property, plant and other equipment.

Staff Costs

For the year ended 31 December 2010, staff costs of the Group were approximately RMB123,691,000 (2009: approximately RMB100,910,000, an increase of 23% over last year, which was primarily attributed to an increase in the number of staff and share option expenses.

Repairs and Maintenance

For the year ended 31 December 2010, repairs and maintenance expenses of the Group were approximately RMB37,759,000 (2009: approximately RMB36,470,000), an increase of 4% over last year, which was mainly attributed to the Group’s business expansion and larger installed capacity.

Operating Profit

For the year ended 31 December 2010, operating profit of the Group was approximately RMB380,917,000 (2009: approximately RMB290,100,000), an increase of 31% over last year, which was primarily attributed to increases in sales volume of electricity.

Finance Costs, Net

For the year ended 31 December 2010, net finance costs of the Group amounted to approximately RMB72,231,000 (2009: approximately RMB78,868,000), a decrease of 8% over last year, which was primarily attributed to the capitalisation of certain interest expenses in property, plant and equipment.

Taxation

For the year ended 31 December 2010, taxation of the Group was approximately RMB64,752,000 (2009: approximately RMB20,229,000), an increase of 220% over last year, which was primarily attributed to increases in sales volume of electricity and the expiry of tax holiday of a subsidiary.

Profit Attributable to Equity Holders of the Company

For the year ended 31 December 2010, profit attributable to equity holders of the Company was approximately RMB234,224,000 (2009: approximately RMB134,297,000), an increase of 74% over last year, which was mainly contributed by the clean energy power generation business.

Liquidity and Financial Resources

As at 31 December 2010, the Group had cash and cash equivalents of approximately RMB368,013,000. The Group's principal sources of funds include cash inflow generated from operations, as well as the working capital and project financing of its respective subsidiaries from financial institutions such as banks.

Capital Expenditure

For the year ended 31 December 2010, capital expenditure of the Group was approximately RMB2,302,169,000, spent mainly on development of new projects, procurement of equipment and technical renovation projects, which was primarily financed by the Group's cash balances and project financing.

Borrowings

As at 31 December 2010, total borrowings of the Group amounted to approximately RMB4,927,173,000 (2009: approximately RMB1,965,288,000), consisting of short-term bank borrowings and current portion of long-term borrowings of approximately RMB574,864,000 and long-term bank and other borrowings of approximately RMB4,352,309,000. The interest rates of the Group's bank borrowings will be adjusted in accordance with the relevant regulations of the People's Bank of China.

Gearing Ratio

As at 31 December 2010, the gearing ratio of the Group, based on net debt divided by total capital, was 46% (2009: 24%). Increase in the gearing ratio during the year was primarily attributed to additional borrowings obtained for the payment of capital investment in the construction and development of new power plants.

Foreign Exchange and Currency Risks

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

Investment Risk of the Capital Market

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

For the year ended 31 December 2010, the Group's fair value loss on financial assets at fair value through profit and loss amounted to approximately RMB9,381,000 (2009: gain of approximately RMB9,430,000).

Charges on the Group's Assets

As at 31 December 2010, certain bank deposits, accounts receivable, lease prepayments, property, plant and equipment and investment properties of the Group with an aggregate amount of approximately RMB1,685,977,000 (2009: RMB1,467,334,000) 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 31 December 2010, the Group had approximately 1,293 employees in Hong Kong and the PRC (2009: 1,155).

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

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

The Group also provides a mandatory provident fund scheme with defined contributions to its Hong Kong employees as required by the laws of Hong Kong, as well as medical insurance.

Directors and Senior Management Profiles

EXECUTIVE DIRECTORS

Ms. Li Xiaolin, aged 49, joined the Group in May 2007. She is an executive director and the Chairman of the Board and of the Executive Committee of the Company. She is also a director of certain subsidiaries of the Company. Ms. Li is a senior engineer. She graduated from Tsinghua University with a Master of Engineering degree in power systems and automation. She was also a visiting scholar at the Sloan Business School of Massachusetts Institute of Technology in the United States. She has been the chairman of the board of China Power New Energy Limited (a substantial shareholder of the Company) since August 2006. Ms. Li also acts as the chairman of the board and chief executive officer of China Power International Development Limited (a company listed on the Main Board of the Hong Kong Stock Exchange, stock code: 2380); the chairman of China Power International Holding Limited (the holding company of China Power New Energy Limited); and a director of Companhia de Electricidade de Macau. She has served in various positions including head of the International Economic and Trade Division of the Ministry of Electric Power Industry and associate head of the International Economic and Trade Division of the Ministry of Energy.

Mr. Zhao Xinyan, aged 48, joined the Group in May 2007. He is an executive director and a member of the Executive Committee of the Company. He is also a director of certain subsidiaries of the Company. Mr. Zhao is a senior engineer. He graduated from Chongqing University with a Bachelor's degree in materials engineering and from Guanghua School of Management, Peking University with a Master of Business Administration (MBA) degree. He has been a director of China Power New Energy Limited (a substantial shareholder of the Company) since August 2006. Mr. Zhao is also the vice president of China Power International Holdings Limited (the holding company of China Power New Energy Limited) and China Power International Development Limited (a company listed on the Main Board of the Hong Kong Stock Exchange, stock code: 2380). He has served as a manager in various departments of China Power International Development Limited.

Mr. Wang Hao, aged 47, joined the Group in February 2002. He is an executive director and a member of the Executive Committee of the Company. He is also a director of certain subsidiaries of the Company. Mr. Wang is engaged as an investment consultant of several listed companies in the PRC and has over 17 years of experience in investment management of companies in the PRC.

Mr. Liu Genyu, aged 47, joined the Group in May 2007. He is an executive director and a member of the Executive Committee of the Company. He is also the Chief Executive Officer of the Company and a director of certain subsidiaries of the Company. Mr. Liu is a senior engineer. He graduated from Tsinghua University with a degree of Executive Master of Business and Administration (EMBA). Mr. Liu is also the assistant to the president of China Power International Holding Limited (a substantial shareholder of the Company) and the Development Supervisor of China Power International Development Limited (a company listed on the Main Board of the Hong Kong Stock Exchange, stock code: 2380). Mr. Liu has also served in positions including the vice president of Chongqing Jinlong Electric Power Co., Ltd. and a lecturer in Harbin Power Vocational Technology College.

NON-EXECUTIVE DIRECTOR

Mr. Cheng Chi, aged 50, joined the Group in April 2008. He is a non-executive director of the Company. Mr. Cheng has over 16 years of experience in capital and financial operations management. Mr. Cheng graduated from Renmin University of China with a Master's degree. Currently, he also acts as the general manager of the Capital and Financial Operations Management Department of China National Offshore Oil Corporation and China National Offshore Oil Corporation Investment Company Limited.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chu Kar Wing, aged 53, joined the Group in December 2002. He is an independent non-executive director and the Chairman of both the Audit Committee and Remuneration Committee of the Company. Mr. Chu holds a bachelor's degree in social science majoring in economics. He has extensive experience in the banking and finance sector. On 30 April 2010, Mr. Chu resigned as an independent non-executive director of Emperor Entertainment Group Limited (name changed to "Dragonlott Entertainment Group Limited" on 7 April 2010 and further changed to "China 3D Digital Entertainment Limited" on 22 September 2010, a company listed on the Growth Enterprise Market of the Hong Kong Stock Exchange (stock code: 8078). On 30 May 2010, he was appointed as an independent non-executive director of Emperor Capital Group Limited (a company listed on the Main Board of the Hong Kong Stock Exchange, stock code: 717).

Dr. Chow King Wai, aged 56, joined the Group in December 2002. He is an independent non-executive director and a member of both the Audit Committee and Remuneration Committee of the Company. Dr. Chow holds a doctorate conferred by the University of Texas. He has substantial experience in strategic development and management, and has published widely in the field of administrative science.

Mr. Wong Kwok Tai, aged 72, joined the Group in September 2004. He is an independent non-executive director and a member of both the Audit Committee and Remuneration Committee of the Company. Mr. Wong is a Certified Public Accountant and Practising Member. He has extensive experience in the audit and finance areas in different industries. Currently, he is the director of W. Wong CPA Limited. He is also an independent non-executive director of the following companies listed on the Main Board of the Hong Kong Stock Exchange: New Century Group Hong Kong Limited (stock code: 234), Beijing Yu Sheng Tang Pharmaceutical Group Limited (name changed from "Poly Development Holdings Limited" on 30 March 2010, stock code: 1141), Takson Holdings Limited (stock code: 918) and China Tycoon Beverage Holdings Limited (name changed from "Sewco International Holdings Limited" on 26 January 2011, stock code: 209).

SENIOR MANAGEMENT

All the executive directors of the Company are respectively responsible for the various aspects of the business and operation of the Group. These executive directors of the Company are regarded as the members of the senior management team of the Group.

Corporate Governance Report

The Board presents this Corporate Governance Report in the Company's annual report for the year ended 31 December 2010.

CORPORATE GOVERNANCE PRACTICES

The Company acknowledges the important roles of its Board in providing effective leadership and direction to the Group's business, and ensuring transparency and accountability of the Company's operations. The Board sets appropriate policies and implements corporate governance practices appropriate to the conduct and growth of the Group's business.

The Company has applied the principles as set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

With the exception of code provisions A.4.1, A.4.2 and E.1.2 of the CG Code, the Company has complied with all the code provisions as set out in the CG Code throughout the year under review. Key corporate governance principles and practices of the Company as well as details of the foregoing deviations of code provisions are summarized below.

A. THE BOARD

A1. Responsibilities and Delegation

Leadership, control and management of the Company are vested in the Board. The Board oversees the Group's business, strategic decision and performances to further the healthy growth and effective functioning of the Company with a view to enhancing value to investors. All the directors carry out their duties in good faith and in compliance with applicable laws and regulations, taking decisions objectively and acting in the interests of the Company and its shareholders at all times.

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

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

The Executive Committee and the senior staff are delegated the authority and responsibilities by the Board for the day-to-day management and operation of the Group. The delegated functions and work tasks are periodically reviewed. Approval has to be obtained from the Board prior to any significant transactions entered into by the abovementioned officers. The Board has the full support of the senior staff to discharge its responsibilities.

A2. Board Composition

The Board currently comprises the following directors:

Executive directors:

Ms. Li Xiaolin	*(Chairman of the Board and of the Executive Committee)*
Mr. Zhao Xinyan	*(Member of the Executive Committee)*
Mr. Wang Hao	*(Member of the Executive Committee)*
Mr. Liu Genyu	*(Chief Executive Officer and member of the Executive Committee)*

Non-executive director:

Mr. Cheng Chi

Independent non-executive directors:

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

The list of directors (by category) is also disclosed in all corporate communications issued by the Company pursuant to the Listing Rules from time to time. The independent non-executive directors are expressly identified in all corporate communications of the Company.

The Board has at all times during the year ended 31 December 2010 met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors with at least one of them possessing appropriate professional qualifications and accounting and related financial management expertise as required under the Listing Rules. The Company has also adopted the recommended best practice under the CG Code for having at least one-third of its Board members being independent non-executive directors.

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

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

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

A3. Chairman and Chief Executive Officer

The Company fully supports the division of responsibility between the Chairman of the Board and the Chief Executive Officer in order to ensure a balance of power and authority and preserve a balanced judgement of views. Currently, Ms. Li Xiaolin takes up the role of Chairman of the Board and is responsible for the management of the Board and ensuring that all major and appropriate issues are discussed by the Board in a timely and constructive manner whereas Mr. Liu Genyu is the Chief Executive Officer of the Company, taking care of the day-to-day management of the Group's business and implementing the Group's strategic plans and business goals.

A4. Appointment and Re-Election of Directors

The code provision A.4.1 of the CG Code stipulates that non-executive directors should be appointed for a specific term, subject to re-election. Currently, although the non-executive directors of the Company are not appointed for a specific term, 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, should 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 vital for stability and growth of the Group.

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

At the forthcoming annual general meeting of the Company (the "2011 AGM"), Mr. Wang Hao, Dr. Chow King Wai and Mr. Wong Kwok Tai shall retire by rotation and are eligible to offer themselves for re-election pursuant to the Bye-laws. Dr. Chow King Wai will not offer himself for re-election and will therefore retire at the 2011 AGM whereas the other two retiring directors, i.e. Mr. Wang Hao and Mr. Wong Kwok Tai will offer themselves for re-election at the 2011 AGM. The Board recommended the re-appointment of the said two retiring directors standing for re-election at the 2011 AGM. The Company's circular, sent together with this annual report, contains detailed information of Mr. Wang Hao and Mr. Wong Kwok Tai pursuant to the requirements of the Listing Rules.

The Company has not set up a nomination committee and the Board as a whole is responsible for reviewing the Board composition, developing and formulating the relevant procedures for nomination and appointment of directors, monitoring the appointment and succession planning of directors and assessing the independence of independent non-executive directors. The Company has adopted "Directors' Nomination Procedures" as a written guideline in providing formal, considered and transparent procedures to the Board for evaluating and selecting candidates for directorships. An external recruitment agency may be engaged to carry out the recruitment and selection process when necessary.

During the year ended 31 December 2010, the Board, through its meetings held on 20 January 2010 (with the presence of Ms. Li Xiaolin, Mr. Zhao Xinyin, Mr. Wang Hao, Mr. Liu Genyu, Mr. Clive William Oxley and Mr. Wong Kwok Tai), 1 March 2010 and 25 March 2010 (with the presence of Ms. Li Xiaolin, Mr. Zhao Xinyan, Mr. Wang Hao, Mr. Liu Genyu, Mr. Hong Zhao, Mr. Cheng Chi, Mr. Chu Kar Wing and Mr. Wong Kwok Tai in both meetings), performed the following work regarding matters relating to the Board composition:

(i) appointment of Mr. Hong Zhao as an executive director of the Company;

(ii) acceptance of the resignation of Mr. Clive William Oxley as an executive director of the Company; and

(iii) review of the structure, size and composition of the Board; recommendation of the re-election of the retiring directors at the 2010 annual general meeting of the Company; and assessment of the independence of the Company's independent non-executive directors.

A5. Induction and Continuing Development for Directors

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

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

A6. Board Meetings

A6.1 Board Practices and Conduct of Meetings

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

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

Board papers together with all appropriate, complete and reliable information are sent to all directors at least 3 days before each Board meeting to provide them with materials relating to the transactions to be discussed in the meeting in order to enable them to make informed decisions. The Board and each director also have separate and independent access to the senior staff whenever necessary.

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

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

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

A6.2 Directors' Attendance Records

During the year ended 31 December 2010, the Board has held a total of 10 Board meetings for the main purposes of reviewing and considering the financial and operating performance, business development and prospects of the Group.

The attendance records of each director at these 10 Board meetings are set out below:

Name of Director	Attendance/Number of Board Meetings
Executive directors	
Ms. Li Xiaolin	10/10
Mr. Zhao Xinyan	9/10
Mr. Wang Hao	10/10
Mr. Liu Genyu	10/10
Mr. Clive William Oxley *(Note 1)*	1/1
Mr. Hong Zhao *(Note 2)*	2/2
Non-executive director	
Mr. Cheng Chi	8/10
Independent non-executive directors	
Mr. Chu Kar Wing	7/10
Dr. Chow King Wai	7/10
Mr. Wong Kwok Tai	8/10

Notes:

1. Mr. Clive William Oxley resigned as an executive director of the Company on 28 February 2010. During the period from 1 January 2010 up to the date of his resignation, only 1 Board meeting was held.

2. Mr. Hong Zhao retired as an executive director of the Company at the annual general meeting of the Company held on 20 May 2010. During the period from 1 January 2010 up to the date of his retirement, only 2 Board meetings were held.

A6.3 Model Code for Securities Transactions

The Company has adopted its own code of conduct regarding directors' dealings in the Company's securities (the "Own Code") on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules. Each director has been given a copy of the Own Code. Having made specific enquiry of all the Company's directors, they have complied with the Own Code and the Model Code throughout the year ended 31 December 2010.

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

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

B. BOARD COMMITTEES

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

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

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

B1. Executive Committee

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

B2. Remuneration Committee

The Remuneration Committee comprises the three independent non-executive directors of the Company and the chairman of the Committee is Mr. Chu Kar Wing.

