China Power International Development Limited

中國電力國際發展有限公司

(incorporated in Hong Kong with limited liability under the Companies Ordinance)

(Stock Code : 2380)

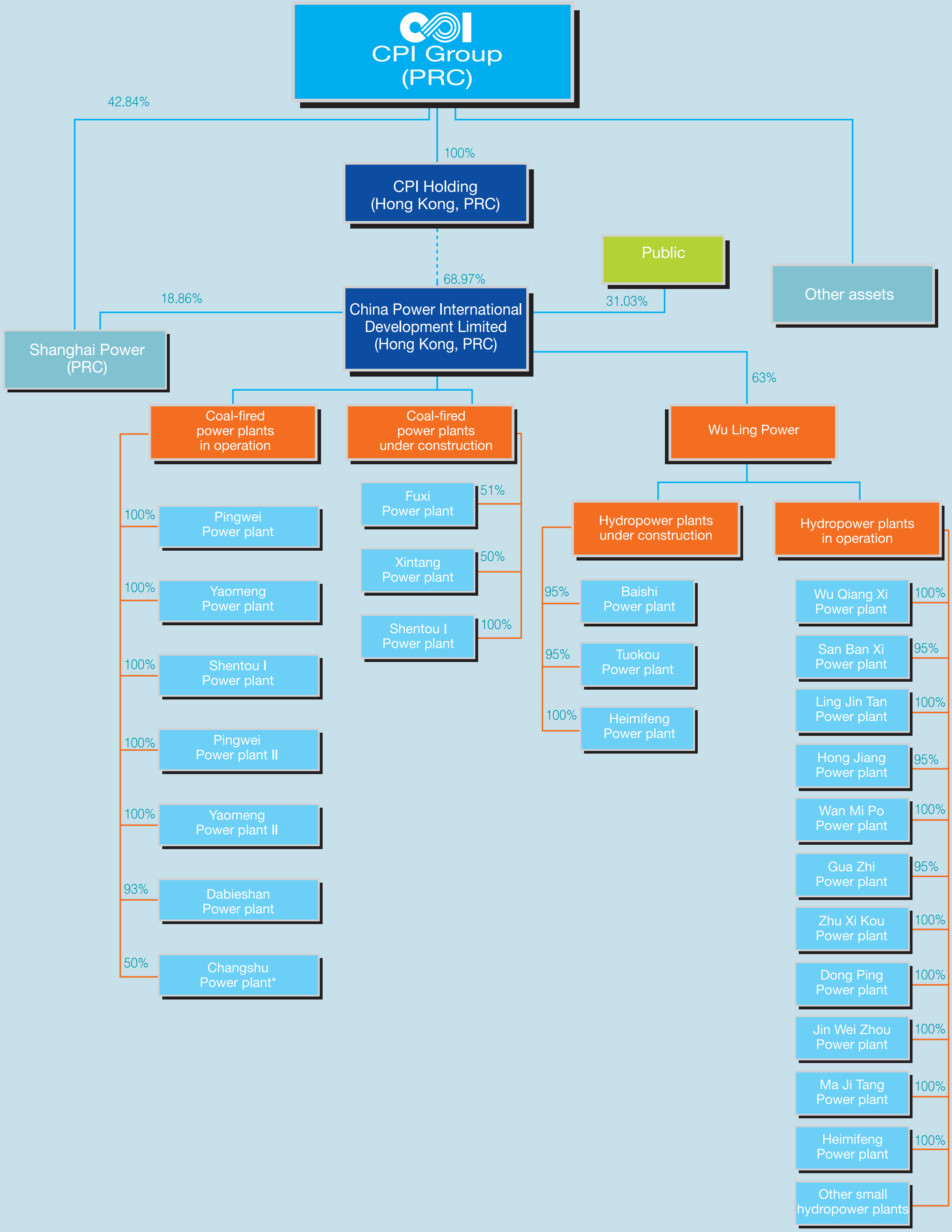
2010 Annual Report

Contents

2010 Financial Highlights

	RMB
Earnings per share	
Basic	0.13
Diluted	0.13
Revenue	14,436,659,000
Profit attributable to equity holders of the Company	666,892,000
Shareholders' equity	12,238,499,000
Total assets	56,790,357,000
Cash and cash equivalents	977,365,000
Total bank and other borrowings	38,069,993,000
Gross generation (MWh)	48,558,685*
Net generation (MWh)	46,002,897*

* Excluding the associated companies



* Associated power plants

Company Profile

China Power International Development Limited (the "Company" or "China Power") was incorporated in Hong Kong with limited liability under the Companies Ordinance (Cap. 32 of the Laws of Hong Kong) on 24 March 2004 and is the flagship company of China Power Investment Corporation ("CPI Group"), one of the five largest power-generating groups in the People's Republic of China (the "PRC" or "China").

The shares of the Company were listed on The Main Board of The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") on 15 October 2004. The stock code is 2380.

The Company's principal business is to develop, construct, own, operate and manage large power plants in the PRC.

At present, the Company and its subsidiaries (the "Group" or "We") own and operate the following power plants: Pingwei Power Plant (100% ownership), Pingwei Power Plant II (100% ownership), Yaomeng Power Plant (100% ownership), Yaomeng Power Plant II (100% ownership), Shentou I Power Plant (100% ownership) , Dabieshan Power Plant (93% ownership) and an associated company, Changshu Power Plant (50% ownership), which have a total installed capacity of 8,350 MW and the installed capacity attributable to the Company in these power plants is 7,615 MW.

The Company also owns 63% equity interests in Wu Ling Power, one of the leading hydro-power development companies in the PRC. Wu Ling Power is the largest hydro-power company in Hunan Province with a total installed capacity of 4,686 MW, of which an installed capacity of 2,680 MW is attributable to the Company.

The Company also holds shares of Shanghai Power (18.86% ownership). Shanghai Power is a power company whose shares are listed on the Shanghai Stock Exchange. The Company is its second largest shareholder after CPI Group. As at 31 December 2010, Shanghai Power's attributable installed capacity was 6,842 MW, while ours was 1,290 MW.

As at 31 December 2010, the Company's total attributable installed capacity was 11,585 MW, of which attributable installed capacity of hydro-power plants was 2,528 MW, accounting for 21.82% of all attributable installed capacity, making the Company an overseas listed PRC power-generation company with the highest percentage of hydro-power installed capacity.

The Company also manages two other power plants on behalf of CPI Holding, namely, Qinghe Power Plant (1,000 MW) and Wuhu Shaoda Power Plant (250 MW). Total entrusted management capacity was 1,250 MW.

The Company's thermal power projects that are currently under construction include: Fuxi Power Plant (2 x 600 MW), Xintang Power Plant (2 x 300MW) and the "Replacement of Small Units with Larger Units" projects with two generation units of 600 MW from Shentou I Power Plant which was approved for construction by National Development and Reform Commission. The installed capacity of the new thermal projects above totalled 3,000 MW.

The Company's hydro power projects that are currently under construction include Baishi Power Plant (3 x 140 MW), Tuokou Power Plant (4 x 200 MW + 2 x 15 MW), and Heimifeng Power Plant (2 x 300 MW). The installed capacity of the new hydro projects above totalled 1,850MW.

OUR PARENT COMPANY - CPI GROUP

The Company is ultimately owned by CPI Group, which is one of the five largest power-generating groups in China established pursuant to the restructuring of the power industry of the PRC in 2002. The power plants of CPI Group spread across 28 provinces, municipalities and autonomous regions in the PRC with a controllable installed capacity of approximately 70GW.

Corporate Information

Chairman of the Board and Chief Executive Officer:	Li Xiaolin
Executive Director and President:	Liu Guangchi
Non-Executive Directors:	Gao Guangfu Guan Qihong
Independent Non-Executive Directors:	Kwong Che Keung, Gordon Li Fang Tsui Yiu Wa, Alec
Company Secretary:	Cheung Siu Lan
Auditor:	PricewaterhouseCoopers
Registered Office:	Suite 6301, 63/F., Central Plaza 18 Harbour Road Wanchai, Hong Kong
Head Office and Principal Place of Business in Hong Kong:	Suite 6301, 63/F., Central Plaza 18 Harbour Road Wanchai, Hong Kong
Share Registrar and Transfer Office:	Computershare Hong Kong Investors Services Limited Shops 1712-1716, 17th Floor Hopewell Centre 183 Queen's Road East Wanchai Hong Kong
Company Website:	www.chinapower.hk
Stock Code:	2380

MAJOR CORPORATE EVENTS IN THE FIRST HALF OF THE YEAR

January	China Power announced its gross generation for 2009 of 37,195,711MWh, representing an increase of 2.3% over the same period in 2008.
April	China Power announced its annual results for 2009 and profit attributable to shareholders of the Company was RMB519,008,000, representing an increase of RMB1,208,269,000 over the loss in the same period last year.
	China Power announced its gross generation for the first quarter in 2010 of 10,631,690MWh, representing an increase of 23.7% over the same period in 2009.
June	China Power held its annual general meeting in Hong Kong.