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

During the year ended 31 December 2010, the Remuneration Committee has held 3 meetings for generally reviewing and discussing about the remuneration packages of the directors and senior management of the Group. The attendance records of the foregoing 3 Remuneration Committee's meetings are set out as follows:

Name of Remuneration Committee Member	Attendance/Number of Remuneration Committee Meetings
Mr. Chu Kar Wing *(Chairman)*	3/3
Dr. Chow King Wai	2/3
Mr. Wong Kwok Tai	3/3

Details of the remuneration of each director of the Company for the year ended 31 December 2010 are set out in note 16 to the financial statements contained in this annual report.

B3. Audit Committee

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

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

During the year ended 31 December 2010, the Audit Committee has held 2 meetings and performed the following major works:

— Review and discussion of the annual financial statements, results announcement and report for the year ended 31 December 2009, the related accounting principles and practices adopted by the Group and internal controls related matters; and recommendation of the re-appointment of the external auditor; and

— Review and discussion of the interim financial information, results announcement and report for the six months ended 30 June 2010, the related accounting principles and practices adopted by the Group.

The external auditor attended the above 2 meetings to discuss with the Audit Committee on issues arising from the audit and financial reporting matters.

The attendance records of the foregoing 2 Audit Committee's meetings are set out as follows:

Name of Audit Committee Member	Attendance/Number of Audit Committee Meetings
Mr. Chu Kar Wing *(Chairman)*	2/2
Dr. Chow King Wai	1/2
Mr. Wong Kwok Tai	2/2

There is no disagreement between the Board and the Audit Committee regarding the appointment of external auditor.

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

The directors have acknowledged their responsibilities for preparing the financial statements of the Company for the year ended 31 December 2010.

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

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

D. INTERNAL CONTROLS

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

The Board has conducted a review of the effectiveness of the internal control system of the Group for the year ended 31 December 2010. The senior personnel reviews and evaluates the control process and monitors any risk factors on a regular basis and reports to the Board and the Audit Committee on any findings and measures to address the variances and identified risks.

E. EXTERNAL AUDITOR AND AUDITOR'S REMUNERATION

The statement of the external auditor of the Company about their reporting responsibilities on the Company's financial statements for the year ended 31 December 2010 is set out in the section headed "Independent Auditor's Report" in this annual report.

The fees paid/payable to PricewaterhouseCoopers, the Company's auditor, in respect of audit services and non-audit services for the year ended 31 December 2010 are analyzed below:

Type of services provided by the external auditor	**Fees paid/payable** HK$'000
Audit services	
— audit fee for the year ended 31 December 2010	2,200
— audit-related services	400
Non-audit services	
— interim review for the six months ended 30 June 2010	460
— professional fees and tax advisory fees	280
TOTAL:	3,340

F. COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

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

The Company maintains a website at "www.cpne.com.hk" as a communication platform with shareholders and investors, where information on the Company's announcements, financial information and other information are available for public access. Shareholders and investors may write directly to the Company at its principal place of business in Hong Kong or via email (ir@cpne.com.hk) for any inquiries. Inquiries are dealt with in an informative and timely manner.

Shareholders' meetings provide an opportunity for communication between the Board and the shareholders. Board members and appropriate senior staff of the Group are available at the meeting to answer any questions raised by shareholders.

Code provision E.1.2 of the CG Code stipulates that the chairman of a listed issuer should attend the issuer's annual general meeting. Ms. Li Xiaolin, the Chairman of the Company, was unable to attend the Company's 2010 annual general meeting held on 20 May 2010 due to other business engagement. In view of her absence, she had arranged Mr. Zhao Xinyan, an executive director of the Company who is well versed in all the business activities and operations of the Group, to attend and chair the meeting and communicate with the shareholders. Mr. Liu Genyu, the Company's executive director and Chief Executive Officer, also attended the 2010 annual general meeting to give shareholders an opportunity of having a direct dialogue with the Board members. No question was raised by any shareholders in this general meeting.

G. SHAREHOLDERS' RIGHTS

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

All resolutions put forward at shareholders' meetings of listed issuers shall be voted by poll pursuant to the Listing Rules. The poll voting results will be posted on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.cpne.com.hk) after each shareholders' meeting.

PRINCIPAL ACTIVITIES

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

SEGMENT INFORMATION

An analysis of the Group's revenue and contribution to results by principal activities and geographical area of operations for the year ended 31 December 2010 is set out in note 6 to the financial statements.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2010 is set out in the consolidated income statement on page 48.

The directors do not recommend the payment of any dividend for the year ended 31 December 2010.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets and liabilities of the Group for the last five financial years/period is set out on page 136 of this annual report. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Company and of the Group during the year ended 31 December 2010 are set out in note 17 to the financial statements.

CAPITAL STRUCTURE

Details of the movements in the Company's share capital and options during the year ended 31 December 2010, together with the reasons thereof, and details of the share option scheme of the Company are set out in note 31 to the financial statements. Further details are also disclosed under the heading "Share option scheme" below.

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in note 31 to the financial statements.

PRE-EMPTIVE RIGHTS

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

RESERVES

Details of the movements in the reserves of the Company and the Group during the year are set out in note 32 to the financial statements and in the consolidated statement of changes in equity.

DISTRIBUTABLE RESERVES

As at 31 December 2010, the Company had no reserves available for distribution.

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 year ended 31 December 2010.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2010, sales to the Group's five largest customers accounted for approximately 84% of the total sales and sales to the largest customer included therein amounted to approximately 47% of the total sales.

Purchases from the Group's five largest suppliers accounted for approximately 92% of the total purchases for the year ended 31 December 2010 and purchases from the largest supplier included therein amounted to approximately 83% of the total purchases.

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

DIRECTORS

The directors of the Company during the year ended 31 December 2010 and up to the date of this report are:

Executive Directors:

Ms. Li Xiaolin *(Chairman)*
Mr. Zhao Xinyan
Mr. Wang Hao
Mr. Liu Genyu
Mr. Hong Zhao (appointed on 20 January 2010 and retired on 20 May 2010)
Mr. Clive William Oxley *OBE, ED* (resigned on 28 February 2010)

Non-Executive Director:

Mr. Cheng Chi

Independent Non-Executive Directors:

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

Pursuant to clause 87 of the Bye-laws, Mr. Wang Hao, Dr. Chow King Wai and Mr. Wong Kwok Tai shall retire by rotation at the Company's forthcoming annual general meeting and they are eligible for re-election by the shareholders at the said general meeting. It is noted that Mr. Wang Hao and Mr. Wong Kwok Tai will offer themselves for re-election whereas Dr. Chow King Wai will not offer himself for re-election and he will therefore retire at the said general meeting.

DIRECTORS' SERVICE CONTRACTS

As at 31 December 2010, none of the Directors had any existing or proposed service contracts with any member of the Group.

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

EMOLUMENT POLICY FOR DIRECTORS

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

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance to which the Company or any of its subsidiaries was a party and in which any director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year ended 31 December 2010.

POST BALANCE SHEET EVENTS

On 21 January 2011, the Company entered into a share purchase agreement with 中國長江電力股份有限公司 (China Yangtze Power Co., Ltd) (the "Purchaser") and China Yangtze International (Hongkong) Co., Limited (i.e. HK Co), pursuant to which the Company has conditionally agreed to allot and issue 2,800,000,000 new shares to HK Co, a wholly-owned subsidiary of the Purchaser at a price of HK$0.75 per share. The new shares will represent approximately (i) 35.49% of the existing issued share capital of the Company; and (ii) upon the proposed increase in authorised share capital, 26.20% of the issued share capital of the Company as enlarged by the issue of the new shares. The proceeds from issue of the new shares will be HK$2,100,000,000 and will be used by the Company in furtherance of its business plan of investing in power generating projects to be identified by the Group.

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 31 December 2010, the directors of the Company below had the following interests in the underlying shares of the Company which were required, pursuant to Section 352 of the Securities and Futures Ordinance (the "SFO"), to be entered in the register referred to therein.

Long position in underlying shares of the Company — physically settled unlisted equity derivatives

Pursuant to the Company's share option scheme, the Company has granted options to the following directors of the Company to subscribe for shares of the Company, details of which as at 31 December 2010 were as follows:

Name of director	Nature of interest	Number of underlying shares in respect of the share options granted	Percentage+ of underlying shares over the Company's issued share capital
Ms. Li Xiaolin	Beneficial owner	43,000,000	0.54%
Mr. Zhao Xinyan	Beneficial owner	26,000,000	0.32%
Mr. Wang Hao	Beneficial owner	38,000,000	0.48%
Mr. Liu Genyu	Beneficial owner	33,000,000	0.41%

+ *The percentage represents the number of underlying shares interested divided by the number of the Company's issued shares as at 31 December 2010.*

Save as disclosed above, as at 31 December 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.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from the share option scheme operated by the Company as set out in note 31(c) to the financial statements and save as disclosed in the section headed "Share option scheme" below, at no time during the year ended 31 December 2010 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 31 to the financial statements.

The following table discloses movements in the Company's share options during the year ended 31 December 2010:

Name or category of participant	Number of share options						Date of grant of share options	Exercise period of share options*	Exercise price of share options**
	Outstanding as at 1 January 2010	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	Outstanding as at 31 December 2010			HK$ per share
Directors									
Ms. Li Xiaolin	23,000,000	—	—	—	—	23,000,000	8 June 2007	26 June 2007 to 7 June 2017	0.836
	—	20,000,000	—	—	—	20,000,000	1 November 2010	1 November 2010 to 31 October 2020	0.78
						43,000,000			
Mr. Zhao Xinyan	18,000,000	—	—	—	—	18,000,000	8 June 2007	15 June 2007 to 7 June 2017	0.836
	—	8,000,000	—	—	—	8,000,000	1 November 2010	1 November 2010 to 31 October 2020	0.78
						26,000,000			
Mr. Wang Hao	30,000,000	—	—	—	—	30,000,000	9 March 2007	26 March 2007 to 8 March 2017	0.63
	—	8,000,000	—	—	—	8,000,000	1 November 2010	1 November 2010 to 31 October 2020	0.78
						38,000,000			
Mr. Liu Genyu	18,000,000	—	—	—	—	18,000,000	8 June 2007	15 June 2007 to 7 June 2017	0.836
	—	15,000,000	—	—	—	15,000,000	1 November 2010	1 November 2010 to 31 October 2020	0.78
						33,000,000			
	89,000,000	51,000,000	—	—	—	140,000,000			

Name or category of participant	Number of share options: Outstanding as at 1 January 2010	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	Outstanding as at 31 December 2010	Date of grant of share options	Exercise period of share options*	Exercise price of share options** HK$ per share
Other employees working under continuous employment contracts									
In aggregate	39,500,000	—	39,500,000	—	—	—	9 March 2007	22 March 2007 to 8 March 2017	0.63
	60,000,000	—	40,000,000	—	—	20,000,000	9 March 2007	23 March 2007 to 8 March 2017	0.63
	20,000,000	—	20,000,000	—	—	—	9 March 2007	28 March 2007 to 8 March 2017	0.63
	1,000,000	—	1,000,000	—	—	—	8 June 2007	20 June 2007 to 7 June 2017	0.836
	5,000,000	—	—	—	—	5,000,000	8 June 2007	28 June 2007 to 7 June 2017	0.836
	—	36,000,000	—	—	—	36,000,000	1 November 2010	1 November 2010 to 31 October 2020	0.78
	125,500,000	36,000,000	100,500,000	—	—	61,000,000			
	214,500,000	87,000,000	100,500,000	—	—	201,000,000			

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

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

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

As at the date of this annual report, a total of 201,000,000 shares (representing approximately 2.5% 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.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at 31 December 2010, the following parties had interests of 5% or more of the issued share capital of the Company according to the register of interests required to be kept by the Company pursuant to Section 336 of the SFO or as the Company was aware:

Name	Nature of interest	Note	Number of shares interested or deemed to be interested	Percentage† holding
China Power New Energy Limited	Beneficial owner	1	2,771,903,508	35.14%
State-owned Assets Supervision and Administration Commission of The State Council, the PRC (中國國務院國有資產監督管理委員會)	Corporate interests	1	2,771,903,508	35.14%
China Power Investment Corporation	Corporate interests	1	2,771,903,508	35.14%
China Power International Holding Limited	Corporate interests	1	2,771,903,508	35.14%
Tianying Holding Limited	Corporate interests	1	2,771,903,508	35.14%
China National Offshore Oil Corporation	Corporate interests	2	900,000,000	11.40%

Notes:

1. 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.

2. 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.

† *The percentage represents the number of ordinary shares interested divided by the number of the Company's issued shares as at 31 December 2010.*

Save as disclosed above, as at 31 December 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.

CORPORATE GOVERNANCE

The Company's corporate governance principles and practices are set out in the Corporate Governance Report on pages 26 to 36 in this annual report.

PUBLIC FLOAT

Based on information that is publicly available to the Company and to the best knowledge of the directors of the Company, there was sufficient public float of not less than 25% of the Company's issued shares as required under the Listing Rules throughout the year ended 31 December 2010.

CONNECTED TRANSACTIONS

On 4 March 2010, the Group entered into an equity transfer agreement with Gansu Hui Neng New Energy Technical Development Company Limited, a minority shareholder of Gansu China Power Jiuquan Wind Power Company Limited ("Gansu China Power"), for the acquisition of 10% equity interest in Gansu China Power at no consideration. Thereafter, Gansu China Power became an indirect wholly-owned subsidiary of the Company.

On 5 March 2010, the Group entered into an equity transfer agreement with Dongguan Xiecheng Power Equipment Company Limited, a minority shareholder of Kunming China Power Conservational Power Limited ("Kunming CP"), for the acquisition of 40% equity interest in Kunming CP for a total consideration of RMB63,823,451.01. Thereafter, Kunming CP became an indirect wholly-owned subsidiary of the Company.

On 24 May 2010, the Group entered into an equity transfer agreement with Mr. Chen Mai Quan, a minority shareholder of Zhangping Huakou Hydro Power Company Limited ("Zhangping Huakou"), for the acquisition of 49% equity interest in Zhangping Huakou for a total consideration of RMB39,200,000. Thereafter, Zhangping Huakou became an indirect wholly-owned subsidiary of the Company.

On 24 August 2010, the Group entered into a share purchase agreement with China Power International Holding Limited, a company incorporated in Hong Kong and which indirectly held approximately 28.14% of equity interest in the Company through a wholly-owned subsidiary, China Power New Energy Limited, as at the date of the agreement, for the acquisition of 100% equity interest in China Power Dafeng Wind Power Company Limited ("CP Dafeng") for a total consideration of RMB504,000,000 (equivalent to approximately HK$576,329,331.05) to be satisfied by way of the issue of consideration shares at the issue price of HK$0.75 per Share. Thereafter, CP Dafeng became an indirect wholly-owned subsidiary of the Company.

AUDITOR

CCIF CPA Limited had acted as the auditor of the Company for the financial years ended 30 April 2003 to 30 April 2008. PricewaterhouseCoopers has been appointed as the auditor of the Company since the financial period ended 31 December 2008 to fill the casual vacancy upon the retirement of CCIF CPA Limited.

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

ANNUAL REPORT

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

On behalf of the Board

Li Xiaolin
Chairman

Hong Kong
15 March 2011

Independent Auditor's Report

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
CHINA POWER NEW ENERGY DEVELOPMENT COMPANY LIMITED
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of China Power New Energy Development Company Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 48 to 135, which comprise the consolidated and company balance sheets as at 31 December 2010, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

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

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

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2010 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 15 March 2011

Consolidated Income Statement

FOR THE YEAR ENDED 31 DECEMBER 2010

	Note	2010 RMB'000	2009 RMB'000 (Note 3)
Revenue	6	**1,277,778**	1,150,202
Tariff adjustment	6	**313,648**	239,467
		1,591,426	1,389,669
Other income	7	**70,261**	27,530
Other gains, net	8	**38,112**	13,476
Fuel costs		**(794,983)**	(682,151)
Cost of power generating equipment sold		**—**	(46,820)
Staff costs	12	**(123,691)**	(100,910)
Depreciation and amortisation		**(176,497)**	(161,123)
Repairs and maintenance		**(37,759)**	(36,470)
Fair value (loss)/gain on financial assets at fair value through profit or loss		**(9,381)**	9,430
Discount on acquisition of a jointly controlled entity/subsidiary	38	**1,894**	12,304
Other operating expenses		**(178,465)**	(134,835)
Operating profit	9	**380,917**	290,100
Finance costs, net	10	**(72,231)**	(78,868)
Share of profits of associated companies		**15,731**	—
Share of profits/(losses) of jointly controlled entities		**21,330**	(210)
Profit before taxation		**345,747**	211,022
Taxation	11	**(64,752)**	(20,229)
Profit for the year		**280,995**	190,793
Attributable to:			
Equity holders of the Company	13	**234,224**	134,297
Non-controlling interests		**46,771**	56,496
		280,995	190,793
Earnings per share for profit attributable to equity holders of the Company during the year (expressed in RMB per share)			
— basic	14	**0.032**	0.019
— diluted	14	**0.032**	0.019

The notes on pages 55 to 135 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2010

	2010	2009
	RMB'000	*RMB'000*
		(Note 3)
Profit for the year	**280,995**	190,793
Other comprehensive income		
Currency translation differences	**—**	62
Total comprehensive income for the year	**280,995**	190,855
Attributable to:		
Equity holders of the Company	**234,224**	134,359
Non-controlling interests	**46,771**	56,496
	280,995	190,855

The notes on pages 55 to 135 are an integral part of these consolidated financial statements.

Consolidated Balance Sheet

AS AT 31 DECEMBER 2010

	Note	As at 31 December 2010 RMB'000	As at 31 December 2009 RMB'000 (Note 3)	As at 1 January 2009 RMB'000 (Note 3)
ASSETS				
Non-current assets				
Property, plant and equipment	*17*	**7,520,548**	3,841,783	3,243,825
Lease prepayments	*18*	**143,785**	133,423	227,393
Investment properties	*19*	**280,378**	249,142	13,985
Properties under development	*20*	**—**	—	147,267
Intangible assets	*21*	**1,202,870**	1,048,677	1,049,046
Interests in associated companies	*23*	**129,250**	113,519	192,412
Interests in jointly controlled entities	*24*	**195,064**	140,794	—
Other long-term deposits and prepayments	*25*	**123,937**	241,425	88,650
Deferred income tax assets	*34*	**27,453**	26,015	27,603
		9,623,285	5,794,778	4,990,181
Current assets				
Inventories	*26*	**156,128**	99,686	151,223
Accounts receivable	*27*	**371,568**	319,986	125,720
Prepayments, deposits and other receivables	*28*	**548,050**	218,062	241,269
Other financial assets	*29*	**14,915**	24,296	61,735
Pledged deposits	*30*	**28,111**	57,364	149,960
Cash and cash equivalents	*30*	**368,013**	475,312	423,656
		1,486,785	1,194,706	1,153,563
Total assets		**11,110,070**	6,989,484	6,143,744
EQUITY				
Capital and reserves attributable to equity holders of the Company				
Share capital	*31*	**754,065**	677,635	677,635
Share premium		**3,944,546**	3,426,360	3,426,360
Reserves	*32*	**273,679**	44,433	(89,926)
		4,972,290	4,148,428	4,014,069
Non-controlling interests		**267,384**	301,982	195,413
Total equity		**5,239,674**	4,450,410	4,209,482

	Note	As at 31 December 2010 RMB'000	2009 RMB'000 (Note 3)	As at 1 January 2009 RMB'000 (Note 3)
LIABILITIES				
Non-current liabilities				
Long-term bank and other borrowings	33	**4,352,309**	1,502,573	829,117
Other long-term payables	36	**97,485**	—	—
Deferred income tax liabilities	34	**21,051**	14,592	6,322
		4,470,845	1,517,165	835,439
Current liabilities				
Accounts payable	35	**61,571**	220,961	72,998
Other payables and accrued charges	36	**731,647**	328,630	268,542
Short-term bank borrowings	33	**361,510**	362,001	120,000
Current portion of long-term bank and other borrowings	33	**213,354**	100,714	627,303
Income tax payable		**31,469**	9,603	9,980
		1,399,551	1,021,909	1,098,823
Total liabilities		**5,870,396**	2,539,074	1,934,262
Total equity and liabilities		**11,110,070**	6,989,484	6,143,744
Net current assets		**87,234**	172,797	54,740
Total assets less current liabilities		**9,710,519**	5,967,575	5,044,921

Li Xiaolin
Director

Zhao Xinyan
Director

The notes on pages 55 to 135 are an integral part of these consolidated financial statements.

Balance Sheet

AS AT 31 DECEMBER 2010

	Note	As at 31 December 2010 RMB'000	2009 RMB'000 (Note 3)	As at 1 January 2009 RMB'000 (Note 3)
ASSETS				
Non-current assets				
Property, plant and equipment	*17*	**23**	173	360
Interests in subsidiaries	*22*	**4,135,199**	3,499,979	3,407,057
		4,135,222	3,500,152	3,407,417
Current assets				
Prepayments, deposits and other receivables	*28*	**173**	153	1,124
Other financial assets	*29*	**14,486**	22,509	9,003
Pledged deposits	*30*	**—**	—	131,937
Cash and cash equivalents	*30*	**15,640**	90,111	82,119
		30,299	112,773	224,183
Total assets		**4,165,521**	3,612,925	3,631,600
EQUITY				
Capital and reserves attributable to equity holders of the Company				
Share capital	*31*	**754,065**	677,635	677,635
Share premium		**3,944,546**	3,426,360	3,426,360
Reserves	*32*	**(553,190)**	(506,378)	(487,766)
		4,145,421	3,597,617	3,616,229
LIABILITIES				
Current liabilities				
Other payables and accrued charges	*36*	**20,100**	15,308	15,371
Total equity and liabilities		**4,165,521**	3,612,925	3,631,600
Net current assets		**10,199**	97,465	208,812
Total assets less current liabilities		**4,145,421**	3,597,617	3,616,229

Li Xiaolin
Director

Zhao Xinyan
Director

The notes on pages 55 to 135 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2010

	Attributable to equity holders of the Company					
	Share capital *(Note 31)* *RMB'000*	Share premium *(Note 31)* *RMB'000*	Other reserves *(Note 32)* *RMB'000*	Retained earnings *(Note 32)* *RMB'000*	Non-controlling interests *RMB'000*	Total *RMB'000*
Balance at 1 January 2010	**677,635**	**3,426,360**	**(57,890)**	**102,323**	**301,982**	**4,450,410**
Profit for the year	**—**	**—**	**—**	**234,224**	**46,771**	**280,995**
Total comprehensive income for the year	**—**	**—**	**—**	**234,224**	**46,771**	**280,995**
Issue of shares for acquisition of a subsidiary *(Note 38(a)(i))*	**67,590**	**459,613**	**—**	**—**	**—**	**527,203**
Issue of shares upon exercise of share options	**8,840**	**58,573**	**(12,375)**	**—**	**—**	**55,038**
Employee share option benefits	**—**	**—**	**15,211**	**—**	**—**	**15,211**
Acquisitions of non-controlling interests	**—**	**—**	**(7,814)**	**—**	**(95,209)**	**(103,023)**
Disposal of a subsidiary *(Note 37(b))*	**—**	**—**	**—**	**—**	**13,840**	**13,840**
	76,430	**518,186**	**(4,978)**	**—**	**(81,369)**	**508,269**
Balance at 31 December 2010	**754,065**	**3,944,546**	**(62,868)**	**336,547**	**267,384**	**5,239,674**
Balance at 1 January 2009	677,635	3,426,360	(57,952)	(31,974)	195,413	4,209,482
Profit for the year	—	—	—	134,297	56,496	190,793
Currency translation differences	—	—	62	—	—	62
Total comprehensive income for the year	—	—	62	134,297	56,496	190,855
Acquisition of a subsidiary	—	—	—	—	16,974	16,974
Contribution from non-controlling interests	—	—	—	—	34,299	34,299
Dividend paid to non-controlling interests	—	—	—	—	(1,200)	(1,200)
	—	—	—	—	50,073	50,073
Balance at 31 December 2009	677,635	3,426,360	(57,890)	102,323	301,982	4,450,410

The notes on pages 55 to 135 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2010

	Note	2010 RMB'000	2009 RMB'000 (Note 3)
Cash flows from operating activities			
Cash generated from operations	37(a)	**223,438**	394,497
Interest paid		**(179,565)**	(92,988)
PRC income tax paid		**(37,865)**	(18,702)
Net cash generated from operating activities		**6,008**	282,807
Cash flows from investing activities			
Capital injections to associated companies		**—**	(3,119)
Capital injections to jointly controlled entities		**(18,607)**	(6,760)
Payments for property, plant and equipment		**(1,971,844)**	(453,336)
Payments for properties under development		**—**	(35,673)
Payments for intangible assets		**(229)**	(186)
Proceeds from disposal of property, plant and equipment		**11,602**	401
Payments for lease prepayments		**(9,806)**	(5,942)
Refund of value added tax received		**—**	41,275
Increase in other long-term deposits and prepayments		**(123,937)**	(241,425)
Acquisitions of non-controlling interests		**(80,646)**	—
Acquisition of a subsidiary, net of cash acquired	38	**33,768**	(39,020)
Acquisitions of a jointly controlled entity	38	**(14,946)**	(5,490)
Dividend received from jointly controlled entities	24	**2,507**	—
Disposal of subsidiaries, net of cash disposed	37(b)	**—**	809
Interest received		**4,655**	2,646
Dividend received		**—**	106
Decrease in pledged deposits		**29,253**	92,596
Net cash used in investing activities		**(2,138,230)**	(653,118)
Cash flows from financing activities			
Issue of shares upon exercise of share options		**55,038**	—
New bank and other borrowings		**3,595,661**	1,736,002
Contributions from non-controlling interests		**—**	34,299
Repayment of bank and other borrowings		**(1,625,776)**	(1,347,134)
Dividend paid to non-controlling interests		**—**	(1,200)
Net cash generated from financing activities		**2,024,923**	421,967
Net (decrease)/increase in cash and cash equivalents		**(107,299)**	51,656
Cash and cash equivalents at 1 January		**475,312**	423,656
Cash and cash equivalents at 31 December	30	**368,013**	475,312

The notes on pages 55 to 135 are an integral part of these consolidated financial statements.

1 GENERAL INFORMATION

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

The Company and its subsidiaries (together, the "Group") are principally engaged in the development, construction, ownership, operation and management of clean energy power plants in the People's Republic of China (the "PRC"), including but not limited to the following types of energy generation — natural gas and oil power generation, wind power generation, hydro power generation, waste-to-energy power generation and other power generation. 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.

These consolidated financial statements are presented in Renminbi ("RMB"), unless otherwise stated, and have been approved for issue by the Board of Directors on 15 March 2011.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

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

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 5.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(a) Effect of adopting new standards, amendments to standards and interpretations

The following new standards and 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 interests in the acquiree either at fair value or at the non-controlling interests' 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 remeasured to fair value, and a gain or loss is recognised in profit or loss. Acquisitions during the year, the Group has applied the revised standard.

- In November 2010 the HKICPA issued HK-Int 5 "Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause". The Interpretation is effective immediately and is a clarification of an existing standard, HKAS 1 "Presentation of Financial Statements". It sets out the conclusion reached by the HKICPA that a term loan which contains a clause which gives the lender the unconditional right to demand repayment at any time shall be classified as a current liability in accordance with HKAS 1 irrespective of the probability that the lender will invoke the clause without cause. The adoption of HK-Int 5 does not have any significant financial impact to the Group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

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

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

HKAS 1 (Amendment)	Capital Disclosures
HKAS 7	Cash Flow Statements
HKAS 17	Leases
HKAS 18	Revenue
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
HKFRS 5	Non-current Assets Held for Sale and Discontinued Operations
HKFRS 8	Operating Segments
HKFRSs (Amendment)	Second Improvements to HKFRS 2009
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners

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.

(b) New standards, amendments to standards and interpretations that have been issued but are not effective

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

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

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

2 Effective for the Group for annual period beginning 1 January 2011

3 Effective for the Group for annual period beginning 1 January 2013

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Consolidation

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

(a) Subsidiaries

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

The Group uses the acquisition method of accounting for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interests in the acquiree either at fair value or at the non-controlling interests' proportionate share of the acquiree's net assets.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the company on the basis of dividend received and receivable.

The excess of the consideration transferred, the amount of any non-controlling interests in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill (Note 2.8). If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Consolidation (Continued)

(b) Transactions with non-controlling interests

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

(c) Associated companies

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Consolidation (Continued)

(c) Associated companies (Continued)

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

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

(d) Jointly controlled entities

Jointly controlled entities are those entities over which the Group has contractual arrangements to jointly share in jointly controlled entities are accounted for using the equity method of accounting (Note 2.2 (c)) in the consolidated financial statements.

2.3 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Foreign currency translation (Continued)

(c) Group companies

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

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

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

(iii) all resulting exchange differences are recognised in other comprehensive income.

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

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

2.4 Property, plant and equipment

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Property, plant and equipment (Continued)

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

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

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

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

2.5 Construction in progress

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

2.6 Investment properties

Investment property, principally comprising leasehold land and buildings, is held for long-term rental yields and is not occupied by the Group. It also includes properties that are being constructed or developed for future use as investment properties. Land held under operating leases are accounted for as investment properties when the rest of the definition of an investment property is met. In such cases, the operating leases concerned are accounted for as if they were finance leases. Investment property is initially measured at cost, including related transaction costs. After initial recognition at cost investment properties are carried at fair value, representing open market value determined at each reporting date by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Changes in fair values are recorded in the income statement as part of a valuation gain or loss in other gains, net.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.7 Lease prepayments

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

2.8 Intangible assets

(a) Goodwill

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

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

(b) Patents, franchise and others

Acquired patents, franchise and others that have definite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses, if any. Amortisation is calculated using the straight-line method to allocate the costs of acquired patents and franchise over their estimated useful lives no longer than 25 years.

2.9 Impairment of investments in subsidiaries, associated companies, jointly controlled entities and non-financial assets

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 Financial assets

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

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

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

(b) Loans and receivables

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

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

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

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. Impairment testing of accounts and other receivables is described in Note 2.13.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Inventories

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

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

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

2.12 Properties under development

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

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

2.13 Accounts and other receivables

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.14 Cash and cash equivalents

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

2.15 Financial liabilities and equity

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

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

2.16 Borrowings

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

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

2.17 Current and deferred income tax

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.17 Current and deferred income tax (Continued)

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

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

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

2.18 Employee benefits

(a) Pension obligations

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.18 Employee benefits (Continued)

(b) Bonus entitlements

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

(c) Share-based compensation

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

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

2.19 Provisions

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.20 Operating lease

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

2.21 Borrowing costs

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

2.22 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors and certain senior management of the Group that makes strategic decisions.

2.23 Financial guarantee contracts

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

2.24 Revenue and income recognition

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.24 Revenue and income recognition (Continued)

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

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

(e) Revenue from the provision for installation of power generating equipment and recognised when the relevant services are rendered.

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

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

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

2.25 Government grants

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

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

2.26 Dividend distribution

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

3 CHANGES IN FUNCTIONAL AND PRESENTATION CURRENCIES

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

In prior years, the directors regarded Hong Kong dollars ("HK$") as the functional currency of the Company. During the year ended 31 December 2010, the Group disposed of a subsidiary whose principal activities are located in Hong Kong and the directors reassessed the Company's functional and presentation currencies and considered to change the functional and presentation currencies of the Company from HK$ to RMB starting from June 2010 as RMB has become the currency that mainly influences the operation of the Group's significant entities.

3 CHANGES IN FUNCTIONAL AND PRESENTATION CURRENCIES (Continued)

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 has also been restated to the change in presentation currency to RMB accordingly.