MAJOR CORPORATE EVENTS IN THE SECOND HALF OF THE YEAR

July	China Power announced its gross generation for the first half of 2010 of 23,862,236MWh, representing an increase of 42.62% over the same period in 2009.
August	China Power announced its interim results for 2010 and profit attributable to shareholders of the Company was RMB272,986,000, representing an increase of RMB125,268,000 over the profit in the same period last year.
October	China Power announced its gross generation for the first three quarters in 2010 of 36,897,032MWh, representing an increase of 42.85% over the same period in 2009.
December	China Power issued 3.2% five-year RMB denominated bonds in Hong Kong with an aggregate principal amount of RMB800 million.
	China Power has entered into two contracts to establish two Sino-foreign equity joint ventures, namely Digua Coal Industry and Pu'an Power, with Yong Chang Mei Dian Holdings Group Company Limited in Guizhou and Guizhou Provincial Qianxi Nanzhou Industrial Investment Company Limited to expand its coal and electricity businesses in Southwestern China.

To all shareholders

2010 was a successful year for the transformation of China Power. In the year, captialised on the strategies to develop both hydro-power and coal-fired power businesses, profitability of the Company increased and the market position as an environmental-friendly electricity generator of the Company was further consolidated. Restructuring of the Company's power generation business enriched the profit stream of the Company instead of relying on the single coal-fired business and facilitated the Company to expand into a new market despite the unfavorable coal-fired power market. In 2010, with the joint efforts of all employees, the operating results of the Company achieved a steady growth, enabling the Company to realize its promises to create value for its shareholders and to shoulder its social responsibilities.

I hereby give my sincerest thanks to all shareholders of China Power who have been concerned about and supportive of us on behalf of the Board of China Power and all employees.

BUSINESS REVIEW OF 2010

2010 was a year full of opportunities and challenges, difficulties and hopes. In the year, the PRC economy maintained its rapid recovery and growth with a GDP growth rate reaching 10.30%. National electricity consumption increased by 14.56% as compared to last year, representing a further recovery of the power market. However, in the face of certain risks in the domestic economic environment, such as increasing inflationary pressures and rising coal price, competition in the power generation market was intensifying and the power operation environment in China was challenging. In order to cope with the changing market, China Power speeded up its restructuring and exerted effort to strengthen its operating results, including assets operation, projects establishment, cost control, and energy conservation and emission reduction.

In 2010, China Power achieved remarkable results through optimizing assets portfolio, increasing the generation and price of electricity, securing high quality projects, reducing unit fuel costs of coal-fired power plants and energy conservation. Profit attributable to equity holders of the Company for the year amounted to RMB666,892,000. Profit generated from hydro-power amounted to RMB376,027,000, accounting for 56.37% of total profit. The unit fuel cost of coal-fired power plants of the Company amounted to RMB235.72/MWh, representing an increase of 10.26% as compared with 2009, however less than our expectation at the beginning of the year, which revealed the Company's relatively effective control over the increasing fuel costs. The average net coal consumption rate of the Company amounted to 324.51 g/KWh, decreased by 5.34 g/KWh as compared to last year.

Contribution from hydro-power was significant and the strategic transformation completed successfully. In 2010, being the first full financial year after the acquisition of assets of Wu Ling Power by China Power, hydro-power assets made a great contribution to the overall profit of the Group. By putting the strategy to incorporate both hydro-power and coal-fired power into full implementation, profit stream of the Company, which relied on the single coal-fired business previously, was substantially changed. Despite the market condition with high coal price, the Company's position in the capital market in Hong Kong was further strengthened.

Power generation and power tariffs were increased. The Company increased its profit by restructuring its electricity generation business and increasing generation. The base volume power generation accounted for 90% of the total generation during the year, representing an increase of 11 percentage points as compared to last year. The net power generation for the year amounted to 46,002,897MWh, representing an increase of 32.52% compared to last year. Although the fuel pass through had not yet started, the average realized tariffs of hydro-power and coal-fired electricity recorded increases. The tariffs of coal-fired and hydro-power was RMB328.25/MWh and RMB258.71/MWh, respectively.

High quality projects were in the pipeline. Two 1000MW power generation units of Pingwei Power Plant III were selected as the "Anhui-to-East Power Transfer" project according to the "Wanjiang Planning" of the state. Application for the approval of the project was submitted to the National Development and Reform Commission. The preliminary works of the expansion project of a 1000MW power generation unit in Changshu Power Plant was in progress. Feasibility studies of two 1000MW coal-fired generation units of Shentou Power Plant II constructed pursuant to the policy of "Replacement of Small Units with Larger Units" had commenced. For hydro-power, Wu Ling Power was granted rights to develop hydro-power project with installed capacity of 189MW in Sichuan and Hunan and rights to develop hydro-power project with installed capacity of 200MW in Xinjiang.

Unit fuel cost was effectively controlled. In order to cope with adverse effects brought by the increasing coal price, the Group strived to control fuel costs arising from fuel procurement, transportation, storage, blending and energy consumption of generating units. In 2010, the unit fuel cost of the Company was RMB235.72/MWh, representing an increase of 10.26% as compared to last year, however less than the expectation at the beginning of the year.

Efforts were exerted in the energy conservation and emission reduction in coal-fired power generating units of the Company. Through upgrading the technology of energy conservation, the Group's pollutants discharge and emission continued to decrease every year. The desulphurization rate of coal-fired power generating units in 2010 was 93.93%, which was in compliance with the laws and regulations related to environmental protection promulgated by the state and local governments. The Company also applied scientific measures of energy conservation and emission reduction. The carbon dioxide emission decreased by 378,000 tons.

DEVELOPMENT OUTLOOK FOR 2011

In 2011, the domestic economy is expected to grow steadily and the market demand in power industry will be prosperous. It is expected that the electricity consumption for the year will amount to approximately 4.7 trillion KWh, the year-on-year growth will be approximately 12%, and the utilization hours of electricity generating facilities will be approximately 4,650 hours. On the other hand, the competition in the electricity market will be increasingly intense and the changes in fuel market and the adjustment of the tariff may have some uncertainty. China Power will continue to strengthen its internal management and promote the corporate culture featuring "Still water runs deep" to enhance its operating results.

KEY WORK EMPHASIS FOR 2011

2011 will be the starting year for the planning of the mid-term development of China Power. The Group will coordinate its operations and optimize its development model.

We will further optimize the structure of our power business. We will grasp the new developing opportunities in the first year of the "Twelfth Fifth Year" and focus to develop load centers and high quality coal-fired projects with large capacity in resources-rich regions in order to expand our presence into prime strategic regions. We will further improve the management of approved construction projects so to ensure those generating units start operation successfully. The Company will also accelerate the development of clean energy by conducting merger and acquisition activities through Wu Ling Power.

We will comprehensively enhance the management of the Company. In 2011, the Group will further enhance the management of safe production and production operations. The Company will also strengthen the strategic cooperation of the integration of coal and electricity and promote refined fuel management to minimize the increase of fuel costs. Restructuring of electricity generation will continue in order to enhance the efficiency of power generation units. The Company will closely monitor various electricity tariff related policies and hydro-power tariff to insure the Company can get a reasonable tariff level. Efforts will also be put in the reduction of financing cost by maintaining reasonable management of financing progress and size.

We will carry out measures to save energy and reduce emission. The Company will formulate plans to enhance the efficiency of its coal-fired power generating units with capacity of over 300 MW through system upgrades and strengthening of consolidated benchmarking management. The Company will also pay attention to the change of national environment protection policies and upgrade the desulphurization and dust wiping of coal-fired generation units.

We will continue to promote our corporate culture of "Still water runs deep". Taking "responsibility, integrity, wisdom and value" as our core value, the Group will further develop the sense of identity and cohesion among our employees, so as to boost their enthusiasm and initiative and encourage them to work towards value creation.

Facing both opportunities and challenges, we believe that, with the cares and supports of all shareholders, and with the dedication of our excellent management team and all employees, the Company will achieve remarkable development and create more values in 2011.

Li Xiaolin
Chairman

30 March 2011

CHAIRMAN OF THE BOARD

LI Xiaolin, born in 1961, is the chairman of the Board, an executive director and the Chief Executive Officer of the Company. Ms. Li is a senior engineer. She graduated from Tsinghua University with a master of engineering degree in power system and automation. She was a visiting scholar at the Sloan Business School of Massachusetts Institute of Technology in the United States. She is currently vice president of CPI Group, chairman of CPI Holding, chairman of China Power New Energy Development Company Limited and 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 deputy head of the International Economic and Trade Division of the Ministry of Energy.

EXECUTIVE DIRECTOR

LIU Guangchi, born in 1954, is an executive director and the President of the Company. Mr. Liu is a senior engineer and graduated from the University of Shanghai for Science and Technology with a master degree in power engineering. Mr. Liu is currently the director and president of CPI Holding and chief supervisor of Shanghai Electric Power Co., Ltd.(上海電力股份有限公司. He has served in various positions, including the general manager of Shanghai Waigaoqiao Power Generation Co., Ltd(上海外高橋發電有限公司)and deputy manager of the Safety Supervision and Production Department of CPI Group and the director and general manager of Shanghai Electric Power Co., Ltd.