4 FINANCIAL RISK MANAGEMENT

4.1 Financial risk factors

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

(a) Foreign exchange risk

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

Management has a policy to require group companies to manage their foreign exchange risk against functional currency. It mainly includes managing the exposures arise from sales and purchases made by the relevant group companies in currencies other than their own functional currencies. The Group also manages its foreign exchange risk by performing regular reviews of the Group's net foreign exchange exposures. The Group has not used any forward foreign exchange contracts or currency borrowings to hedge its exposure as no significant monetary balances held by the Group as at the balance sheet date that are denominated in non-functional currency.

4 FINANCIAL RISK MANAGEMENT (Continued)

4.1 Financial risk factors (Continued)

(b) Interest rate risks

The Group's income and operating cash flows are substantially independent of changes in market interest rates and the Group has no significant interest-bearing assets except for certain interest-bearing receivables, and the pledged deposits and bank balances, details of which have been disclosed in Notes 28 and 30 respectively. The Group's exposure to changes in interest rates is mainly attributable to its borrowings, details of which have been disclosed in Note 33. Borrowings carried at floating rates expose the Group to cash flow interest rate risk whereas borrowings carried at fixed rates expose the Group to fair value interest rate risk. The Group has not used any interest rate swaps to hedge its exposure to interest rate risk.

At 31 December 2010, if the interest rates on bank and other borrowings had been 50 basis points higher/lower than the prevailing rate announced by the People's Bank of China, with all other variables held constant, post-tax profit for the period would have been approximately RMB8,012,000 (2009: RMB6,897,000) lower/higher, mainly as a result of higher/lower interest expense on floating rate bank and other borrowings.

(c) Price risk

The Group is exposed to equity securities price risk in respect of investments held by the Group which are classified as financial assets at fair value through profit or loss. The Group's financial assets at fair value through profit or loss represent equity securities listed in Hong Kong and the volatility of stock market is generally significant recently. At 31 December 2010, if the quoted market price/fair value of the equity investments held by the Group had increased/decreased by 10% to 30%, with all other variables held constant, the post-tax profit for the year would have been approximately RMB1,492,000 to approximately RMB4,475,000 (2009: RMB1,544,000 to RMB4,633,000) higher/lower, mainly as a result of the changes in fair value of financial assets at fair value through profit or loss.

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

4 FINANCIAL RISK MANAGEMENT (Continued)

4.1 Financial risk factors (Continued)

(d) Credit risk

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

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

The Group is exposed to significant concentration of credit risk in terms of electricity sales as majority of the Group's sales of electricity were made to provincial power grid companies. The Group normally grants credit terms ranging from 30 to 60 days to these power grid companies and the Group normally does not require collaterals from trade debtors. Ageing analysis of the Group's trade receivable is disclosed in Note 27. Management makes periodic collective assessment as well as individual assessment on the recoverability of accounts and other receivables based on historical payment records, the length of the overdue period, the financial strength of the debtors and whether there are any disputes with the relevant debtors. The Group's historical experience in collection of accounts and other receivables falls within the recorded allowances and the directors are of the opinion that adequate provision for uncollectible receivables has been made.

(e) Liquidity risk

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

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

4 FINANCIAL RISK MANAGEMENT (Continued)

4.1 Financial risk factors (Continued)

(e) Liquidity risk (Continued)

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

	Within 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Group				
At 31 December 2010				
Bank and other borrowings	**759,322**	**467,110**	**1,453,122**	**4,289,530**
Accounts payable	**61,571**	**—**	**—**	**—**
Other payables and accrued charges	**732,193**	**108,107**	**—**	**—**
At 31 December 2009				
Bank and other borrowings	520,257	224,657	657,287	1,066,740
Accounts payable	220,961	—	—	—
Other payables and accrued charges	328,630	—	—	—
At 1 January 2009				
Bank and other borrowings	822,076	142,946	385,819	848,741
Accounts payable	72,998	—	—	—
Other payables and accrued charges	268,542	—	—	—
Company				
At 31 December 2010				
Other payables and accrued charges	**20,100**	**—**	**—**	**—**
At 31 December 2009				
Other payables and accrued charges	15,308	—	—	—
At 1 January 2009				
Other payables and accrued charges	15,371	—	—	—

4 FINANCIAL RISK MANAGEMENT (Continued)

4.2 Capital risk management

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

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

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

During the period, the Group's strategy, which was unchanged from last year, was to maintain gearing ratio at a minimum level. The table below analyses the Group's capital structure as at 31 December 2010, 31 December 2009 and 1 January 2009.

	As at 31 December		As at 1 January
	2010	2009	2009
	RMB'000	*RMB'000*	*RMB'000*
Total bank and other borrowings *(Note 33)*	**4,927,173**	1,965,288	1,576,420
Less: Cash and cash equivalents and pledged deposits *(Note 30)*	**396,124**	532,676	573,616
Net debt	**4,531,049**	1,432,612	1,002,804
Total equity	**5,239,674**	4,450,410	4,209,482
Total capital	**9,770,723**	5,883,022	5,212,286
Gearing ratio	**46%**	24%	19%

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

4 FINANCIAL RISK MANAGEMENT (Continued)

4.3 Fair value estimation

Effective 1 January 2009, the Group adopted the amendment to HKFRS 7 for financial instruments that are measured in the balance sheet at fair value, which requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's financial assets and liabilities that are measured at fair value at 31 December 2010 and 2009.

	Level 1 *RMB'000*	**Level 2** *RMB'000*	**Level 3** *RMB'000*	**Total** *RMB'000*
At 31 December 2010				
Assets				
Financial assets at fair value through profit or loss	**14,915**	**—**	**—**	**14,915**
At 31 December 2009				
Assets				
Financial assets at fair value through profit or loss	6,315	17,981	—	24,296

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise primarily equity investments classified as financial assets at fair value through profit or loss or available for sale financial assets.

The fair value of financial instruments that are not traded in an active market (for examples, over-the-counter derivatives) is determined by using valuation techniques. These valuation technique maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

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

(b) Impairment of non-financial assets

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

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

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(c) Tariff adjustment

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

(d) Current and deferred income tax

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

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

(e) Fair value of investment properties

The best evidence of fair value is current prices in an active market for similar lease and other contracts. In the absence of such information, the Group determines the amount within a range of reasonable fair value estimates. In making its estimate, the Group considers both (i) information from the valuations of investment properties performed by external professional valuers by using open market value approach and (ii) other principal assumptions including the receipt of contractual rentals and expected future market rentals, to determine the fair value of the investment properties.

6 REVENUE, TARIFF ADJUSTMENT AND SEGMENT INFORMATION

(a) Revenue and tariff adjustment

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

	2010 *RMB'000*	2009 *RMB'000*
Sales of electricity to provincial power grid companies *(note (i))*	**1,123,767**	972,881
Heat supply by thermal power plants to other companies	**73,749**	49,705
Sales of power generating equipment	**—**	81,367
Revenue from the provision of installation services	**13,339**	—
Rubbish handling income	**59,931**	43,589
Rental income from investment properties	**6,992**	2,660
Total revenue	**1,277,778**	1,150,202
Tariff adjustment *(note (ii))*	**313,648**	239,467
	1,591,426	1,389,669

Notes:

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

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

(b) Segment information

The chief operating decision-maker has been identified as the executive directors and certain senior management of the Group (together, 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 taxation and share of profits/losses 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.

6 REVENUE, TARIFF ADJUSTMENT AND SEGMENT INFORMATION (Continued)

(b) Segment information (Continued)

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, interests in 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.

6 REVENUE, TARIFF ADJUSTMENT AND SEGMENT INFORMATION (Continued)

(b) Segment information (Continued)

The segment information provided to the CODM for the reportable segments for the year ended 31 December 2010 and 2009 is as follows:

	Power generation								
	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 investments RMB'000	Securities investments RMB'000	Unallocated RMB'000	Total RMB'000
For the year ended 31 December 2010									
Segment revenue	620,783	131,993	208,740	186,023	123,247	6,992	—	—	1,277,778
Tariff adjustment	309,400	—	—	—	4,248	—	—	—	313,648
	930,183	131,993	208,740	186,023	127,495	6,992	—	—	1,591,426
Results of reportable segments	194,932	56,644	85,811	24,911	(7,164)	26,868	(9,336)	—	372,666
A reconciliation of results of reportable segments to profit for the year is as follows:									
Results of reportable segments									372,666
Unallocated income									6,849
Unallocated expenses									(70,829)
Share of profits of associated companies									15,731
Share of profits of jointly controlled entities									21,330
Profit before taxation									345,747
Taxation									(64,752)
Profit for the year									280,995
Segment results included:									
Depreciation and amortisation, net	32,678	55,264	42,874	23,804	13,853	4,905	150	2,969	176,497
Interest income	1,694	995	1,417	234	24	—	52	239	4,655
Interest expense	(23,591)	(35,314)	(643)	(8,118)	(8,014)	(737)	(8)	(461)	(76,886)

6 REVENUE, TARIFF ADJUSTMENT AND SEGMENT INFORMATION (Continued)

(b) Segment information (Continued)

	Power generation								
	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 investments *RMB'000*	Securities investments *RMB'000*	Unallocated *RMB'000*	Total *RMB'000*
For the year ended 31 December 2009									
Segment revenue	570,874	189,289	113,787	145,167	128,548	2,537	—	—	1,150,202
Tariff adjustment	231,927	—	—	—	7,540	—	—	—	239,467
	802,801	189,289	113,787	145,167	136,088	2,537	—	—	1,389,669
Results of reportable segments	162,481	20,463	25,357	23,810	2,566	2,790	12,380	—	249,847
A reconciliation of results of reportable segments to profit for the year is as follows:									
Results of reportable segments									249,847
Unallocated income									561
Unallocated expenses									(39,176)
Share of losses of jointly controlled entities									(210)
Profit before taxation									211,022
Taxation									(20,229)
Profit for the year									190,793
Segment results included:									
Depreciation and amortisation, net	29,968	49,953	42,175	21,328	14,537	466	187	2,509	161,123
Interest income	503	274	531	141	—	67	569	561	2,646
Interest expense	(31,985)	(27,078)	(3,171)	(8,150)	(7,895)	(2,949)	(5)	(281)	(81,514)

6 REVENUE, TARIFF ADJUSTMENT AND SEGMENT INFORMATION (Continued)

(b) Segment information (Continued)

	Power generation								
	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 investments *RMB'000*	Securities investments *RMB'000*	Unallocated *RMB'000*	Total *RMB'000*
As at 31 December 2010									
Segment assets	**1,880,306**	**5,539,960**	**1,427,647**	**1,150,480**	**262,216**	**394,996**	**87,207**	**—**	**10,742,812**
Interests in associated companies								**129,250**	**129,250**
Interests in jointly controlled entities								**195,064**	**195,064**
Deferred income tax assets								**27,453**	**27,453**
Other unallocated assets								**15,491**	**15,491**
Total assets per consolidated balance sheet									**11,110,070**
Additions to non-current assets	**26,665**	**3,544,265**	**45,458**	**278,175**	**6,929**	**11,220**	**—**	**1,802**	**3,914,514**

	Power generation								
	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 investments *RMB'000*	Securities investments *RMB'000*	Unallocated *RMB'000*	Total *RMB'000*
As at 31 December 2009									
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								113,519	113,519
Interests in jointly controlled entities								140,794	140,794
Deferred income tax assets								26,015	26,015
Other unallocated assets								11,452	11,452
Total assets per consolidated balance sheet									6,989,484
Additions to non-current assets	47,064	390,443	17,019	308,224	1,393	40,274	—	3,592	808,009

6 REVENUE, TARIFF ADJUSTMENT AND SEGMENT INFORMATION (Continued)

(b) Segment information (Continued)

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 in the amount of RMB77,007,000 (2009: RMB104,132,000) were deposited in Hong Kong, investment properties of RMB24,628,000 (2009: RMB20,142,000) are situated in Hong Kong and certain other financial assets in the amount of RMB14,915,000 (2009: RMB24,296,000) are relating to equity securities listed in Hong Kong.

For the year ended 31 December 2010, external revenue of approximately RMB811,043,000 (2009: RMB678,090,000) is generated from 2 (2009: 2) 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.

7 OTHER INCOME

	2010	2009
	RMB'000	*RMB'000*
Government grants *(note (i))*	**43,264**	19,163
Income from VER projects *(note (ii))*	**12,447**	—
Repairs and maintenance management fee income	**8,695**	6,026
Dividend income from financial assets at fair value through profit or loss	**—**	106
Others	**5,855**	2,235
	70,261	27,530

Notes:

(i) During the year, government grants were received from the relevant government authorities for encouraging the Group to operate environmental-friendly power plants.

(ii) Income from VER projects refers to the sale of quota in relation to Voluntary Emission Reductions which are generated from wind farms and other renewable energy facilities. It is recognised when it is considered that the receipt of the relevant income is highly probable.

8 OTHER GAINS, NET

	2010	2009
	RMB'000	*RMB'000*
Fair value gain on investment properties *(Note 19)*	**31,236**	7,967
Gain on disposal of a subsidiary, net *(note)*	**6,614**	54
Others	**262**	5,455
	38,112	13,476

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 interests in a subsidiary engaging in the provision of bakery and food business in Hong Kong at nil consideration resulting in a gain on disposal of RMB6,614,000 (Note 37(b)) recognised during the year ended 31 December 2010.

9 OPERATING PROFIT

Operating profit is stated after charging the following:

	2010	2009
	RMB'000	*RMB'000*
Amortisation of lease prepayments	**3,806**	2,050
Less: Amounts capitalised in properties under development	**—**	(1,043)
Amortisation of lease prepayments, net	**3,806**	1,007
Amortisation of intangible assets	**738**	555
Auditor's remuneration	**2,340**	2,111
Depreciation of property, plant and equipment	**171,953**	159,561
Loss on disposal of property, plant and equipment	**582**	70
Operating lease rental in respect of leasehold land and buildings	**11,944**	10,640
Staff costs including directors' emoluments	**123,691**	100,910
Impairment on accounts and other receivables	**—**	11,190
Direct outgoings in respect of rental income	**3,459**	2,338

10 FINANCE COSTS, NET

	2010 **RMB'000**	2009 RMB'000
Interest income from		
— bank deposits	**3,272**	2,646
— loan to a jointly controlled entity *(Note 41)*	**1,383**	—
	4,655	2,646
Interest expense on		
— bank borrowings wholly repayable within five years	**(31,640)**	(39,665)
— bank borrowings not wholly repayable within five years	**(140,601)**	(39,423)
— other borrowings wholly repayable within five years	**(7,324)**	(10,112)
— loan from non-controlling interests *(Note 41)*	**—**	(3,788)
	(179,565)	(92,988)
Less: Amounts capitalised in property, plant and equipment and properties under development	**102,679**	11,474
	(76,886)	(81,514)
Finance costs, net	**(72,231)**	(78,868)

Amounts capitalised are borrowing costs related to funds borrowed specifically for the purpose of obtaining qualifying assets. The weighted average interest rate on such capitalised borrowings is approximately 5.09% (2009: 5.27%) per annum.

11 TAXATION

No Hong Kong profits tax has been provided for as the Group did not have any estimated assessable profit in Hong Kong for the year (2009: Nil).

The provision for PRC current income tax is calculated based on the statutory tax rate of 25% (2009: 25%) on the estimated assessable income for the year.

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

11 TAXATION (Continued)

There is no tax impact relating to components of other comprehensive income for the year ended 31 December 2010 (2009: Nil).

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

	2010 RMB'000	2009 RMB'000
PRC current income tax	**59,731**	18,326
Deferred income tax *(Note 34)*	**5,021**	1,903
	64,752	20,229

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

	2010 RMB'000	2009 RMB'000
Profit before taxation	**345,747**	211,022
Less: Share of profits of associated companies	**(15,731)**	—
Share of (profits)/losses of jointly controlled entities	**(21,330)**	210
	308,686	211,232
Tax calculated at domestic tax rates applicable to profits in respective jurisdictions	**75,872**	53,438
Effect of lower tax rate for companies under tax holiday	**(37,124)**	(51,657)
Income not subject to taxation	**(7,373)**	(1,050)
Expenses not deductible for taxation purposes	**3,051**	1,769
Tax loss not recognised	**30,326**	14,216
Others	**—**	3,513
Taxation	**64,752**	20,229

11 TAXATION (Continued)

The weighted average applicable tax rate for the year ended 31 December 2010 is 24.6% (2009: 25.3%). The fluctuation in the weighted average applicable tax rate arose mainly because of the change in the relative profitability of the companies within the Group.