NON-EXECUTIVE DIRECTORS

GAO Guangfu, born in 1962, is a non-executive director of the Company. Mr. Gao is a senior accountant. He graduated from Zhongnan University of Finance and Commerce at postgraduate level. He was also a visiting scholar at the Energy Economic and Policy Institute of the National Scientific Research Center of France. Mr. Gao also acts as the manager of Finance and Property Ownership Management Department of CPI Group, director of CPI Financial and CPI Holding. He has served in various positions, including deputy manager of Finance and Property Ownership Management Department of the State Power Corporation of China(國家電力公司)and deputy head of Price Department of the Economic Adjustment Division of the Ministry of Electric Power Industry.

GUAN Qihong, born in 1962, is a non-executive director of the Company. Mr. Guan is a senior economist and senior auditor and holds a bachelor of engineering degree from Huazhong Institute of Technology, a master degree in economics from Zhongnan University of Economics and a doctoral degree in economics from Xiamen University. Mr. Guan is currently the manager of the Capital Market and Equity Management Department of the CPI Group, director of the CPI Financial and CPI Holding. He has served in various positions, including the manager of Asset Assessment Centre of National Asset Management Bureau, the deputy secretary-general of China Appraisal Society, the assistant to the manager of Finance and Property Ownership Management Department of the State Power Corporation and the chief economist of State Grid Shenzhen Energy Development Group Co., Ltd.

INDEPENDENT NON-EXECUTIVE DIRECTORS

KWONG Che Keung, born in 1949, Gordon is an independent non-executive director of the Company. He has been the chairman of the audit committee and a member of the compensation and nomination committee of the Company since August 2004. Mr. Kwong is also an independent non-executive director of a number of companies listed on the Hong Kong Stock Exchange, namely COSCO International Holdings Limited, Beijing Capital International Airport Company Limited, NWS Holdings Limited, OP Financial Investments Limited, China Chengtong Development Group Limited, Global Digital Creations Holdings Limited, Quam Limited, Henderson Land Development Company Limited, Henderson Investment Limited, Agile Property Holdings Limited and CITIC 1616 Holdings Limited. In the past three years, Mr. Kwong was also an independent non-executive director of Frasers Property (China) Limited, Tianjin Development Holdings Limited, China Oilfield Services Limited and Ping An Insurance (Group) Company of China. From 1984 to 1998, Mr. Kwong was a partner of Price Waterhouse and was a council member of Hong Kong Stock Exchange from 1992 to 1997. He has a bachelor of social science degree from University of Hong Kong and is a fellow member of the Institute of Chartered Accountants in England and Wales and a fellow member of Hong Kong Institute of Certified Public Accountants.

LI Fang, born in 1962, is an independent non-executive director of the Company. He has been the chairman of the compensation and nomination committee and a member of the audit committee of the Company since August 2004. He graduated from Beijing University of Science and Technology with a bachelor of engineering degree and received his juris doctoral degree from the College of Law of Arizona State University in the United States in 1995. Mr. Li is currently the chairman of Beijing Mainstreets Investment Group Corporation. Mr. Li has extensive experience in business management and corporate finance. He has served as an executive director of Goldman Sachs (Asia) L.L.C. and a lawyer with David Polk and Wardwell.

TSUI Yiu Wa, Alec, born in 1949, is an independent non-executive director of the Company and a member of the compensation and nomination committee and the audit committee of the Company. He graduated from the University of Tennessee in the United States with a bachelor of science degree in industrial engineering and a master of engineering degree in industrial engineering and completed the Program for Senior Managers in Government at the John F. Kennedy School of Government at Harvard University of the United States in 1993. Mr. Tsui also acts as the Chairman of WAG Worldsec Corporate Finance Limited and an independent non-executive director of a number of companies listed in Hong Kong, the United States and NASDAQ, including China Chengtong Development Group Limited, COSCO International Holdings Limited, China BlueChemical Limited, Melco Crown Entertainment Limited, ATA Inc, China Oilfield Services Limited and Pacific Online Limited. He has substantial experience in the operations of listed companies in Hong Kong. He has served in various positions, including the executive director and chief executive of the Hong Kong Stock Exchange, chief operating officer of The Hong Kong Exchanges and Clearing Limited, the chief executive officer of the Regent Pacific Group, and the independent non-executive director of Greentown China Holdings Limited and China Huiyuan Juice Group Limited.

SENIOR MANAGEMENT

WANG Zhiying, born in 1957, is the vice president of the Company. Mr. Wang is a senior engineer at professor level. He graduated from the Northeast China Institute of Electric Power Engineering with a bachelor of engineering degree in power system and relaying protection. Mr. Wang is currently the vice president of CPI Holding. He has served in various positions, including departmental manager, deputy chief engineer and chief engineer of CPI Holding and deputy manager of the Production Coordination Department and Integrated Planning Department in the Ministry of Electric Power Industry.

ZHAO Yazhou, born in 1959, is the vice president of the Company. Mr. Zhao is a senior accountant. He studied technological economics at postgraduate level at the Harbin Institute of Technology and completed training courses for the chief accountants of major enterprises of the State Power Company at the National Accounting Institute. Mr. Zhao also acts as vice president of CPI Holding. He has served in various positions, including deputy chief accountant, manager of finance department and chief financial controller of CPI Holding and head of the finance department of Heilongjiang Provincial Power Bureau.

ZHAO Xinyan, born in 1962, is the vice president of the Company. Mr. Zhao is a senior engineer. He graduated from Chongqing University with a bachelor degree in materials engineering, and from Guanghua School of management, Peking University with a Master of Business Administration (MBA) degree. He is currently the vice president of CPI Holding and executive director of China Power New Energy Development Company Limited. Mr. Zhao has served as assistant to the president and general managers in various departments of CPI Holding.

WANG Zichao, born in 1970, is the vice president of the Company. Mr. Wang is a senior engineer. He graduated from North China Electric Power University with a master of engineering degree in power system and automation and obtained a master degree in business administration from China Europe International Business School. Mr. Wang is the deputy general manager of CPI Holding, deputy general manager of Wu Ling Power, and deputy general manager of CPI Group Hunan Branch. Mr. Wang has served as general managers in various departments of the Company and assistants to the president of CPI Holding.

GU Xiaodong, born in 1956, is the vice president of the Company. Mr. Gu is a senior political engineer. He graduated from Liaoning Party School（遼寧省委黨校）with a master degree. Mr. Gu is head of discipline team and the chairman of labour union of CPI Holding. He has served as the head of human resources department, the deputy head of administration department of personnel and directors of Northeast China Grid Company of State Grid Company and personnel senior manager of personnel and labor department of CPI Group, head of the discipline team and chairman of labour committee of CPI Group Hunan Branch, and the secretary of discipline commission and the chairman of the labour union of Wu Ling Power Corporation.

CHENG Boru, born in 1962, is the vice president of the Company. Mr. Cheng is a senior engineer. He graduated from Xi'an Jiaotong University with a bachelor degree in computering. Mr. Cheng is the deputy general manager of CPI Holding. He has served as the general manager of the engineering department of CPI Holding and the general manager of Anhui Huainan Pingwei Electric Power Generating Company Limited.

XU Lihong, born in 1966, is the financial controller of the Company. Ms. Xu is a senior accountant. She graduated from the Faculty of Finance, Changsha University of Electric Power and obtained a master degree in business administration from Northeast China University. She is currently a director and the financial controller of CPI Holding, and a director of Shanghai Electric Power. Ms. Xu also has served as a principal staff member of Huazhong Electric Industry Management Bureau(華中電業管理局）and State Power Corporation of China（國家電力公司）a deputy director of Power Department under the State Economic and Trade Commission, deputy chief accountant of CPI Holding, and vice president of China Power, as well as managers in various departments of the Company.

WANG Shengrong, born in 1962, is the executive and office supervisor of the Company. Mr. Wang obtained a master degree in management from Air Force Engineering University. He is currently the executive and office supervisor of CPI Holding. He has served as the officer of the Air Force of the People's Liberation Army with the rank of senior colonel and deputy secretary of Party Committee and secretary of Party Committee for Discipline Inspection and chairman of Staff Union of Shenhua (Beijing) Remote Sensing & Geo-engineering Company Ltd.

XU Wei, born in 1973, is the chief legal advisor of the Company. Ms. Xu is a qualified lawyer of the People's Republic of China and has a bachelor degree in politics from the China University of Political Science and Law and an LLM from Peking University. Ms. Xu is also the chief legal advisor and secretary of the board of CPI Holding. She was a partner and a lawyer of Beijing Han Hua Law Firm.

LI Bin, born in 1965, is the chief corporate culture officer of the Company. Mr. Li is a senior economist. He obtained a bachelor degree in Chinese Linguistics from Anhui Normal University, a master degree in Business Administration from University of Science and Technology of China, a master degree in Professional Accounting from The Hong Kong Polytechnic University and a master degree in EMBA from HEC Paris - International Business School. Mr. Li is the head of department of corporate culture and inspection department of CPI Holding and the Company. He has served as deputy office supervisor and head of policy research office of CPI Holding.

COMPANY SECRETARY

Cheung Siu Lan, is the company secretary of the Company. Ms. Cheung is a fellow member of The Hong Kong Institute of Chartered Secretaries, The Institute of Chartered Secretaries and Administrators in the United Kingdom, Hong Kong Institute of Certified Public Accountants and CPA Australia. She obtained a bachelor degree in Commerce from The University of Queensland, Australia and a master degree in Professional Accounting and a postgraduate diploma in Corporate Administration from Hong Kong Polytechnic University. Ms. Cheung previously served as the company secretary and group financial controller of another listed group in Hong Kong. She has extensive experience in corporate governance, corporate finance and merger and acquisition.

BUSINESS REVIEW FOR YEAR 2010

In 2010, economic growth of China remained strong and power demand grew rapidly. National electricity consumption for the year amounted to 4.19 trillion KWh, representing an increase of 14.56% as compared to the previous year. The rapid growth of economy resulted in the significant increase in the demand of coal, driving the coal price to rise again.

2010 was the first complete accounting year for Wu Ling Power to be consolidated into the Group. Wu Ling Power is primarily engaging in hydro-power development, generation and supply in Hunan and Guizhou. Benefitting from the favourable government policies, hydro-power enjoys apparent competitive advantages and strong profitability with high growth potential. The asset structure of the Group has been further optimized with the additional hydro-power assets. Risks associated to coal-fired business were reduced and pressure of rising costs of fuel used in coal-fired power was relieved by a more balanced and beneficial fuel mix. The Group recorded a strong growth in sales volume of power and profit, and achieved significant improvement in profitability as compared to 2009. Wu Ling Power contributed satisfactory results to the Group and its net profit amounted to approximately RMB591,117,000, accounting for 68.24% of the net profit of the Group. Fully leveraging on the strategic advantages of "balanced hydro and coal-fired generation", the business operation of the Company show a diversity among the industry.

In 2010, turnover of the Group was approximately RMB14,436,659,000, representing an increase of approximately 32.00% as compared to the previous year. Profit attributable to equity holders of the Company was approximately RMB666,892,000, representing an increase of approximately RMB147,884,000 as compared to the previous year. The basic earnings per share was approximately RMB0.13.

In 2010, the net profit of the Group amounted to approximately RMB866,255,000, representing an increase of approximately RMB314,645,000 as compared with the previous year. Among which, the net profit of hydro power amounted to approximately RMB591,117,000 while the net profit of coal-fired power amounted to approximately RMB275,138,000, representing a ratio of 2.15 to 1. Hydro power contributed strong and stable stream of profit for the Group, while coal-fired power continued to contribute positive earnings as a whole.

The net profit increased as compared to 2009 mainly due to the following factors:

- 2010 was the first complete accounting year for Wu Ling Power to be consolidated into the Group. The hydro power business contributed a net profit of approximately RMB591,117,000 to the Group;
- Effects of price adjustment of coal-fired power carried out in November 2009 became apparent in this year, and benefited by the structure of electricity price, the average price of coal-fired power increased by 3.66% as compared to the previous year and contributed an increase of approximately RMB408,227,000 to the Group;
- Sales volume of coal-fired power grew steadily in 2010 and increased by 1,825,719MWh as compared to the previous year, contributing an increase of approximately RMB187,808,000 to the Group.

INSTALLED CAPACITY

For the year ended 31 December 2010, attributable installed capacity of the Group reached 11,585 MW, of which the attributable installed capacity of hydro power was 2,528 MW, representing 21.82% of the total attributable installed capacity, making the Company the cleanest overseas-listed independent power producer in the PRC with the highest percentage of hydro-power.

NET POWER GENERATION AND TARIFF

In 2010, GDP of China achieved a growth of 10.30% as compared to last year. National electricity consumption increased by 14.56% as compared to the previous year, driving an increase of 13.30% in power generation as compared to the previous year. The Group grasped the opportunities brought by the recovery of power demand, and the average utilization hours of coal-fired power reached 5,329 hours, representing an increase of 256 hours as compared to 2009. After overcoming the drought in the first quarter of the year, average utilization hours of hydro-power for the year also amounted to 3,190 hours. Capitalizing on the merger of Wu Ling Power and the recovery of power demand, sales volume of coal-fired power and hydro power in 2010 reached 35,181,309MWh and 10,821,588MWh respectively, totaling 46,002,897MWh, representing an increase of 32.52% as compared with 34,714,399MWh in 2009.

For the selling price of power, the average selling price of coal-fired power of the Group increased by RMB11.60/MWh as compared to the previous year to RMB328.25/MWh while the average selling price of hydro power of the Group was RMB258.71/MWh.

COAL MARKET

In the face of rapid growth of the coal market and rising coal price, the costs of coal-fired power increased. However, in order to control fuel costs, the Group standardized the management of energy consumption and exerted its effort in energy conservation by upgrading technology of energy conservation, strengthening repair and maintenance and restructuring of operation. Coal consumption rate for power generation decreased by 5.34g/KWh as compared to the previous year, mitigating the cost pressure brought by the rising coal price.

SIGNIFICANT INVESTMENT

In December 2006, the Group acquired 390,876,250 shares of Shanghai Power (whose A shares were listed on the Shanghai Stock Exchange) at a consideration of RMB4.26 per share. On 17 June 2008, Shanghai Power converted its capital reserve into the share capital on the basis of 2 additional shares for every 10 existing shares. The total number of shares held by the Group was increased by 78,175,250 shares to 469,051,500 shares, whereas the shareholding percentage remained at 21.92%.

In 2010, the Group disposed of 65,585,707 shares of Shanghai Power at an average price of approximately RMB4.49 per share. The Group recorded a net investment gains of approximately RMB29,792,000, thus reducing the shareholdings from 21.92% to 18.86%.

The Group recognises its shareholding in Shanghai Power as "Available-for-sale financial assets". As at 31 December 2010, the fair value of the shareholding held by the Group was approximately RMB1,605,794,000.

NEW POWER PLANTS

In January 2011, the "Replacement of Small Units with Larger Units" project with two generation units of 600MW from Shentou I Power Plant was approved for construction by National Development and Reform Commission. Besides, the Group also has Fuxi Power Plant and Xintang Power Plant in its coal-fired electricity projects under construction. These two plants' total installed capacity is 3,000 MW, of which the Company's attributable installed capacity accounts for 1,872 MW. With respect to the hydropower projects under construction, the Company has the Baishi Power Plant, Tuokou Power Plant, and the Heimifeng Power Plant with their total installed capacity of 1,850 MW, of which the Company's attributable installed capacity accounts for 1,126 MW. Currently, such projects all go smoothly.

ENVIRONMENTAL PROTECTION AND ENERGY CONSERVATION

The Group puts high priority on low carbon, environmental protection, and energy conservation during its development. In 2009, the successful acquisition of Wu Ling Power by the Group introduced the hydropower generated clean energy, a further gesture to enhance the environmental protection.

All our coal-fired power generation units were installed with desulphurisation facilities which were put into normal operation. Desulphurisation rate was 93.93%, resulting in a significant decrease in the discharge of pollutants and benefiting the environmental protection. The Group's continued improvement in the energy consumption standard achieved an average decrease of 5.34g/KWh on coal consumption rate for power generation as compared with the corresponding period last year.

OPERATING RESULTS OF 2010

TURNOVER

In 2010, turnover of the Group was approximately RMB14,436,659,000, representing an increase of 32.00% as compared with approximately RMB10,936,508,000 of the previous year. The increase in turnover was mainly attributed to the acquisition of Wu Ling Power which increased its operating income.

SEGMENT INFORMATION

Following the acquisition of Wu Ling Power during the year of 2009, the reportable segments identified by the Group are now the "Generation and sales of coal-fired electricity" and "Generation and sales of hydropower electricity".

OPERATING COSTS

Operating costs mainly comprises of fuel costs, repairs and maintenance, depreciation and amortization, staff costs, consumables and other operating expenses.

In 2010, operating costs of the Group amounted to approximately RMB12,193,117,000, representing an increase of 24.78% over approximately RMB9,771,785,000 in the previous year. The increase was mainly due to the acquisition of Wu Ling Power which increased depreciation costs.

Fuel costs were the largest component of the Group's operating costs. In 2010, the fuel costs of the Group was approximately RMB8,292,780,000, covering 68.01% of the total operating costs, and representing an increase of 16.30% over approximately RMB7,130,796,000 in the previous year. Unit fuel costs was approximately RMB235.72/MWh, representing an increase of 10.26% over approximately RMB213.78/MWh in the previous year.

OPERATING PROFIT

In 2010, the Group's operating profit was approximately RMB2,562,596,000, representing an increase of 128.76% as compared with the operating profit of RMB1,120,207,000 of the previous year.

FINANCE COSTS

In 2010, finance costs of the Group amounted to approximately RMB1,514,064,000, representing an increase of 115.18% as compared with approximately RMB703,628,000 of the previous year. Total finance costs increased due to the rise in total bank borrowings after the acquisition of Wu Ling Power.

SHARE OF PROFITS OF ASSOCIATED COMPANIES

In 2010, the share of profits of associated companies was approximately RMB112,327,000, representing a corresponding decrease of approximately RMB15,659,000 as compared with approximately RMB127,986,000 of the previous year. The decrease was mainly attributed to the increase in fuel costs of associated companies, China Resources Power Hunan Liyujiang Company Limited and Changshu Power Plant.

TAXATION

Taxation charges of the Group for 2010 were approximately RMB380,227,000, representing a corresponding increase of approximately RMB357,751,000 as compared with approximately RMB22,476,000 of the previous year. The increase in taxation charge was mainly due to the acquisition of Wu Ling Power.