Share of taxation attributable to associated companies and jointly controlled entities for the year ended 31 December 2010 of RMB7,019,000 (2009: RMB688,000) are included in the Group's share of profits/losses of associated companies and jointly controlled entities for the year.

12 STAFF COSTS

	2010	2009
	RMB'000	*RMB'000*
Wages, salaries and bonuses	**81,261**	80,721
Pension costs — defined contribution plans	**6,788**	5,374
Staff welfare	**20,431**	14,815
Share-based compensation expenses *(Note 32)*	**15,211**	—
	123,691	100,910

13 LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The loss attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of RMB49,648,000 (2009: RMB18,612,000).

14 EARNINGS PER SHARE

(a) Basic

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

	2010	2009
Profit attributable to equity holders of the Company (RMB'000)	**234,224**	134,297
Weighted average number of shares in issue (shares in thousands)	**7,207,601**	7,020,100
Basic earnings per share (RMB)	**0.032**	0.019

14 EARNINGS PER SHARE (Continued)

(b) Diluted

Diluted earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of shares in issue during the year plus the weighted average number of dilutive potential ordinary shares deemed to be issued at nil consideration if all outstanding options had been exercised.

	2010	2009
Profit attributable to equity holders of the Company (RMB'000)	**234,224**	134,297
Weighted average number of shares in issue (shares in thousands)	**7,207,601**	7,020,100
Adjustment for share options (shares in thousands)	**10,818**	—
Adjusted weighted average number of shares (shares in thousands)	**7,218,419**	7,020,100
Diluted earnings per share (RMB)	**0.032**	0.019

15 DIVIDEND

The Board does not recommend the payment of any dividend for the year ended 31 December 2010 (2009: Nil).

16 EMOLUMENTS FOR DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' emoluments

The remuneration of each of the directors of the Company for the year ended 31 December 2010 is set out below:

Name of director	Fees	Basic salary, housing allowance, other allowances and benefits in kind	Share-based compensation expenses	Discretionary bonuses	Employer's contribution to pension scheme	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Chairman						
Ms. Li Xiaolin	—	—	3,497	—	—	3,497
Executive directors						
Mr. Oxley Clive William *(note (i))*	—	352	—	—	—	352
Mr. Wang Hao	—	800	1,399	—	11	2,210
Mr. Zhao Xinyan	—	—	1,399	—	—	1,399
Mr. Liu Genyu	—	915	2,623	—	11	3,549
Non-executive director						
Mr. Cheng Chi	—	—	—	—	—	—
Independent non-executive directors						
Dr. Chow King Wai	53	—	—	—	—	53
Mr. Chu Kar Wing	53	—	—	—	—	53
Mr. Wong Kwok Tai	53	—	—	—	—	53
Total	159	2,067	8,918	—	22	11,166

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

(a) Directors' emoluments (Continued)

The remuneration of each of the directors of the Company for the year ended 31 December 2009 is set out below:

Name of director	Fees	Basic salary, housing allowance, other allowances and benefits in kind	Share-based compensation expenses	Discretionary bonuses	Employer's contribution to pension scheme	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Chairman						
Ms. Li Xiaolin	—	—	—	—	—	—
Executive directors						
Mr. Lai Leong *(note (ii))*	—	800	—	—	6	806
Mr. Oxley Clive William *(note (i))*	—	915	—	—	—	915
Mr. Wang Hao	—	800	—	—	4	804
Mr. Zhao Xinyan	—	—	—	—	—	—
Mr. Liu Genyu	—	915	—	—	4	919
Non-executive director						
Mr. Cheng Chi	—	—	—	—	—	—
Independent non-executive directors						
Dr. Chow King Wai	53	—	—	—	—	53
Mr. Chu Kar Wing	53	—	—	—	—	53
Mr. Wong Kwok Tai	53	—	—	—	—	53
Total	159	3,430	—	—	14	3,603

Notes:

(i) Mr. Oxley Clive William has resigned as an executive director of the Company with effect from 28 February 2010.

(ii) Mr. Lai Leong has resigned as an executive director of the Company with effect from 10 June 2009.

(iii) None of the directors of the Company waived any emoluments during the year ended 31 December 2010 or the year ended 31 December 2009.

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

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include 4 (2009: 2) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining 1 (2009: 3) individuals during the year are as follows:

	2010	2009
	RMB'000	*RMB'000*
Basic salaries, housing allowance, other allowances, and benefits in kind	**945**	3,436
Employers' contributions to pension schemes	**11**	32
Share based compensation expenses	**874**	—
	1,830	3,468

The emoluments fell within the following band:

	Number of individuals	
	2010	2009
RMB1,000,001 to RMB2,000,000	**1**	3

(c) During the year, no emoluments have been paid by the Group to the directors or any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office (2009: Nil).

17 PROPERTY, PLANT AND EQUIPMENT

	Group						Company
	Buildings RMB'000	Dam RMB'000	Power generators and equipment RMB'000	Others RMB'000	Construction in progress RMB'000	Total RMB'000	Others RMB'000
Cost							
At 1 January 2010	550,558	530,925	2,083,944	378,000	663,650	4,207,077	801
Additions	853	—	6,175	10,580	2,274,755	2,292,363	—
Acquisition of a subsidiary *(Note 38(a)(i))*	203,230	—	1,357,952	2,210	7,147	1,570,539	—
Disposals	—	—	(8,804)	(4,056)	(440)	(13,300)	—
Disposal of a subsidiary	—	—	—	(10,635)	—	(10,635)	—
Transfer	695	—	145,197	(118,190)	(27,702)	—	—
At 31 December 2010	755,336	530,925	3,584,464	257,909	2,917,410	8,046,044	801
Accumulated depreciation and impairment losses							
At 1 January 2010	48,814	27,105	234,933	54,442	—	365,294	628
Depreciation charge for the year	26,121	11,965	110,024	23,843	—	171,953	150
Written back on disposal	—	—	—	(1,116)	—	(1,116)	—
Disposal of a subsidiary	—	—	—	(10,635)	—	(10,635)	—
At 31 December 2010	74,935	39,070	344,957	66,534	—	525,496	778
Net book value							
At 1 January 2010	501,744	503,820	1,849,011	323,558	663,650	3,841,783	173
At 31 December 2010	680,401	491,855	3,239,507	191,375	2,917,410	7,520,548	23

17 PROPERTY, PLANT AND EQUIPMENT (Continued)

	Group						Company
	Buildings	Dam	Power generators and equipment	Others	Construction in progress	Total	Others
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost							
At 1 January 2009	469,224	530,925	2,082,310	122,369	251,577	3,456,405	801
Additions	21,464	—	37,102	16,968	478,642	554,176	—
Acquisition of a subsidiary *(Note 38(b)(i))*	—	—	—	—	228,884	228,884	—
Refund of value added tax	—	—	(41,275)	—	—	(41,275)	—
Disposals	—	—	—	(884)	—	(884)	—
Disposal of a subsidiary	—	—	—	(2,639)	—	(2,639)	—
Transfer	5,216	—	48,051	242,186	(295,453)	—	—
Transferred from properties under development *(Note 20)*	54,654	—	—	—	—	54,654	—
Transfer to inventories	—	—	(42,244)	—	—	(42,244)	—
At 31 December 2009	550,558	530,925	2,083,944	378,000	663,650	4,207,077	801
Accumulated depreciation and impairment losses							
At 1 January 2009	21,960	15,305	147,776	27,539	—	212,580	441
Depreciation charge for the year	26,854	11,800	91,817	29,090	—	159,561	187
Written back on disposal	—	—	—	(413)	—	(413)	—
Disposal of a subsidiary	—	—	—	(1,774)	—	(1,774)	—
Transfer to inventories	—	—	(4,660)	—	—	(4,660)	—
At 31 December 2009	48,814	27,105	234,933	54,442	—	365,294	628
Net book value							
At 1 January 2009	447,264	515,620	1,934,534	94,830	251,577	3,243,825	360
At 31 December 2009	501,744	503,820	1,849,011	323,558	663,650	3,841,783	173

Notes:

(i) As at 31 December 2010, certain of the Group's property, plant and equipment with carrying value of RMB1,052,489,000 (31 December 2009: RMB1,007,462,000 and 1 January 2009: RMB1,040,441,000) were situated on leasehold land in the PRC leased from China Power Investment Corporation (中國電力投資集團公司) ("CPI Group") which held the rights on the leasehold land under long-term leases. The remaining period of the Group's rights on the leasehold land as at 31 December 2010 was 45 years (31 December 2009: 46 years and 1 January 2009: 47 years).

(ii) As at 31 December 2010, the legal title of certain of the Group's buildings and construction in progress with carrying amount of RMB139,806,000 (31 December 2009: RMB248,648,000 and 1 January 2009: RMB146,540,000) had not been transferred to the Group subject to certain administrative procedures to be completed by the relevant local government authorities. However, the Directors are of the opinion that the risks and rewards of using these assets have been transferred to the Group.

(iii) As at 31 December 2010, property, plant and equipment amounting to RMB1,192,619,000 (31 December 2009: RMB1,140,344,000 and 1 January 2009: Nil) were pledged as securities for certain bank and other borrowings of the Group (Notes 33(a), (d) and (f)).

18 LEASE PREPAYMENTS

	Group 2010 RMB'000	2009 RMB'000
Cost		
At 1 January	**141,088**	233,008
Acquisition of a subsidiary *(Note 38(a)(i))*	**4,362**	—
Additions	**9,806**	5,941
Transferred to investment properties *(Note 19)*	—	(97,861)
At 31 December	**155,256**	141,088
Accumulated amortisation and impairment losses		
At 1 January	**7,665**	5,615
Amortisation for the year	**3,806**	2,050
At 31 December	**11,471**	7,665
Net book amount		
At 31 December	**143,785**	133,423

The amount represents cost of land use rights, coast use rights and other lease prepayments in respect of land and coast located in the PRC where certain of the Group's property, plant and equipment and properties under development are built on. As at 31 December 2010, the remaining period of the land use rights ranged between 21 to 46 years (31 December 2009: 22 to 47 years and 1 January 2009: 23 to 48 years).

As at 31 December 2010, certain lease prepayments with a carrying amount of RMB12,994,000 (31 December 2009: RMB20,484,000 and 1 January 2009: RMB140,401,000) were pledged as security for certain bank borrowings of the Group (Notes 33(a) and (d)).

19 INVESTMENT PROPERTIES

	Group 2010 RMB'000	2009 RMB'000
At 1 January	**249,142**	13,985
Transferred from lease prepayments *(Note 18)*	**—**	97,861
Transferred from properties under development *(Note 20)*	**—**	129,329
Fair value gain *(Note 8)*	**31,236**	7,967
At 31 December	**280,378**	249,142

The investment properties are revalued at 31 December 2010 by Roma Appraisals Limited and上海大儒房地產估值有限公司, independent qualified professional firms of valuer, based on current prices in an active market.

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

	Group		
	As at 31 December		As at 1 January
	2010	2009	2009
	RMB'000	*RMB'000*	*RMB'000*
In Hong Kong, held on leases of over 50 years	**24,628**	20,142	13,985
In the PRC, held on leases of between 10 to 50 years	**255,750**	229,000	—
	280,378	249,142	13,985

As at 31 December 2010, the investment properties amounting to RMB280,378,000 (31 December 2009: RMB249,142,000 and 1 January 2009: RMB13,985,000) were pledged as security for certain bank borrowings of the Group (Note 33(a)).

20 PROPERTIES UNDER DEVELOPMENT

	Group 2010 RMB'000	2009 RMB'000
At 1 January	—	147,267
Additions	—	36,716
Transferred to property, plant and equipment *(Note 17)*	—	(54,654)
Transferred to investment properties *(Note 19)*	—	(129,329)
At 31 December	—	—

As at 1 January 2009, the properties under development of the Group were pledged as security for certain bank borrowings of the Group (Note 33(f)).

21 INTANGIBLE ASSETS

Group	Goodwill *RMB'000*	Patents, franchise and others *RMB'000*	Total *RMB'000*
Cost			
At 1 January 2010	**1,022,324**	**51,851**	**1,074,175**
Additions	**—**	**229**	**229**
Acquisition of a subsidiary *(Note 38(a)(i))*	**154,702**	**—**	**154,702**
At 31 December 2010	**1,177,026**	**52,080**	**1,229,106**
Accumulated amortisation and impairment losses			
At 1 January 2010	**—**	**25,498**	**25,498**
Amortisation charge for the year	**—**	**738**	**738**
At 31 December 2010	**—**	**26,236**	**26,236**
Net book amount			
At 31 December 2010	**1,177,026**	**25,844**	**1,202,870**
Cost			
At 1 January 2009	1,022,324	51,665	1,073,989
Additions	—	186	186
At 31 December 2009	1,022,324	51,851	1,074,175
Accumulated amortisation and impairment losses			
At 1 January 2009	—	24,943	24,943
Amortisation charge for the year	—	555	555
At 31 December 2009	—	25,498	25,498
Net book amount			
At 31 December 2009	1,022,324	26,353	1,048,677

21 INTANGIBLE ASSETS (Continued)

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

	Group		
	As at 31 December		As at 1 January
	2010	2009	2009
	RMB'000	*RMB'000*	*RMB'000*
Natural gas and oil power generation	**521,399**	521,399	521,399
Wind power generation and related business	**502,294**	347,592	347,592
Waste-to-energy power generation	**124,680**	124,680	124,680
Other power generation	**28,653**	28,653	28,653
	1,177,026	1,022,324	1,022,324

For the purposes of impairment reviews, the recoverable amount of goodwill is determined based on either value-in-use calculations or fair value less cost to sell. The value-in-use calculations use pre-tax cash flow projections based on financial budgets approved by management for the purposes of impairment reviews covering a five-year period whereas fair value less cost to sell is determined by independent professional qualified valuers.

In respect of value-in-use calculations, there are a number of assumptions and estimates involved in the preparation of cash flow projections for the period covered by the approved budget. Management prepared the financial budgets taking into account actual and prior year performance and market development expectations. The pre-tax discount rate used for value-in-use calculations for goodwill is 9% (31 December and 1 January 2009: 9%). Management estimates the discount rate using pre-tax rates that reflect market assessments of the time value of money and the specific risks relating to the cash-generating unit. Other key assumptions applied in the impairment tests include the expected tariff rates, demands for electricity in the region where the power plants are located and fuel costs.

At 31 December 2010, if the pre-tax discount rate applied to the discounted cash flows had been 1% higher/lower, with all other variables held constant, goodwill will be impaired by approximately RMB11,046,000 (31 December 2009: RMB15,506,000 and 1 January 2009: RMB21,657,000) or otherwise no impairment charge will be required.

At 31 December 2010, if the budgeted coal price applied to the discounted cash flows had been 8% higher/lower, goodwill will be impaired by approximately RMB32,949,000 (31 December 2009: RMB21,517,000 and 1 January 2009: RMB22,740,000) or otherwise no impairment charge will be required.

22 INTERESTS IN SUBSIDIARIES

	Company		
			As at
	As at 31 December		1 January
	2010	2009	2009
	RMB'000	*RMB'000*	*RMB'000*
Unlisted investments, at cost	**137**	137	146
Less: Impairment losses *(note (i))*	**(137)**	(68)	(77)
	—	69	69
Amounts due from subsidiaries *(note (ii))*	**4,181,593**	3,539,199	3,437,388
Less: Impairment losses *(note (i))*	**(46,394)**	(39,289)	(30,400)
	4,135,199	3,499,910	3,406,988
	4,135,199	3,499,979	3,407,057

Notes:

(i) Movements in the impairment losses:

	Company	
	2010	2009
	RMB'000	*RMB'000*
At 1 January	**39,357**	30,477
Amounts provided during the year	**7,174**	8,880
At 31 December	**46,531**	39,357

(ii) The amounts due from subsidiaries are unsecured and interest-free. Except for an amount totalling RMB24,391,000 (31 December 2009: RMB19,457,000 and 1 January 2009: RMB37,330,000) which has no fixed term of repayment, the amounts due from subsidiaries are considered as capital in nature.