Among the coal-fired power plants of China Power in 2010, the preferential tax treatment "First two years exemption and subsequent three years 50% reduction" of Pingwei Power Plant, Yaomeng Power Plant, Changshu Power Plant and Shentou Power Plant I has been expired. However according to the relevant PRC income tax rules and regulations, special income tax rates have been granted to them as being foreign invested enterprises which are engaged in the energy, transportation or infrastructure activities and these power plants are subject to an income tax rate of 22% for the year. Pingwei Power Plant II is still enjoying the preferential tax treatment "First two years exemption and subsequent three years 50% reduction", which will end in 2011. The preferential tax treatment "First two years exemption and subsequent three years 50% reduction" of Yaomeng Power Plant II and Dabieshan Power Plant will end in 2012. All hydro power plants of the Group are subject to the applicable tax rate of 25% in this year.

PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

In 2010, the profit attributable to equity holders of the Company was approximately RMB666,892,000, representing a corresponding increase of approximately RMB147,884,000 as compared with approximately RMB519,008,000 of the previous year, of which the share of profit of Wu Ling Power amounted to approximately RMB376,027,000, accounting for 56.37% of the increase.

EARNINGS PER SHARE AND FINAL DIVIDEND

In 2010, the basic and diluted earnings per share attributable to equity holders of ordinary shares of the Company was approximately RMB0.13 and RMB0.13 respectively.

At the Board meeting held on 30 March 2011, the directors recommended the payment of a final dividend for the year ended 31 December 2010 of RMB0.045 (equivalent to HK$0.0535) per ordinary share (2009: RMB0.045 (equivalent to HK$0.0511) per share), totalling RMB229,818,000 (2009: RMB229,818,000).

Pursuant to the PRC enterprise income tax law, a 10% withholding income tax is levied on dividends declared on or after 1 January 2008 by foreign investment enterprises to their foreign enterprise shareholders unless the enterprise investor is deemed as a PRC Tax Resident Enterprise ("TRE"). On 22 April 2009, the PRC State Administration of Taxation issued a notice regarding the determination of PRC TRE status and provided implementation guidance in withholding income tax for non-TRE enterprise shareholders. As at 31 December 2010, the Company was judged by State Taxation Administration as PRC TRE. Therefore, the Company's subsidiaries in the PRC did not accrue for withholding tax on dividends declared to the Company and there has been no deferred tax liability accrued in the Group's consolidated accounts for the undistributed retained earnings of the Company's subsidiaries in the PRC.

In respect of any shareholders whose names appear on the Company's register of members on 20 May 2011 (the "Record Date") being the last book close date and who are not individual shareholders (including HKSCC Nominees Limited, other custodians, corporate nominees trustees such as securities companies and banks, and other entities or organisations, which are all consider as non-TRE), the Company will distribute the proposed final dividend for 2010 after deducting enterprise income tax of 10%. The Company will not withhold and pay the income tax in respect of the proposed final dividend for 2010 payable to any natural person shareholders whose names appear on the Company's register of members as at the Record Date.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2010, cash and cash equivalents of the Group were approximately RMB977,365,000 (31 December 2009: RMB1,910,816,000). The Group derived its funds mainly from cash inflow from operating activities, bank borrowings, project finance, corporate bonds and interest income whereas current assets amounted to approximately RMB3,775,273,000 (31 December 2009: RMB4,521,655,000) and current ratio was 0.31 times (31 December 2009: 0.43 times).

DEBTS

As at 31 December 2010, total borrowings of the Group amounted to approximately RMB38,069,993,000 (31 December 2009: RMB34,172,500,000). All of the Group's bank and other borrowings are denominated in Renminbi, United States Dollars ("USD") and Japanese Yen ("JPY").

Set out below are details of the borrowings of the Group as at 31 December 2010 and 2009:

	2010	2009
	RMB´000	RMB´000
Bank borrowings, secured	**17,589,427**	15,992,186
Bank borrowings, unsecured	**13,148,715**	12,451,370
Corporate bonds issued by the Company	**800,000**	—
Corporate bonds issued by Wu Ling Power	**993,239**	992,506
Borrowings from group companies	**5,203,411**	4,344,111
Other borrowings	**335,201**	392,327
	38,069,993	34,172,500

The above borrowings were repayable as follows:

	2010	2009
	RMB´000	RMB´000
Within one year	**9,097,101**	6,236,957
In the second year	**2,249,636**	1,879,366
In the third to fifth year	**9,225,703**	4,919,148
After the fifth year	**17,497,553**	21,137,029
	38,069,993	34,172,500

Included in the above bank and other borrowings, about RMB11,256,564,000 (2009: RMB7,622,164,000) are subject to market fixed interest rates and the others are subject to the corresponding rules of People´s Bank of China and bearing interest at rates ranging from 3.93% to 6.40% (2009 : 3.00% to 7.47%).

In December 2010, the Company issued in Hong Kong certain RMB denominated Corporate bonds amounted to RMB800,000,000 and the bonds bear interest at 3.20% per annum. The maturity of the bonds is 5 years from the date of issue.

The debts incurred by the Group will be used for general corporate purpose, including capital expenditure and working capital requirements.

Our debt to equity ratio (total borrowings/shareholders' equity) as at 31 December 2010 and 31 December 2009 were approximately 311.07% and 274.73% respectively.

CAPITAL EXPENDITURE

In 2010, capital expenditure of the Group was approximately RMB5,207,703,000, which was primarily used for the construction of new power generation units and technical upgrade projects for existing power generation units. Sources of funds were mainly from project financing and self-generated funds.

RISK MANAGEMENT

The investment and business operation of the Group are exposed to risks from exchange rates, interest rates, commodity prices and liquidity. Affected by factors such as the uncertainties of global financial condition, the tightening of the United State's credit policies and the soaring coal prices, the financial risks and operational risks that the Group encountered increased.

To effectively control the risk exposure of the Group, the Group has implemented all-round risk management and has established a systematic, comprehensive risk management mechanism and internal control system. It has a designated risk management department in place for execution and implementation of risk management measures.

After the Company acquired Wu Ling Power in 2009, the consolidated gearing ratio rose significantly which intensified the Group's financial risks. In order to control liquidity risks, the Group adjusted the structure for strategic development, increased its strength in fund concentration management and adopted measures to control the asset and liability scale, so as to achieve a reasonable level of gearing ratio.

FOREIGN EXCHANGE RATE RISKS

The Group is principally operating in the Mainland China, with most transactions denominated in Renminbi. Except certain cash and bank balances and bank borrowings, most of the Group's assets and liabilities were denominated in Renminbi. The acquisition of Wu Ling Power increased the Company's borrowings denominated in JPY and USD. Expected rise in Renminbi exchange rate and JPY exchange rate fluctuation resulted in the increase in the Group's fluctuation in exchange gain/loss, thereby affecting its financial condition and operating results. As at 31 December 2010, the balance of the Group's borrowings denominated in foreign currencies amounted to approximately RMB2,181,463,000 (31 December 2009: RMB2,317,706,000).

A subsidiary of the Group, Wu Ling Power, entered into a derivative financial instrument contract with a view to managing the foreign exchange exposure of its JPY borrowings. The derivative financial instrument contract is mainly to sell USD for JPY with an aggregate notional principal amount of JPY3,251,900,000 (31 December 2009: JPY3,381,976,000).

PLEDGE OF ASSETS

As at 31 December 2010, the Group pledged its property, plant and equipment with a net book value of approximately RMB439,000,000 (31 December 2009: RMB276, 000,000) to certain banks to secure bank loans in the amount of RMB150,500,000 (31 December 2009: RMB100,000,000). In addition, certain bank borrowings were secured by the rights on accounts receivable of certain subsidiaries of the Group. The accounts receivable secured under these facilities as at 31 December 2010 was amounting to approximately RMB1,208,989,000 (31 December 2009: RMB706,744,000).

CONTINGENT LIABILITIES

As at 31 December 2010, the Group had no material contingent liabilities.

EMPLOYEES

As at 31 December 2010, the Group had a total of 7,420 full-time employees.

The Group put great emphasis on the establishment of performance evaluation as well as rewarding and punishment mechanism. The Group determined the emoluments of its directors and employees based on their respective performance, working experience, duties and the prevailing market rates. The Group also implemented incentive policy linking emoluments with performance.

OUTLOOK FOR 2011

Marking the first year of the "Twelfth Fifth Plan", domestic economy is expected to maintain its growth momentum and power demand in China will rise steadily in 2011. Overall supply and demand of power market will remain balanced despite the effects of market restructuring and consolidation, development of low carbon economy and policies related to energy conservation and emission reduction. Power generation of the Group in 2011 is expected to increase moderately in the face of pressure of rising coal price and opportunity for tariff adjustment. The Group will speed up its restructuring progress and focus on enriching its capital structure. Leveraging on the uniqueness as a listed power generation company incorporating both hydro power and coal-fired power, the Group aims to enlarge its scale of operation and narrow the gap between itself and companies in the industry by expanding the sources of income, strengthening cost control and enhancing its profitability in order to further consolidate the capital market position of China Power. The Group will strive to achieve sustainable development by exerting efforts in enhancing corporate systems and structure to improve its management standard, and to promote the corporate culture featuring "Still water runs deep".