22 INTERESTS IN SUBSIDIARIES (Continued)

Notes: (Continued)

(iii) The following is a list of principal subsidiaries as at 31 December 2010:

Name of companies	Place of establishment and operation	Paid up/ issued capital	Equity interest attributable to the Group	Type of legal entity	Principal activities
Interests held directly:					
Lucky Talent Limited	British Virgin Islands/ Hong Kong	1 share of US$1	100%	Limited liability company	Securities trading
Interests held indirectly:					
Delux Vantage Limited	British Virgin Islands/ Hong Kong	1 share of US$1	100%	Limited liability company	Property holdings
上海龍圖實業發展有限公司	PRC	RMB60,000,000	100%	Limited liability company	Property holdings
China Power (New Energy) Holdings Limited	Hong Kong	1 share of RMB1	100%	Limited liability company	Investment holdings
中電國際新能源控股有限公司	PRC	US$56,250,000	100%	Wholly-owned foreign enterprise	Investment holdings
Oriental Board Limited	Hong Kong	1 share of RMB1	100%	Limited liability company	Consultancy
中電(洪澤)熱電有限公司	PRC	RMB30,000,000	60%	Sino-foreign equity joint venture	Generation and sales of electricity
中電(洪澤)生物質熱電有限公司	PRC	RMB26,000,000	100%	Wholly-owned foreign enterprise	Generation and sales of electricity
中電(福建)電力開發有限公司	PRC	RMB632,750,000	100%	Wholly-owned foreign enterprise	Generation and sales of electricity
甘肅中電酒泉風力發電有限公司	PRC	RMB154,450,000	100%	Wholly-owned foreign enterprise	Generation and sales of electricity
甘肅中電酒泉第二風力發電有限公司	PRC	RMB146,899,600	100%	Limited liability company	Generation and sales of electricity
東莞市科偉環保電力有限公司 ("Kewei")	PRC	RMB60,000,000	40% *(note)*	Foreign enterprise	Generation and sales of electricity
東莞中電新能源熱電有限公司	PRC	US$43,435,965	80%	Foreign enterprise	Generation and sales of electricity
China Power Dafeng Wind Power Company Limited ("Dafeng")	PRC	RMB361,618,000	100%	Wholly-owned foreign enterprise	Generation and sales of electricity

22 INTERESTS IN SUBSIDIARIES (Continued)

Notes: (Continued)

(iii) The following is a list of principal subsidiaries as at 31 December 2010: (Continued)

Name of companies	Place of establishment and operation	Paid up/ issued capital	Equity interest attributable to the Group	Type of legal entity	Principal activities
Interests held indirectly: (Continued)					
甘肅中電科耀新能源裝備有限公司	PRC	RMB10,000,000	51%	Sino-foreign equity joint-venture	Manufacturing and installation of equipment
浙江德清縣佳能垃圾焚燒發電有限公司	PRC	RMB54,900,000	100%	Wholly-owned foreign enterprise	Development of power plant
昆明中電環保電力有限公司 (formerly known as 雲南雙星綠色能源有限公司")	PRC	RMB116,800,000	100%	Wholly-owned foreign enterprise	Development of power plant
漳平市華口水電有限公司 ("Houkou")	PRC	RMB80,000,000	100%	Limited liability company	Development of power plant
甘肅中電酒泉第三風力發電有限公司	PRC	RMB99,127,374	100%	Limited liability company	Development of power plant
甘肅中電第四風力發電有限公司	PRC	RMB51,064,464	100%	Limited liability company	Development of power plant
海林中電海浪風力發電有限公司	PRC	US$3,177,000	100%	Limited liability company	Development of power plant
海林中電紅旗風力發電有限公司	PRC	US$3,240,000	100%	Limited liability company	Development of power plant
海口中電新能源環保電力有限公司	PRC	RMB24,051,456	100%	Limited liability company	Development of power plant

Note:

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

23 INTERESTS IN ASSOCIATED COMPANIES

	Group		
	As at 31 December		As at 1 January
	2010	2009	2009
	RMB'000	*RMB'000*	*RMB'000*
Share of net assets	**129,250**	113,519	192,412

Notes:

(i) The following are the details of the associated company as at 31 December 2010:

Name of company	Place of establishment and operation	Paid up capital	Equity interest attributable to the Group	Type of legal entity	Principal activities
Interests held indirectly:					
上海東海風力發電有限公司	PRC	RMB473,000,000	24%	Limited liability company	Generation and sale of electricity

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

	2010	2009
	RMB'000	*RMB'000*
Operating results		
Revenue	**63,242**	—
Profit before taxation	**65,546**	—
Profit after taxation	**65,546**	—
Financial position		
Non-current assets	**2,084,830**	1,166,229
Current assets	**183,173**	502,947
Current liabilities	**(184,263)**	(6,176)
Long-term liabilities	**(1,545,197)**	(1,190,000)
Net assets	**538,543**	473,000

(iii) No dividend income was received from the associated company for the year (2009: Nil).

24 INTERESTS IN JOINTLY CONTROLLED ENTITIES

	Group		
	As at 31 December		As at 1 January
	2010	2009	2009
	RMB'000	*RMB'000*	*RMB'000*
Share of net assets	**194,586**	140,316	—
Goodwill	**478**	478	—
	195,064	140,794	—

Notes:

(i) The following are the details of the jointly controlled entities as at 31 December 2010:

Name of companies	Place of establishment and operation	Paid up/registered capital	Equity interest attributable to the Group	Type of legal entity	Principal activities
Interests held indirectly:					
福建壽寧牛頭山水電有限公司 ("Nu Tou Shan")	PRC	RMB130,000,000	52% *(note)*	Limited liability company	Generation and sale of electricity
上海崇明北沿風力發電有限公司	PRC	RMB186,074,000	20%	Limited liability company	Development of power plant
北京龍源冷卻技術有限公司	PRC	RMB50,000,000	15%	Limited liability company	Manufacturing of equipment

Note:

In accordance with the relevant terms as stipulated in the shareholders' agreement, the Group has attained a joint control over on the financial and operating policies of Nu Tou Shan. Consequently, Nu Tou Shan is accounted for as a jointly controlled entity of the Group.

24 INTERESTS IN JOINTLY CONTROLLED ENTITIES (Continued)

Notes: (Continued)

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

	2010	2009
	RMB'000	*RMB'000*
Operating results		
Revenue	**525,167**	78,655
Profit before taxation	**74,512**	686
Profit/(loss) after taxation	**60,970**	(637)
Financial position		
Non-current assets	**854,382**	681,481
Current assets	**935,785**	11,212
Current liabilities	**(937,501)**	(72,632)
Long-term liabilities	**(477,940)**	(491,370)
Net assets	**374,726**	128,691

(iii) Dividend income of RMB2,507,000 was received from the jointly controlled entities for the year (2009: Nil).

25 OTHER LONG-TERM DEPOSITS AND PREPAYMENTS

	Group		
			As at
	As at 31 December		1 January
	2010	2009	2009
	RMB'000	*RMB'000*	*RMB'000*
Prepayment for construction of power plants	**123,937**	241,425	41,908
Prepayment for acquisition of additional equity interest in Nu Tou Shan *(Note 38(b))*	**—**	—	46,742
	123,937	241,425	88,650

26 INVENTORIES

	Group		
	As at 31 December		As at 1 January
	2010	2009	2009
	RMB'000	*RMB'000*	*RMB'000*
Raw materials	**49,530**	31,648	87,699
Work in progress	**30,949**	—	8,929
Spare parts and consumables	**75,649**	68,038	54,595
	156,128	99,686	151,223

27 ACCOUNTS RECEIVABLE

	Group		
	As at 31 December		As at 1 January
	2010	2009	2009
	RMB'000	*RMB'000*	*RMB'000*
Accounts receivable from provincial power grid companies	**177,332**	163,315	58,765
Accounts receivable from other companies	**31,979**	18,348	18,247
	209,311	181,663	77,012
Tariff adjustment receivable from the relevant government authorities	**155,400**	138,323	48,068
Notes receivable *(note (i))*	**6,857**	—	640
	371,568	319,986	125,720

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

Tariff adjustment receivable is unsecured, interest-free and has no specific term of repayment.

As at 31 December 2010, the accounts receivable amounting to RMB171,875,000 are pledged as security for certain bank borrowings of the Group (Notes 33(a) and (f)).

27 ACCOUNTS RECEIVABLE (Continued)

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

	Group		
	As at 31 December		As at 1 January
	2010	2009	2009
	RMB'000	*RMB'000*	*RMB'000*
Less than 3 months	**156,897**	149,434	63,345
4 to 6 months	**47,545**	22,143	13,667
7 to 12 months	**1,122**	7,804	—
Over 1 year	**3,747**	2,282	—
	209,311	181,663	77,012

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

As of 31 December 2010, receivables of RMB63,451,000 (31 December 2009: RMB48,026,000 and 1 January 2009: RMB16,195,000) were past due but not considered to be impaired because the relevant debtors have no recent history of default. The ageing analysis of these receivables is as follows:

	Group		
	As at 31 December		As at 1 January
	2010	2009	2009
	RMB'000	*RMB'000*	*RMB'000*
Over due			
Less than 1 month	**—**	—	2,528
1 to 3 months	**13,794**	9,661	—
4 to 6 months	**47,545**	24,494	13,667
7 to 12 months	**1,122**	11,588	—
Over 1 year	**990**	2,283	—
	63,451	48,026	16,195

Notes:

(i) As at 1 January 2009 and 31 December 2010, notes receivable represent commercial acceptance notes and are with maturity period of 180 to 360 days.

(ii) During the year, no provision for impairment of accounts receivable was made by the Group (2009: Nil) and there was no write-off of accounts receivable during the year (2009: Nil).

28 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group			Company		
	As at 31 December		As at 1 January	As at 31 December		As at 1 January
	2010	2009	2009	**2010**	2009	2009
	RMB'000	*RMB'000*	*RMB'000*	***RMB'000***	*RMB'000*	*RMB'000*
Prepayments and deposits	**210,042**	77,047	67,337	**—**	13	747
Value added tax receivable	**265,643**	18,344	22,113	**—**	—	—
Amounts due from a shareholder *(note (i))*	**6,056**	6,056	17,796	**—**	—	—
Amounts due from non-controlling interests *(note (i))*	**18,850**	57,447	46,370	**—**	—	—
Loan to Nu Tou Shan *(note (ii))*	**25,206**	25,045	24,999	**—**	—	—
Amount due from CPI Finance Company ("CPIF") *(note (iii))*	**77**	781	20,293	**—**	—	—
Other receivables	**22,176**	33,342	42,361	**173**	140	377
	548,050	218,062	241,269	**173**	153	1,124
Denominated in:						
RMB	**542,179**	211,941	234,943	**—**	—	—
HK$	**5,871**	6,121	6,326	**173**	153	1,124
	548,050	218,062	241,269	**173**	153	1,124

Notes:

(i) Except for an amount due from a shareholder of RMB11,740,000 as at 1 January 2009 which carried interest at floating rates based on daily bank deposit rates, the amounts due from a shareholder and non-controlling interests are unsecured, interest-free and are repayable on demand.

(ii) The loan to Nu Tou Shan is unsecured, carries interest at 6.12% (31 December 2009: 5.84% and 1 January 2009: 6.14%) per annum and was originally repayable by 16 December 2010. On 17 December 2010, the loan was extended for further one year and is repayable by 16 December 2011.

(iii) The amount due from CPIF, a subsidiary of a shareholder, is unsecured, carries interest at 0.36% (31 December 2009: 0.36% and 1 January 2009: 3.42%) per annum and is repayable on demand.

29 OTHER FINANCIAL ASSETS

	Group			Company		
	As at 31 December		As at 1 January	As at 31 December		As at 1 January
	2010	2009	2009	**2010**	2009	2009
	RMB'000	*RMB'000*	*RMB'000*	***RMB'000***	*RMB'000*	*RMB'000*
Financial assets at fair value through profit or loss						
Listed equity securities						
— in Hong Kong	**14,915**	24,296	38,734	**14,486**	22,509	9,003
Available-for-sale financial assets	**—**	—	23,001	**—**	—	—
	14,915	24,296	61,735	**14,486**	22,509	9,003
Denominated in:						
RMB	**—**	—	23,001	**—**	—	—
HK$	**14,915**	24,296	38,734	**14,486**	22,509	9,003
	14,915	24,296	61,735	**14,486**	22,509	9,003

30 PLEDGED DEPOSITS AND CASH AND CASH EQUIVALENTS

	Group			Company		
	As at 31 December		As at 1 January	As at 31 December		As at 1 January
	2010	2009	2009	**2010**	2009	2009
	RMB'000	*RMB'000*	*RMB'000*	***RMB'000***	*RMB'000*	*RMB'000*
Cash at bank and in hand	**306,557**	439,556	254,346	**15,640**	90,111	18,118
Time deposits with initial terms of less than three months	**89,567**	93,120	319,270	**—**	—	195,938
	396,124	532,676	573,616	**15,640**	90,111	214,056
Less: Pledged deposits	**(28,111)**	(57,364)	(149,960)	**—**	—	(131,937)
Cash and cash equivalents	**368,013**	475,312	423,656	**15,640**	90,111	82,119
Denominated in:						
RMB	**318,963**	427,949	318,529	**—**	—	—
HK$	**75,837**	102,974	214,962	**15,638**	90,111	214,056
US$	**1,324**	1,753	40,125	**2**	—	—
	396,124	532,676	573,616	**15,640**	90,111	214,056

Notes:

(i) The weighted average effective interest rate on time deposits, with maturity ranging from 1 to 3 months, was 1.35% (31 December 2009: 1.25% and 1 January 2009: 1.08%) per annum. Cash at bank earns interest at floating rates based on daily bank deposit rates.

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

(iii) As at 31 December 2010, the pledged deposits of the Group with carrying amount of approximately RMB28,111,000 (31 December 2009: RMB57,364,000 and 1 January 2009: RMB18,023,000) were pledged as security for certain notes payable (Note 35) of the Group.

As at 1 January 2009, the pledged deposits of the Group with carrying amount of approximately RMB131,937,000 were pledged as security for certain short-term bank borrowings (Note 33(f)) of the Group.

31 SHARE CAPITAL

(a) Authorised and issued capital

	Company Number of shares (of HK$0.10 each)	Nominal amount RMB'000
Authorised:		
At 1 January 2009, 31 December 2009 and 31 December 2010	**10,000,000,000**	879,577
Issued and fully paid:		
At 1 January 2009 and 31 December 2009	**7,020,100,000**	677,635
Issue of shares for acquisition of a subsidiary *(note (i) and Note 38(a)(i))*	**768,439,108**	67,590
Exercise of share options *(note (ii))*	**100,500,000**	8,840
At 31 December 2010	**7,889,039,108**	754,065

Notes:

(i) On 10 November 2010, the Company issued 768,439,108 new shares of HK$0.1 each to China Power International Holding Limited ("CPIH") as part of the purchase consideration for the acquisition of 100% equity interests in Dafeng (the "Consideration Shares"). These new shares rank pari passu in all respects with the then existing shares. The fair value of the Consideration Shares, determined using the published closing price at the date of acquisition, amounted to HK$0.78 (equivalent to approximately RMB0.69).

(ii) During the year, 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 31(b) below). These new shares rank pari passu in all respects with the existing shares.

(b) Share premium

	Company 2010 RMB'000	2009 RMB'000
At 1 January	**3,426,360**	3,426,360
Issues of shares for acquisitions of a subsidiary *(Note 38 (a)(i))*	**459,613**	—
Issues of shares upon exercise of share options	**58,573**	—
At 31 December	**3,944,546**	3,426,360

31 SHARE CAPITAL (Continued)

(c) Share option scheme

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

Pursuant to the Scheme, the total number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme shall not exceed 30% of the issued share capital of the Company from time to time. The maximum number of shares issued and to be issued upon exercise of the options granted to each participant in any 12-month period must not exceed 1% of the issued share capital of the Company at any time. The offer of a grant of options may be accepted within 21 days from the date of the offer with signed acceptance letter comprising consideration of RMB1.00 received by the Company. The exercise period of the share options granted is determinable by the directors, but no later than 10 years from the date of the offer. The subscription price for the shares in respect of which options are granted is determinable by the directors, but in any case must be at the highest of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the date of the grant; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's shares.