CORPORATE GOVERNANCE

China Power strives to raise the standard of corporate governance and regards corporate governance as part of value creation. This reflects the commitment of the Board and senior management on abiding by the standards of corporate governance, as well as our willingness to maintain transparency and accountability to maximise the value of our shareholders as a whole.

CORPORATE GOVERNANCE REPORT

Except for the deviations from Rules A.2.1, A.4.2 and E.1.2, the Company has strictly complied with the code provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 to the Listing Rules in 2010. The Corporate Governance Report of the Company during the year is set out below:

A. DIRECTORS

A.1 THE BOARD

The Board held six meetings during the year and meetings were also held as and when necessary to discuss significant transactions, including material acquisitions and disposals and connected transactions, if any. All Directors can give notice to the Chairman or the company secretary if they intend to include matters in the agenda for Board meetings. Before each Board meeting, sufficient notice of meeting was sent to each Director to promote better attendance. To ensure a thorough understanding of the matters to be discussed in the meetings, the Company will provide the Directors with complete and reliable written reports in a reasonable period of time and the management will answer enquiries from the Directors at any time. Where necessary, the Directors can seek separate independent professional advice at the Company's expenses so as to discharge his/their duties to the Company. Minutes of the meetings are kept by our company secretary, and the Board and committee members may inspect the documents and minutes of the Board and the committees at anytime. All Directors have access to the advice and services of the company secretary who is responsible to the Board for ensuring that procedures are followed and that all applicable laws and regulations are complied with.

We have arranged appropriate insurance cover on Directors' and officers' liabilities in respect of legal actions against its Directors and senior management arising out of corporate activities.

A.2 CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Code provision A.2.1 stipulates that the roles of chairman and chief executive should be separated and should not be performed by the same individual. Ms. Li Xiaolin currently serves as chairman of the Board and chief executive officer. The Board believes that Ms. Li Xiaolin has served as the chief executive officer and accumulated extensive experience in the capital market and the industry. It will be more effective in developing the Company's long-term business strategies and in execution of the Company's business plans if Ms. Li Xiaolin continues to serve as the chief executive officer of the Company. To help maintain a balance of power, the Company has set up an Executive Committee. The Executive Committee was formed by all Executive Directors and senior management and meetings were convened regularly to make decisions on matters concerning the daily management and business of the Company.

The Chairman, Ms. Li Xiaolin, provides leadership for the Board. She is responsible for ensuring that all Directors receive adequate information, which must be complete and reliable, in a timely manner and that Directors are properly briefed on issues arising at the Board meetings. She also ensures that the Board works effectively and discharges its responsibilities; good corporate governance practices and procedures are established; and appropriate steps are taken to provide effective communication with shareholders and that views of shareholders are communicated to the Board as a whole.

In December 2010, the Chairman held a meeting with the three independent non-executive directors in the Beijing office reviewing business performance for the year, areas for improvement and focus of the Group in the coming year and discussing means of improving corporate governance.

A.3 BOARD COMPOSITION

The Board comprises chairman of the Board and chief executive officer, Ms. Li Xiaolin, executive Director and the president, Mr. Liu Guangchi, two non-executive Directors, namely Mr. Gao Guangfu and Mr. Guan Qihong, and three independent non-executive Directors, namely Mr. Kwong Che Keung, Gordon, Mr. Li Fang and Mr. Tsui Yiu Wa, Alec. Profiles of the Directors are set out in the section headed "Directors and Senior Management Profiles" of this annual report.

Members of the Board possess various experience, capabilities, and expertise suitable for and relevant to the Company's businesses. The Board includes experts in electric power technology and management, professionals in finance and law as well as scholars. They are not only experienced, but also have progressive thinking. More than one-third of our Board members are independent non-executive directors who can help the Board to make more effective independent judgment. The non-executive Directors (including the independent non-executive Directors) who form the majority of the Board possess diverse expertise. As such, they are able to make decisions in an objective and professional manner, to assist the management in formulating the Company's development strategies, and to ensure that the preparation of financial and other mandatory reports by the Board are in strict adherence to appropriate standards in order to protect the interests of the shareholders and the Company. The Board has received annual written confirmation of independence from each of the independent non-executive Directors and believed that, as at the date of this annual report, they were independent of the Company in accordance with the relevant requirement of the Listing Rules.

A.4 APPOINTMENTS, RE-ELECTION AND REMOVAL

In accordance with our articles of association, one-third of the Directors (including non-executive Directors with fixed term of three years, but with the exception of the executive Director who is also the chief executive officer of the Company) will retire from office by rotation for re-election by shareholders at the annual general meeting after the annual general meeting in year 2007. In addition, any new appointment to the Board is subject to re-appointment by shareholders at the upcoming general meeting.

Code provision A.4.2 stipulates that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. However, as provided in the articles of association of the Company, the executive Director who is also the chief executive officer of the Company shall not be subject to retirement by rotation.

The Company is of the view that the position of chief executive officer is crucial to the operation of the Company. The articles of association of the Company stipulate that the chief executive officer shall not be subject to retirement by rotation, which reflects the importance of this position and ensures that the impact of the change of personnel on the operation of the Company is kept to minimal.

A.5 RESPONSIBILITIES OF DIRECTORS

Every newly appointed Director will receive a comprehensive, formal and tailored induction on the first occasion of his/her appointment, so as to ensure that he/she has a proper understanding of the operations and business of the Company, and that he/she is fully aware of his/her responsibilities under statute and common law, the Listing Rules, other regulatory requirements, and especially the governance policies of the Company. The company secretary of the Company will continuously update and refresh Directors on areas regarding their responsibilities and relevant regulations. All Directors are required to disclose to the Company their offices held in public companies or organisations and other significant commitments.

The Company has adopted a set of Code of Conduct for Securities Transactions by Directors ("Code of Conduct"), the terms of which are not less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules. Having made specific inquiries to all Directors, all Directors confirmed that they have complied with the Code of Conduct throughout 2010.

A.6 SUPPLY OF AND ACCESS TO INFORMATION

Full Board or committee papers will be sent to all Directors at least three days before the intended date of a Board meeting or committee meeting.

Management has supplied the Board and its committees with adequate information and explanations so as to enable them to make an informed assessment of the financial and other information put before the Board and its committees for approval. Management is also invited to join the Board or committee meetings where appropriate.

All the Directors are also entitled to have access to timely information in relation to our business and make further enquiries where necessary, and they have separate and independent access to senior management.

B. REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The Company established the Compensation and Nomination Committee on 24 August 2004. Its primary duties are to evaluate the performance of the Directors and senior management and to determine the specific compensation packages for all executive Directors, including benefits in kind, pensions, benefits, and compensation for lost of office or upon appointment, to make recommendations on the remuneration of non-executive Directors and to make recommendations in respect of the appointment and removal of members of the Board according to criteria such as educational background and work experience. The remuneration of the Directors approved by the shareholders is determined by the Board with reference to their experience, performance, duties and market conditions.

The Compensation and Nomination Committee has three members, namely Mr. Li Fang, Mr. Kwong Che Keung, Gordon, and Mr. Tsui Yiu Wa, Alec, all of whom are independent non-executive Directors. The committee is chaired by Mr. Li Fang.

The Compensation and Nomination Committee held one meeting during 2010 (average attendance was 100%) to review and make recommendations in respect of the Directors' remuneration in 2010 and the overall remuneration package for Directors and senior management in 2010.

C. ACCOUNTABILITY AND AUDIT

C.1 FINANCIAL REPORTING

Directors acknowledge their responsibility for preparing the financial statements on a going concern basis, with supporting assumptions or qualifications as necessary. The Company's financial statements are prepared in accordance with the Listing Rules, Companies Ordinance and also the accounting principles and practices generally accepted in Hong Kong. Appropriate accounting policies are selected and applied consistently; judgements and estimates made are prudent and reasonable. The Directors endeavour to ensure a balanced, clear and understandable assessment of the Company's position and prospects in annual reports, interim reports, price-sensitive information announcements and other disclosures required under the Listing Rules and other statutory requirements.

C.2 INTERNAL CONTROLS

The Board puts particular emphasis on risk management and strengthening internal monitoring system. In respect of organizational structure, in addition to the Audit Committee, the Company has also established the Compensation and Nomination Committee. The principles of the internal control framework are: to strengthen the Company's internal monitoring and control in accordance with the requirements of the Hong Kong Stock Exchange, continuously improve the Company's corporate governance structure, build up corporate integrity culture, establish an effective control system, continuously assess the competence of the internal control system and the efficiency of the management through auditing, risk assessments and internal assessment, review identified risk exposures and ensure the effective running of the control system.

The Company has established the Internal Control Department which is crucial to the Company's internal controls. To create a good internal control environment, the Internal Control Department provides internal control assessment reports to the management on a regular or ad hoc basis. It also regularly reports to the Audit Committee and the Board on internal control affairs. To minimize risk faced by the Company, the department evaluates and reviews the Company's internal control processes to avoid risks and provide a solid foundation for building up an effective internal control system.