All of the options were vested to the option holders on the date of acceptance of the offer.

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

Date of grant	Expiry date	Exercise price	**Number of shares subject to the options at 31 December 2010**	Number of shares subject to the options at 31 December 2009
Directors				
9 March 2007	8 March 2017	0.630	**30,000,000**	30,000,000
8 June 2007	7 June 2017	0.836	**59,000,000**	59,000,000
1 November 2010	31 October 2020	0.780	**51,000,000**	—
			140,000,000	89,000,000
Senior management and other employees				
9 March 2007	8 March 2017	0.630	**20,000,000**	119,500,000
8 June 2007	7 June 2017	0.836	**5,000,000**	6,000,000
1 November 2010	31 October 2020	0.780	**36,000,000**	—
			61,000,000	125,500,000
			201,000,000	214,500,000

31 SHARE CAPITAL (Continued)

(c) Share option scheme (Continued)

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

	For the year ended 31 December 2010 Average exercise price in HK$ per share	Number of options	For the year ended 31 December 2009 Average exercise price in HK$ per share	Number of options
Granted at 1 January	**0.692**	**214,500,000**	0.704	234,000,000
Granted	**0.780**	**87,000,000**	—	—
Exercised	**0.632**	**(100,500,000)**	—	—
Lapsed	**—**	**—**	0.831	(19,500,000)
At 31 December	**0.760**	**201,000,000**	0.692	214,500,000

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

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

	Date of grant of share options: 1 November 2011	8 June 2007	9 March 2007
Option value	**HK$0.199**	HK$0.116	HK$0.125
Significant inputs into the valuation model:			
Exercise price	**HK$0.780**	HK$0.836	HK$0.630
Share price at grant date	**HK$0.77**	HK$0.82	HK$0.63
Expected volatility *(note)*	**78.28%**	82.86%	86.47%
Risk-free interest rate	**2.134%**	3.968%	3.751%
Expected life of options	**10 years**	10 years	10 years
Expected dividend yield	**1.35%**	0%	0%

Note:

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

32 RESERVES

Group

	Capital redemption reserve RMB'000	Statutory reserves (note (i)) RMB'000	Contributed surplus RMB'000	Other reserve (note (ii)) RMB'000	Share-based compensation reserve RMB'000	Exchange reserve RMB'000	Retained earnings/ (accumulated losses) RMB'000	Total RMB'000
At 1 January 2010	**3,121**	**3,949**	**7,155**	**—**	**27,780**	**(99,895)**	**102,323**	**44,433**
Issue of shares upon exercise of share options	**—**	**—**	**—**	**—**	**(12,375)**	**—**	**—**	**(12,375)**
Acquisition of non-controlling interests	**—**	**—**	**—**	**(7,814)**	**—**	**—**	**—**	**(7,814)**
Employee share option benefits *(Note 12)*	**—**	**—**	**—**	**—**	**15,211**	**—**	**—**	**15,211**
Profit for the year	**—**	**—**	**—**	**—**	**—**	**—**	**234,224**	**234,224**
At 31 December 2010	**3,121**	**3,949**	**7,155**	**(7,814)**	**30,616**	**(99,895)**	**336,547**	**273,679**
At 1 January 2009	3,121	3,949	7,155	—	27,780	(99,957)	(31,974)	(89,926)
Profit for the year	—	—	—	—	—	62	134,297	134,359
At 31 December 2009	3,121	3,949	7,155	—	27,780	(99,895)	102,323	44,433

Company

	Capital redemption reserve RMB'000	Share-based compensation reserve RMB'000	Exchange reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2010	**3,121**	**27,780**	**(286,051)**	**(251,228)**	**(506,378)**
Issue of shares upon exercise of share options	**—**	**(12,375)**	**—**	**—**	**(12,375)**
Employee share option benefits *(Note 12)*	**—**	**15,211**	**—**	**—**	**15,211**
Loss for the year	**—**	**—**	**—**	**(49,648)**	**(49,648)**
At 31 December 2010	**3,121**	**30,616**	**(286,051)**	**(300,876)**	**(553,190)**
At 1 January 2009	3,121	27,780	(286,051)	(232,616)	(487,766)
Loss for the year	—	—	—	(18,612)	(18,612)
At 31 December 2009	3,121	27,780	(286,051)	(251,228)	(506,378)

Notes:

(i) Statutory reserves are non-distributable and the transfers to these funds are determined by the board of directors of the relevant PRC subsidiaries, associated companies and jointly controlled entities in accordance with the relevant laws and regulations in the PRC.

(ii) Other reserve represents the difference between the fair value of consideration paid and payable and the carrying amount of net assets attributable to the additional interests in the subsidiaries being acquired from non-controlling interests during the year.

33 BANK AND OTHER BORROWINGS

Bank and other borrowings are analysed as follows:

	Group		
	As at 31 December		As at 1 January
	2010	2009	2009
	RMB'000	*RMB'000*	*RMB'000*
Non-current borrowings			
Long-term bank borrowings, secured *(note (a))*	**1,342,143**	651,288	9,420
Long-term bank borrowings, unsecured *(note (b))*	**3,223,520**	824,999	743,000
Loan from non-controlling interests, unsecured *(note (c))*	**—**	—	99,000
Long-term other borrowings, secured *(note (d))*	**—**	127,000	—
Long-term other borrowings, unsecured *(note (e))*	**—**	—	605,000
	4,565,663	1,603,287	1,456,420
Less: current portion of long-term bank borrowings			
— secured	**(103,394)**	(33,713)	(303)
— unsecured	**(109,960)**	(67,001)	(51,999)
current portion of long-term other borrowings			
— unsecured	**—**	—	(575,001)
	(213,354)	(100,714)	(627,303)
Non-current portion	**4,352,309**	1,502,573	829,117
Current			
Short-term bank borrowings, secured *(note (f))*	**20,000**	80,000	100,000
Short-term bank borrowings, unsecured	**295,000**	282,001	20,000
Short-term other borrowings, secured *(note (g))*	**15,000**	—	—
Short-term other borrowings, unsecured	**31,510**	—	—
	361,510	362,001	120,000
Current portion of long-term borrowings	**213,354**	100,714	627,303
Current portion	**574,864**	462,715	747,303
Total borrowings	**4,927,173**	1,965,288	1,576,420

33 BANK AND OTHER BORROWINGS (Continued)

Movements in bank and other borrowings are analysed as follows:

	Group	
	2010	2009
	RMB'000	*RMB'000*
Balance at 1 January	**1,965,288**	1,576,420
Acquisition of a subsidiary *(Note 38(a)(i))*	**992,000**	—
Additions	**3,595,661**	1,736,002
Repayments	**(1,625,776)**	(1,347,134)
Balance at 31 December	**4,927,173**	1,965,288

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

	Group		
	As at 31 December		As at 1 January
	2010	2009	2009
	RMB'000	*RMB'000*	*RMB'000*
Wholly repayable within five years	**658,000**	397,000	150,000
Not wholly repayable within five years	**3,907,663**	1,206,287	1,306,420
	4,565,663	1,603,287	1,456,420

33 BANK AND OTHER BORROWINGS (Continued)

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

	Group		
	As at 31 December		As at 1 January
	2010	2009	2009
	RMB'000	*RMB'000*	*RMB'000*
Within one year	**213,354**	100,714	627,303
In the second year	**299,954**	172,354	82,302
In the third to fifth year	**971,961**	508,061	255,913
After the fifth year	**3,080,394**	822,158	490,902
	4,565,663	1,603,287	1,456,420

Except for the long-term bank borrowings of RMB8,673,000 (31 December 2009: RMB9,047,000 and 1 January 2009: RMB9,420,000) which are denominated in HK$, all borrowings are denominated in RMB.

All of the bank and other borrowings are interest bearing at floating rates. The effective interest rate of the Group's HK$-denominated long-term bank borrowing is 1.30% (31 December 2009: 0.93% and 1 January 2009: 2.43%) per annum. The effective interest rates of the Group's RMB-denominated bank and other borrowings are as follows:

	As at 31 December		As at 1 January
	2010	2009	2009
Long-term bank borrowings	**5.15%**	5.46%	5.41%
Loan from non-controlling interests	**—**	—	5.76%
Long-term other borrowings	**—**	5.64%	5.69%
Short-term bank borrowings	**5.22%**	4.72%	5.06%
Short-term other borrowings	**5.36%**	—	—

33 BANK AND OTHER BORROWINGS (Continued)

Notes:

(a) Secured long-term bank borrowings are secured by:

— all investment properties of the Group with a carrying amount of RMB280,378,000 (31 December 2009: RMB249,142,000 and 1 January 2009: RMB13,985,000);

— certain lease prepayments and property, plant and equipment of the Group with a carrying amount of RMB1,180,713,000 (31 December 2009: RMB820,562,000 and 1 January 2009: Nil);

— accounts receivable with a carrying amount of RMB16,475,000;

— personal guarantee given by a former director of the Company; and

— corporate guarantee given by a shareholder, CPIH.

(b) Unsecured long-term bank borrowings amounting to the extent of RMB1,101,000,000 (31 December 2009: RMB537,000,000 and 1 January 2009: RMB743,000,000) are guaranteed by CPIH.

(c) As at 1 January 2009, the loan from non-controlling interests was unsecured, carried interest and fully repaid during the year ended 31 December 2009.

(d) As at 31 December 2009, secured long-term other borrowings represent borrowings obtained from certain PRC local financial bureaus, which were guaranteed by certain former shareholders and non-controlling interests and secured by:

— certain lease prepayments and buildings with a carrying amount of RMB32,995,000; and

— certain property, plant and equipment of the Group with a carrying amount of RMB120,000,000.

(e) As at 1 January 2009, unsecured long-term other borrowings represented borrowings obtained from certain PRC local financial bureaus and were guaranteed by certain former shareholders and non-controlling interests.

(f) As at 31 December 2010, short-term bank borrowings to the extent of RMB20,000,000 are secured by accounts receivable with a carrying amount of RMB155,400,000.

As at 31 December 2009, short-term bank borrowings to the extent of RMB20,000,000 were secured by certain property, plant and equipment of the Group with a carrying amount of RMB187,271,000.

As at 1 January 2009, short-term bank borrowings to the extent of RMB100,000,000 were secured by a bank deposit of the Group amounting to RMB131,937,000; the properties under development of the Group with a carrying amount of RMB287,668,000 (including the relevant portion of land use rights); and a corporate guarantee given by the Company.

(g) As at 31 December 2010, short-term other borrowings to the extent of RMB15,000,000 are secured by certain property, plant and equipment of the Group with a carrying amount of RMB24,900,000.

(h) As at 31 December 2009, long-term bank borrowing amounting to the extent of RMB60,000,000 was reclassified as current liability as a subsidiary of the Group did not fulfill a financial ratio as required in the loan agreement. By 31 December 2010, the subsidiary has obtained a written waiver in respect of the aforementioned requirement from the relevant bank. The entire balance amounting to RMB165,000,000 was reclassified back to non-current borrowings as at 31 December 2010.

34 DEFERRED INCOME TAX

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

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

	Group		
	As at 31 December		As at 1 January
	2010	2009	2009
	RMB'000	*RMB'000*	*RMB'000*
Deferred income tax assets	**27,453**	26,015	27,603
Deferred income tax liabilities	**(21,051)**	(14,592)	(6,322)
Net deferred income tax assets	**6,402**	11,423	21,281

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

	Group	
	2010	2009
	RMB'000	*RMB'000*
At 1 January	**11,423**	21,281
Acquisition of a subsidiary *(Note 38(b)(ii))*	**—**	(8,214)
Disposal of subsidiaries *(Note 37(b))*	**—**	259
Charged to the consolidated income statement *(Note 11)*	**(5,021)**	(1,903)
At 31 December	**6,402**	11,423

34 DEFERRED INCOME TAX (Continued)

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

Deferred tax assets:

	Group		
	Depreciation allowances *RMB'000*	**Others** *RMB'000*	**Total** *RMB'000*
At 1 January 2010	**25,289**	**726**	**26,015**
Credited to the consolidated income statement	**330**	**1,108**	**1,438**
At 31 December 2010	**25,619**	**1,834**	**27,453**
At 1 January 2009	26,877	726	27,603
Charged to the consolidated income statement	(1,588)	—	(1,588)
At 31 December 2009	25,289	726	26,015

Deferred tax liabilities:

	Group		
	Depreciation allowances *RMB'000*	**Others** *RMB'000*	**Total** *RMB'000*
At 1 January 2010	**(14,140)**	**(452)**	**(14,592)**
Credited/(charged) to the consolidated income statement	**229**	**(6,688)**	**(6,459)**
At 31 December 2010	**(13,911)**	**(7,140)**	**(21,051)**
At 1 January 2009	(6,322)	—	(6,322)
Acquisition of a subsidiary	(8,214)	—	(8,214)
Disposal of subsidiaries	259	—	259
Credited/(charged) to the consolidated income statement	137	(452)	(315)
At 31 December 2009	(14,140)	(452)	(14,592)

34 DEFERRED INCOME TAX (Continued)

Deferred income tax assets are recognised for tax losses carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. As at 31 December 2010, the Group had unrecognised tax losses of RMB107,206,000 (31 December 2009: RMB42,338,000 and 1 January 2009: RMB32,567,000) for Hong Kong profits tax purposes with no expiry date and unrecognised tax losses of RMB148,650,000 (31 December 2009: RMB92,214,000 and 1 January 2009: RMB38,983,000) for the PRC corporate income tax that will expire within five years.

Deferred income tax liabilities to the extent of RMB62,375,000 (31 December 2009: RMB27,264,000 and 1 January 2009: RMB11,719,000) have not been recognised for the withholding tax and other taxes that would be payable on the unremitted earnings of certain subsidiaries because the directors consider that the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Unremitted earnings totalled RMB605,002,000 (31 December 2009: RMB272,646,000 and 1 January 2009: RMB117,185,000) as at 31 December 2010.

35 ACCOUNTS PAYABLE

	Group		
			As at
	As at 31 December		1 January
	2010	2009	2009
	RMB'000	*RMB'000*	*RMB'000*
Accounts payable *(note (i))*	**28,116**	26,178	21,001
Notes payable *(note (ii))*	**33,455**	194,783	51,997
	61,571	220,961	72,998

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

35 ACCOUNTS PAYABLE (Continued)

Notes:

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

	Group		
	As at 31 December		As at 1 January
	2010	2009	2009
	RMB'000	*RMB'000*	*RMB'000*
Current to 3 months	**24,197**	21,967	20,096
4 to 6 months	**1,101**	892	—
7 to 12 months	**1,535**	722	586
Over 1 year	**1,283**	2,597	319
	28,116	26,178	21,001

(ii) Notes payable are normally with maturity period of 90 to 180 days (31 December 2009: 90 to 180 days and 1 January 2009: 90 to 180 days).

As at 31 December 2010, notes payable of RMB33,455,000 (31 December 2009: RMB193,620,000 and 1 January 2009: RMB50,500,000) were drawn under the banking facilities which were secured by a bank deposit of the Group amounting to RMB28,111,000 (Note 30).

36 OTHER PAYABLES AND ACCRUED CHARGES

	Group			Company		
	As at 31 December		As at 1 January	As at 31 December		As at 1 January
	2010	2009	2009	**2010**	2009	2009
	RMB'000	*RMB'000*	*RMB'000*	***RMB'000***	*RMB'000*	*RMB'000*
Construction cost payable	**714,868**	183,372	124,440	**—**	—	—
Salaries and staff welfare payable	**9,123**	21,590	18,359	**—**	—	211
Value added tax payable	**5,171**	5,788	6,701	**—**	—	—
Repairs and maintenance expenses payable	**30,359**	12,281	14,025	**—**	—	—
Consideration payables *(Note 39)*	**22,377**	—	—	**—**	—	—
Other payables and accrued operating expenses	**38,374**	29,396	78,904	**8,240**	3,363	3,793
Amounts due to a shareholder and its subsidiaries *(note (i))*	**4,960**	7,383	1,321	**—**	—	—
Amounts due to subsidiaries *(note (i))*	**—**	—	—	**11,860**	11,945	11,367
Amounts due to non-controlling interests *(note (i))*	**3,900**	68,820	24,792	**—**	—	—
	829,132	328,630	268,542	**20,100**	15,308	15,371
Less: non-current portions *(note (ii))*	**(97,485)**	—	—	**—**	—	—
Current portions	**731,647**	328,630	268,542	**20,100**	15,308	15,371
Denominated in:						
RMB	**807,807**	312,732	228,619	**—**	—	—
HK$	**21,325**	15,898	39,923	**20,100**	15,308	15,371
	829,132	328,630	268,542	**20,100**	15,308	15,371

Notes:

(i) These balances are unsecured, interest-free and repayable on demand.