The Company has preliminarily established a comprehensive internal control system, which includes seven parts, namely "basic framework of the internal control system", "management authorization manual", "staff disciplinary codes", "codes on conflicts of interests", "operation standards for internal control activities", "assessment standards for internal control system", and "implementation standards for internal audit", details of which are contained in our "Internal Control Manual". While taking into full account the risk management framework requirements of The Committee of Sponsoring Organisations of the Treadway Commission, the promoter of the National Commission on Fraudulent Financial Reporting, and risk management guidelines set out by the Hong Kong Institute of Certified Public Accountants, the internal control system of the Company also learns from the experience of outstanding management companies and takes into consideration our actual situation and business characteristics in formulating the control framework for assessing the efficiency and competence of the internal control system, which provide a solid foundation to ensure the effectiveness of the Company's operation activities, reliability of its financial reports and compliance of laws and regulations.

The Directors have reviewed the efficiency of internal control systems of the Company and its subsidiaries in aspects such as financial condition, operation, regulatory compliance and risk management. Directors believe that the internal control system is efficient and effectively controls the risks that may have impacts on the Company in achieving its goals.

In 2010, according to the "Internal Control Manual", our Internal Control Department had assessed the internal control systems and reviewed the improvement works regarding the issues discovered during the 2009 internal control assessment. By analyzing various internal control points relating to the business processes, we have a better picture of the current conditions of internal control of each business unit and unearthed defects and weaknesses of the internal control system. The results of the internal control studies are incorporated into the business performance assessments for each subsidiary company. By doing so, potential operation and management risks can be avoided and the corporate governance standard as well as economic benefits can be enhanced.

The Company has enhanced its efforts in internal audit and reviewed our corporate social responsibility management, cost of labour management and legal compliance of continuous connected transactions this year under its integrated management focuses. With enhanced effectiveness of the internal audit function, internal audit was conducted for the independent and objective supervision and assessment on the adequacy and effectiveness of the operation of internal control system.

C.3 AUDIT COMMITTEE

The Company established the Audit Committee on 24 August 2004 with written terms of reference in compliance with the Listing Rules and the Code. The primary duties of the Audit Committee set out in its terms of reference, inter alia, include: (1) to communicate with internal auditor and determine annual internal audit plans, discuss internal audit procedures with the internal auditor at least once every six months, review and monitor the internal control systems, internal audit functions and effects of annual internal audit plans; (2) to make proposals to the Board on the appointment, re-appointment and removal of the external auditor, review and monitor the independence, objectivity and audit effectiveness of the external auditor in accordance with the relevant standards issued by the Hong Kong Institute of Certified Public Accountants, formulate and implement the engagement policy on the provision of non-audit services by the external auditor; (3) to review financial information of the Company; (4) to supervise the financial reporting system and internal control system including the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget; (5) to conduct any inspection authorised by the Board based on its terms of reference, in that case, the committee is entitled to solicit any necessary information from any employees while who have been instructed to assist the committee to satisfy any of its requirements.

The Audit Committee comprises of three members, namely Mr. Kwong Che Keung, Gordon, Mr. Li Fang and Mr. Tsui Yiu Wa, Alec, all of whom are independent non-executive Directors. The Audit Committee is chaired by Mr. Kwong Che Keung, Gordon. For the purpose of reinforcing their independence, all members of the Audit Committee have appropriate professional qualifications, accounting or related financial management experience referred to in the Listing Rules.

The Audit Committee held two meetings during 2010 (average attendance was 100%). The committee together with the senior management, internal and independent auditors of the Company reviewed the internal and independent audit results and discussed matters relating to audit, internal control system and financial reporting.

D. DELEGATION BY THE BOARD

D.1 MANAGEMENT FUNCTIONS

The Board is the highest decision-making and managing body of the Company. Having regard to the best interests of the Company and its shareholders, the Board reviews and approves major matters such as business strategies, budgets, major investments as well as mergers and acquisitions. In addition, the Directors have acknowledged that the principal responsibilities of the Board also include supervising and administrating the operation and financial position of the Company, approving the result announcements and other announcement concerning operation conditions of the Company to be published to the public on a regular basis, optimising corporate governance structure and promoting the communication with our shareholders.

D.2 EXECUTIVE COMMITTEE

Currently, the Board of the Company has set up three committees, namely Executive Committee, Audit Committee and Compensation and Nomination Committee to implement internal supervision and control on each relevant aspect of the Company. Details of Audit Committee and Compensation and Nomination Committee are set out in Sections C.3 and B above.

The Company established the Executive Committee in 2008. As a committee under the Board, the Executive Committee conducts its work under the guidance of the Board and reports to the Board pursuant to the “Working Guidelines for the Executive Committee” approved by the Board. The Chairman of the Board acts as the chairman of the committee. The members of the committee include the president, vice presidents, financial controller and other senior management. The functions and powers of the Executive Committee cover those of the original Investment and Risk Control Committee and extend to all important aspects relating to the operation and management of the Company.

The Executive Committee plays an important role in enhancing the quality of corporate governance as well as strengthening the management efficiency of the Company, and acts as a bridge for communication and connection between the Board and the management. The Executive Committee supervises and guides the management to timely implement the Board resolutions, and ensures that the Board can timely hear the voices of the operation and management staff and acts timely in respect of material operation affairs of the Company.

The Executive Committee held seven meetings during 2010. The Chairman of the Board, the president and senior management of the Company all attended each meeting.

E. COMMUNICATION WITH SHAREHOLDERS

Apart from reporting to the shareholders and investors on its operation and financial conditions semi-annually and annually, the Company also discloses relevant information such as electricity generation regularly so that the investors have a better understanding about the operation of the Company.

The Company also holds regular press conferences and meetings with financial analysts and investors, during which the Company's management will directly provide relevant information and data to the media, financial analysts, fund managers and investors, as well as answer their enquiries in a prompt, complete and accurate manner. The Company's website is updated continuously, providing up-to-date information regarding every aspect of the Company to investors and the public.

The Company features the Capital Markets and Investor Relations Department, which takes charge of the Company's relationship with investor relations by providing information and services to investors, promptly replying to their enquiries, and maintaining channels of active and timely communications with them.

Code provision E.1.2 stipulates that the chairman of the Board should attend the annual general meeting. Due to another business engagement, Ms. Li Xiaolin, the chairman of the Board, was unable to attend general meeting of the Company held on 8 June 2010. However, Mr. Liu Guangchi, another executive director and the president of the Company, took the chair of that meeting and the chairman of the Audit Committee and the chairman of the Compensation and Nomination Committee were present thereat to be available to answer any question to ensure effective communication with shareholders of the Company.

F. ATTENDANCE RECORDS

Details of Directors' attendance at the Board meetings and meetings of Board committees held in 2010 are set out in the following table:

Directors	Attendance Required	Attendance In Person	Attendance By Proxy
Board of Directors			
Executive Directors:			
Li Xiaolin *(Chairman of the Board and chief executive officer)*	6	3	3
Liu Guangchi *(President)*	6	6	—
Non-executive Directors:			
Gao Guangfu	6	5	1
Guan Qihong	6	6	—
Independent Non-executive Directors:			
Kwong Che Keung, Gordon	6	6	—
Li Fang	6	6	—
Tsui Yiu Wa, Alec	6	6	—
Audit Committee			
Kwong Che Keung, Gordon (Chairman of the Committee)	2	2	—
Li Fang	2	2	—
Tsui Yiu Wa, Alec	2	2	—
Compensation and Nomination Committee			
Li Fang (Chairman of the Committee)	1	1	—
Kwong Che Keung, Gordon	1	1	—
Tsui Yiu Wa, Alec	1	1	—

G. AUDITOR'S REMUNERATION

For the year ended 31 December 2010, the Company has reviewed the performance of PricewaterhouseCoopers as the Company's auditor (the "Auditor") and is considering their reappointment. For the year ended 31 December 2010, the remuneration payable to the Auditor amounted to approximately HK$8,110,000, while the fees for audit related services, including the review of interim reports and review of the continuing connected transactions for the year, and non-audit services, amounted to approximately HK$1,040,000 and HK$830,000 respectively.

H. CHANGE IN DIRECTORS' BIOGRAPHICAL DETAILS

Change in Director's biographical details since the date of the Interim Report 2010 of the Company or (as the case may be) the date of announcement for the appointment of the Director issued by the Company subsequent to the date of the Interim Report 2010, which is required to be disclosed pursuant to Rule 13.51(2) and Rule 13.51B(1) of the Listing Rules, is set out below:

Mr. Kwong Che Keung, Gordon
Cessation of appointment
- Frasers Property Property (China) Limited (independent non-executive director) with effect from 14 January 2011

Mr. Tsui Yiu Wa, Alec
Appointment
- Arnold Holdings Limited (independent non-executive director) with effect from 25 March 2011

Other than the above disclosed, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

CHINA POWER'S STRATEGIES OF ENVIRONMENTAL PROTECTION

As the national economy is growing rapidly, the problems of environmental quality are increasingly obvious and the State has put more efforts on environmental protection. The "Twelfth Fifth Year Plan" of the State indicated that the proportion of the consumption of non-fossil energy sources to primary energy consumption will increase to 11.4% by 2015. The energy consumption per unit of GDP and the emission of carbon dioxide will decreased by 16% and 17% respectively, and the total discharge of major pollutants will decreased by 8% to 10%. As a power company, in addition to fulfilling the national basic demand of electricity, the Group will also actively make responses to the environmental protection measures of the State and fulfill its social responsibilities. In 2010, in pursuit to a low-carbon society, China Power was devoted to energy conservation and emission reduction and finding out more appropriate ways to survive in the industry so as to step towards a low carbon era.