(ii) Non-current portions of other payables represent construction cost payable which will not be repayable within one year from the date of balance sheet in accordance with the terms of the construction agreements.

37 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

	2010 RMB'000	2009 RMB'000
Profit before taxation	**345,747**	211,022
Adjustments for:		
Interest income	**(4,655)**	(2,646)
Finance costs	**76,886**	81,514
Depreciation and amortisation	**176,497**	161,123
Impairment on accounts and other receivables	**—**	11,190
Loss on disposal of property, plant and equipment	**582**	70
Fair value gain on investment properties	**(31,236)**	(7,967)
Dividend income from financial assets at fair value through profit or loss	**—**	(106)
Gain on disposal of a subsidiary	**(6,614)**	(54)
Share of profits of associated companies	**(15,731)**	—
Share of (profits)/losses of jointly controlled entities	**(21,330)**	210
Share-based compensation expenses	**15,211**	—
Fair value loss/(gain) on financial assets at fair value through profit or loss	**9,381**	(9,430)
Discount on acquisition of a jointly controlled entity/subsidiary	**(1,894)**	(12,304)
Operating profit before working capital changes	**542,844**	432,622
Decrease in other financial assets	**—**	46,869
(Increase)/decrease in inventories	**(56,442)**	100,595
Increase in accounts receivable	**(37,499)**	(194,266)
(Increase)/decrease in prepayments, deposits and other receivables	**(33,158)**	23,328
(Decrease)/increase in accounts payable	**(159,390)**	147,963
Increase/(decrease) in other payables and accrued charges	**(32,917)**	(162,614)
Cash generated from operations	**223,438**	394,497

37 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

(b) Disposal of a subsidiary

	2010	2009
	RMB'000	*RMB'000*
Net (liabilities)/assets disposed of:		
Property, plant and equipment	**—**	864
Prepayments, deposits and other receivables	**—**	150
Other payables and accrued charges	**(4,228)**	—
Deferred income tax liabilities	**—**	(259)
Amount due to non-controlling interests	**(16,226)**	—
Non-controlling interests	**13,840**	—
	(6,614)	755
Consideration	**—**	809
Gain on disposal *(Note 8)*	**6,614**	54
Satisfied by:		
Cash	**—**	809
Cash consideration	**—**	809
Cash inflow on disposal of a subsidiary	**—**	809

38 ACQUISITIONS

(a) For the year ended 31 December 2010

(i) Acquisition of a subsidiary

Effective from 10 November 2010, the Group acquired 100% equity interests in Dafeng from a shareholder of the Company for a consideration of approximately RMB527,203,000.

The acquired business contributed revenue of approximately RMB26,862,000 and net profit of approximately RMB20,423,000 for the period from 10 November 2010 to 31 December 2010. If the acquisition had occurred on 1 January 2010, based on unaudited management accounts, revenue of approximately RMB152,831,000 and net profit of approximately RMB30,962,000 would have been contributed to the Group for the year. These amounts have been calculated using the Group's accounting policies and by adjusting the results of Dafeng to reflect the relevant depreciation and amortisation that would have been charged assuming the fair value adjustments on the relevant assets had applied from 1 January 2010, together with the consequential tax effects.

The fair value of the Group's share of Dafeng's identifiable assets acquired and liabilities and contingent liabilities assumed could only be determined on a provisional basis pending completion of the fair value appraisal process. The Group is still in the process of identifying and valuing intangible assets that can be recognised separately from goodwill.

Details of net assets acquired and discount on acquisition arising are as follows:

	RMB'000
Purchase consideration — fair value of the Consideration Shares	
(Notes 31(a) and (b))	527,203
Fair value of net assets acquired — shown as below	(372,501)
Goodwill	154,702

38 ACQUISITIONS (Continued)

(a) For the year ended 31 December 2010 (Continued)

(i) Acquisition of a subsidiary (Continued)

	Acquiree's carrying amount RMB'000	Fair value RMB'000
Property, plant and equipment	1,570,539	1,570,539
Lease prepayment	4,362	4,362
Accounts receivable	14,083	14,083
Prepayments, deposits and other receivables	49,531	49,531
Cash and cash equivalents	33,768	33,768
Other payables and accrued charges	(307,782)	(307,782)
Bank borrowings	(992,000)	(992,000)
Net assets acquired	372,501	372,501
Cash consideration		—
Cash and cash equivalents acquired		33,768
Cash inflow on acquisition		33,768

(ii) Acquisitions of 15% equity interests in a jointly controlled entity

In September 2010, the Group completed the acquisition of 15% equity interests in 北京龍源冷卻技術有限公司. The aggregate consideration for the acquisition is approximately RMB14,946,000. As a result, the Group has recognised a discount on acquisition of approximately RMB1,894,000 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.

Details of net assets acquired and discount on acquisition arising are as follows:

	RMB'000
Total cash consideration paid	14,946
Less: Share of fair value of net assets acquired	(16,840)
Discount on acquisition	(1,894)

38 ACQUISITIONS (Continued)

(b) For the year ended 31 December 2009

(i) Acquisition of a subsidiary

Effective from 16 March 2009, the Group acquired 51% equity interests in Haukou from certain independent third parties for a consideration of approximately 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 31 December 2009. If the acquisition had occurred on 1 January 2009, no revenue or loss would have been contributed to the Group for the year.

Details of net assets acquired and discount on acquisition 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)

38 ACQUISITIONS (Continued)

(b) For the year ended 31 December 2009 (Continued)

(i) Acquisition of a subsidiary (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 the subsidiary acquired		(23,444)
Cash outflow on acquisition		39,020

(ii) Acquisitions of additional 19% equity interests in Nu Tou Shan

During the period ended 31 December 2008, the Group proposed to acquire additional 17% equity interests in Nu Tou Shan at a consideration of RMB46,742,000. As at 1 January 2009, the transaction was not yet completed and the consideration paid was recorded as a prepayment (Note 25). On 9 January 2009, the Group entered into another purchase agreement with another independent third party of the Group to acquire further 2% equity interests in Nu tou Shan at a consideration of RMB5,490,000. In December 2009, the Group successfully completed the acquisitions of additional 19% equity interests in Nu Tou Shan. The aggregate consideration for the acquisitions is approximately RMB52,232,000.

Details of net assets acquired and goodwill are as follows:

	RMB'000
Total cash consideration paid	52,232
Less: Share of fair value of net assets acquired	(51,754)
Goodwill	478

39 TRANSACTIONS WITH NON-CONTROLLING INTERESTS

(a) Gansu Hui Heng New Energy Technical Development Company Limited ("Gansu Hui Heng"), non-controlling interests of Gansu China Power Jiuquan Wind Power Company Limited ("Gansu China Power", a non-wholly owned subsidiary of the Group with 90% equity interests), 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 interests 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"), non-controlling interests of Yunnan Shuangxing Green Energy Company Limited ("Yunnan Shuangxing"), to acquire its entire 40% equity interests in Yunnan Shuangxing at a consideration of approximately RMB63,823,000, of which approximately RMB5,207,000 remained outstanding as at 31 December 2010 and recognised as consideration payables under other payables and accrued charges. 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 approximately RMB42,157,000. The Group recognised a decrease in non-controlling interests of approximately RMB42,157,000 and a decrease in equity attributable to equity holders of the Company of approximately RMB21,666,000.

(c) On 24 May 2010, the Group entered into an equity transfer agreement with non-controlling interests of Huakou to acquire his entire 49% equity interests in Huakou at a consideration of approximately RMB39,200,000, of which approximately RMB17,170,000 remained outstanding as at 31 December 2010 and recognised as consideration payables under other payables and accrued charges. 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 approximately RMB51,275,000. The Group recognised a decrease in non-controlling interests of approximately RMB51,275,000 and an increase in equity attributable to equity holders of the Company of approximately RMB12,075,000.

39 TRANSACTIONS WITH NON-CONTROLLING INTERESTS (Continued)

(d) Effects of transactions with non-controlling interests on the equity attributable to equity holders of the Company for the year ended 31 December 2010:

	RMB'000
Total comprehensive income for the year attributable to the equity holders of the Company	234,224
Changes in equity attributable to the equity holders of the Company arising from:	
— acquisition of additional interests in Gansu China Power	1,777
— acquisition of additional interests in Yunnan Shuangxing	(21,666)
— acquisition of additional interests in Zhangping Huakou	12,075
Net effect for transactions with non-controlling interests on changes in equity attributable to the equity holders of the Company	(7,814)
	226,410

40 COMMITMENTS

(a) Capital commitments

	Group		**Company**	
	2010	2009	**2010**	2009
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Contracted but not provided for in respect of				
— property, plant and equipment	**1,228,191**	2,554,210	**—**	—
— investment in an associated company	**18,608**	37,215	**—**	—
	1,246,799	2,591,425	**—**	—

40 COMMITMENTS (Continued)

(b) Commitments under operating leases

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

	Group		Company	
	2010	2009	**2010**	2009
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Land and buildings				
Not later than one year	**4,656**	7,278	**—**	—
Later than one year and not later than five years	**2,902**	6,463	**—**	—
	7,558	13,741	**—**	—

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

(c) Future operating lease agreements

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

	Group		Company	
	2010	2009	**2010**	2009
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Land and buildings				
Not later than one year	**6,709**	3,933	**—**	—
Later than one year and not later than five years	**12,587**	11,274	**—**	—
Later than five years	**3,725**	5,475	**—**	—
	23,021	20,682	**—**	—

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

41 RELATED PARTY TRANSACTIONS

As at 31 December 2010, CPI Group had a 35.14% equity interests in the Company and is the single largest shareholder of the Company. The remaining shares are widely held. Accordingly, the directors are of the opinion that CPI Group is able to exercise significant influence over the Company.

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

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

(i) Transactions with related parties

(a) Income

	Note	2010 RMB'000	2009 RMB'000
Interest income from a jointly controlled entity	*(i)*	**1,383**	—
Service income from a jointly controlled entity	*(ii)*	**3,550**	—
Revenue from the provision of installation services to non-controlling interests	*(iii)*	**2,216**	—
Sales of power generating equipment to non-controlling interests	*(iii)*	**—**	1,225

Notes:

(i) Interest income from a jointly controlled entity was charged on outstanding loan balance at 5.84% (31 December 2009: 5.84%) per annum.

(ii) The Group has entered into the provision of repair and maintenance service to a jointly controlled entity, the terms of which were mutually agreed between the parties.

(iii) The Group has entered into agreements for the sales of power generating equipment and the provision of installation services to non-controlling interests, the terms of which were mutually agreed between the parties.

41 RELATED PARTY TRANSACTIONS (Continued)

(i) Transactions with related parties (Continued)

(b) Expenses

	Note	2010 RMB'000	2009 RMB'000
Interest expense to non-controlling interests	*(i)*	—	3,788
Repair and maintenance expenses to a subsidiary of a shareholder	*(ii)*	**26,398**	26,202

Notes:

(i) Interest expense to non-controlling interests was charged on outstanding loan balance at 5.47% per annum for the year ended 31 December 2009.

(ii) The Group has entered into agreements for the provision of repair and maintenance service from a subsidiary of a shareholder, the terms of which were mutually agreed between the parties.

(ii) Period-end balances with related parties

	Note	2010 RMB'000	2009 RMB'000
Included in:			
Other receivables			
Amount due from a shareholder	*(i)*	**6,056**	6,056
Amounts due from non-controlling interests	*(i)*	**18,850**	57,447
Loan to Nu Tou Shan	*(ii)*	**25,206**	25,044
Amount due from CPIF	*(ii)*	**77**	781
Other payables			
Amounts due to a shareholder and certain of its subsidiaries	*(i)*	**4,960**	7,383
Amounts due to non-controlling interests	*(i)*	**3,900**	68,820

Notes:

(i) The balances with these related parties are unsecured, interest-free and repayable on demand.

(ii) Details of terms of the balances are set out in Note 28.

41 RELATED PARTY TRANSACTIONS (Continued)

(iii) Key management compensation

	2010 RMB'000	2009 RMB'000
Basic salaries, housing allowance, other allowances, discretionary bonus and benefits in kind	**3,731**	7,614
Employer's contributions to pension schemes	**29**	45
Share based compensation expenses	**8,918**	—
	12,678	7,659

42 SUBSEQUENT EVENTS

On 21 January 2011, the Company entered into a share purchase agreement with 中國長江電力股份有限公司 (China Yangtze Power Co., Ltd) (the "Purchaser") and China Yangtze International (Hongkong) Co., Limited ("HK Co"), pursuant to which the Company has conditionally agreed to allot and issue 2,800,000,000 new shares to HK Co, a wholly-owned subsidiary of the Purchaser at a price of HK$0.75 per share. The new shares will represent approximately (i) 35.49% of the existing issued share capital of the Company; and (ii) upon the proposed increase in authorised share capital, 26.20% of the issued share capital of the Company as enlarged by the issue of the new shares. The proceeds from issue of the new shares will be HK$2,100,000,000 and will be used by the Company in furtherance of its business plan of investing in power generating projects to be identified by the Group.

43 APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors on 15 March 2011.

Financial Summary

RESULTS

	Year ended 31 December 2010 *RMB'000*	Year ended 31 December 2009 *RMB'000* *(Note)*	Eight months period ended 31 December 2008 *RMB'000* *(Note)*	Year ended 30 April 2008 *RMB'000* *(Note)*	Year ended 30 April 2007 *RMB'000* *(Note)*
REVENUE AND TARIFF ADJUSTMENT	**1,591,426**	1,389,669	1,118,287	913,534	123,971
PROFIT/(LOSS) BEFORE TAXATION	**345,747**	211,022	49,514	70,039	(62,763)
TAXATION	**(64,752)**	(20,229)	(11,755)	(29,398)	(10,524)
PROFIT/(LOSS) FOR THE YEAR/PERIOD	**280,995**	190,793	37,759	40,641	(73,287)
ATTRIBUTABLE TO:					
EQUITY HOLDERS OF THE COMPANY	**234,224**	134,297	9,727	6,598	(39,959)
NON-CONTROLLING INTERESTS	**46,771**	56,496	28,032	34,043	(34,349)
EARNINGS/(LOSSES) PER SHARE FOR PROFIT/(LOSS) ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY (RMB)	**0.032**	0.019	0.001	0.001	(0.014)

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As At 31 December 2010 *RMB'000*	As At 31 December 2009 *RMB'000* *(Note)*	As At 31 December 2008 *RMB'000* *(Note)*	As At 30 April 2008 *RMB'000* *(Note)*	As At 30 April 2007 *RMB'000* *(Note)*
NON-CURRENT ASSETS	**9,623,285**	5,794,778	4,990,181	4,389,654	779,064
CURRENT ASSETS	**1,486,785**	1,194,706	1,153,563	1,895,362	1,575,654
TOTAL ASSETS	**11,110,070**	6,989,484	6,143,744	6,285,016	2,354,718
CURRENT LIABILITIES	**(1,399,551)**	(1,021,909)	(1,098,823)	(1,197,386)	(1,234,177)
NON-CURRENT LIABILITIES	**(4,470,845)**	(1,517,165)	(835,439)	(959,114)	(459,388)
NET ASSETS	**5,239,674**	4,450,410	4,209,482	4,128,516	661,153
NON-CONTROLLING INTERESTS	**267,384**	301,982	195,413	160,399	344,124

Note: The comparatives have been restated to reflect the effect of a change in functional and presentation currencies of the Company starting from June 2010 as set out in Note 3 to the consolidated financial statements.