ENERGY SAVING AND ENVIRONMENTAL PROTECTION MEASURES IN 2010

1. Optimization of the Structure of Assets and the High Capability of Energy Conservation of Hydro-power Assets

In 2010, the power generation of China Power amounted to 48,558,685 MWh, in which, the hydro-power generation amounted to 10,932,935 MWh, accounting for 22.51%, 13.98% and 44% of the total power generation of the Group, the total power generation in Hunan Province (unified dispatching power plants) and total hydro-power generation in Hunan Province (unified dispatching hydro-power plants) respectively. As hydro-power is a renewable clean energy with a higher power generation, various governments support the hydro-power development. The Chinese Government has also made more investment in the development of hydro-power. Thus, developing hydro-power projects will be a major development strategy of the Company.

2. Emphasizing the Environmental Management of Coal-fired Power Generation Units

All coal-fired power generation units of China Power have been already equipped with desulphurization devices . As a result, the total volume and performance of pollutant discharging has reduced constantly and the desulphurization rate reached 93.93%. The Company completed the re-making works of the electric dust wipers for furnace No.1 of Pingwei Power Plant, furnace No.2 of Yaomeng Power Plant and furnace No.3 of Yaomeng Power Plant successfully. The dust wiping rate was over 99.93%. The smoke and dust discharging concentration was significantly reduced to lower than 30mg/Nm^3, which was in a leading position in the PRC.

3. Emphasizing Environmental Protection relating to Hydro-power Development

Wu Ling Power places great emphasis on ecological restoration relating to hydro-power development. It adopts various measures to protect the ecological environment at the different stages of its projects.

At the planning and designing stage of a hydro-power project, Wu Ling Power focuses on conducting environmental impact assessment to minimize the negative impact on the environment. During the construction process of hydro-power, Wu Ling Power carries out environmental protection tasks such as water and soil preservation, maintaining water quality of reservoirs, preservation of cultural and historical relics, etc. strictly in accordance with the requirements of the environmental authorities of the country to minimize the environmental impact of construction works. It has also adopted various measures such as breeding and freeing of fishes, transplanting and planting of valuable and rare plants to maintain the ecological balance.

4. Effective Measures to reduce the Energy Consumption of Generation Units

Through setting up a technology exchange platform, China Power promoted the utilization of advanced technologies and organized domestic and foreign experts to carry out onsite inspection for energy conservation in units to find out defects in the management of energy conservation. Aiming to meet the benchmarking of production and operation, China Power refined the management assessment and carried out reformation of generation unit No.1 of Pingwei Power Plant and generation unit No.3 of Yaomeng Power Plant for energy conservation, and the expected targets were achieved. The Company refined the energy consumption of other generation units through maintenance and repairing and optimization. In addition to increasing the profitability of coal-fired power generation units, the improvement of energy consumption also reduced the emission of pollutants.

5. Continuing Improvement of Environmental Protection through Benchmarking Management

In 2010, China Power made reference to domestic outstanding power operators and actively introduced the management experiences in advanced equipments relating to environment protection based on the current situation of production and operation of the Company. The Company also cooperated with relevant technical consulting departments and was devoted to the reformation of environmental protection equipment, so as to ensure the safety and stability of environmental protection equipment. As the newly equipped desulphurization devices in coal-fired power generation units and the generation units were put in operation, inspected and approved by the Government and granted the power price compensation for desulphurization concurrently, the environmental risks of the Company have been effectively managed.

ACCOMPLISHMENTS RELATING TO ENVIRONMENTAL PROTECTION IN 2010

1. Breakthroughs in Energy Consumption Indicators

Through the technological refinement and the optimization of operation, the energy consumption in power generation was reduced. In 2010, the coal-fired power generation units of China Power had an average coal consumption rate of 324.51g/KWh, representing a decrease of 5.34g/KWh from 2009, which has been the most significant since its operation. The standard coal consumption reduced by approximately 189,000tons for the entire year and the fuel costs reduced by approximately RMB92,910,000.

2. Apparent Result in Energy Conservation from Hydro-power Assets

In 2010, the sales volume of hydro-power of Wu Ling Power amounted to 10.82 billion KWh, which could be interpreted as a decrease in a standard coal consumption of 3.576 million tons in terms of 330 grams of coal consumption, a reduction in sulphur dioxide emission by 180,230 tons, a reduction in carbon dioxide emission of 9,921,900tons, a reduction in nitrogen oxide emission of 47,600 tons and a reduction in smoke and dust discharging of 43.28 billion standard cubic meters.

3. Significant Improvement in the Indicators of Environmental Protection

China Power successfully reduced the emission of waste gases from power generation in 2010. The Company continued to reduce its emission of waste gases on the basis of its gas emission in 2009: emission of carbon dioxide decreased by 378,000 tons; sulphur dioxide decreased by 8,098 tons; nitrogen oxide decreased by 100 tons; smoke and dust decreased by 603 tons. The pollutants emission per unit further decreased, with a sulphur dioxide emission of 0.45g/KWh, a nitrogen oxide emission of 1.79g/KWh and a smoke and dust emission of 0.37g/KWh.

4. Further Decrease in Sewage Charge

In 2010, the standards of pollutants charges were tightened by the Chinese Government. Power generation companies under China Power paid an aggregate of approximately RMB68,590,000 of sewage charge, representing a decrease of RMB420,000 as compared to the previous year. This decrease was mainly due to the effective measures adopted by China Power to reduce the discharge of pollutants and the pollution caused to the environment and the decrease of the pollutant discharge caused by the power generation.

5. Effective Environmental Protection Works Recognized by the Society

China Power achieved outstanding results in environmental protection in 2010, realistically carrying out its environmental protection obligations. The Company was highly appraised by the Ministry of Environmental Protect of the State after various strict examinations. The effective environmental protection work done by China Power was recognized by both its parent company and the society.

SOCIAL DONATIONS OF CHINA POWER IN 2010

In 2010, initiated by Ms. Li Xiaolin, Chairman of the Board of China Power, the Company actively fulfilled its social responsibility and successively held three fund raising initiatives for donation to disaster areas in Southwest drought, earthquake in Yushu, Qinghai and landslide in Zhouqu, Gansu. The staff of the Company has responded actively and the donation from the staff from the headquarters of China Power and its subsidiaries exceeded RMB110,000 and RMB780,000 respectively.

Since 2008, 14 employees from the headquarter of China Power have agreed to support orphans from areas affected by the Sichuan earthquake to subsidize them to complete the nine-year compulsory education and three years of high school education. In 2010, the subsidies raised for orphans amounted to above RMB20,000.

China Power devoted to organizing “Yingshanhong” donation campaign for education in which many young employees of the Company actively participated. In 2010, 3,016 employees from the headquarter and subsidiaries of the Company donated a total amount of RMB64,522 to “Yingshanhong” campaign.

Investor Relations

The Company, the Board and the management deeply acknowledge that maintaining investor relations is a strategic management activity which could enhance understanding between investors and the Company, upgrade the level of corporate governance, transparency and strategic credibility as well as create values for shareholders. Since the listing of the Company, we have been putting effort in investor relations, respecting the investment made by investors and maintaining good communications with the investors so as to attract institutional investors and small and medium investors and realise the Company's value.

In 2010, Chinese-based companies maintained leading positions in the global capital market in spite of the keen competition. However, influenced by the industrial policy, market position and attention on power companies in the PRC, which played an important role in the domestic economy, further faded out in the international capital market. New changes in electric power market have brought new challenges in maintaining investor relations. To best serve our investors, we have been committed to protect their interests as the first task and exerted effort in communicating with them.

Despite the cooling down of the traditional coal-fired industry in 2010, China Power was still under the spotlight of massive investors with its incorporation of both hydro-power and coal-fired generation and the influence of our management team over the capital market. The image and position of China Power in the international capital market kept enhancing by overcoming a lot of obstacles. With our sincerity and dedication, we have been devoted to maintaining timely communication with investors in order to keep them abreast of the operation and management of the Company as well as the future expansion plans and profit growth of the Company. Our effort was well-recognized by investors and the Company has developed interactive relations with them.

The management of the Company highly treasures each opportunity to meet the investors, securities analysts and the financial media. In 2010, the Company held two press conferences of result announcement specialized for analysts and media and one annual general meeting. The Company also launched a number of roadshows in Hong Kong, Singapore and Europe to present our annual results. In addition, we also participated in six global investor conferences organised by investment banks. In 2010, the Company conducted nearly two hundred one-on-one meetings or seminars with dozens of institutional investors, including interviews with investors, thereby maintaining good communication with securities analysts, institutional investors and financial media.

In 2011, the Company will continue to provide excellent services for investors, analysts and media. Adhering to making timely and objective information disclosure, the Company will seize every opportunity to illustrate, explain and present the overall strategic planning and business development of the Company to the investors, so as to gain understanding of and win respect from investors and build mutual trust.

1. WHAT IS THE COMPANY'S DEVELOPMENT STRATEGY?

Since the IPO, the development strategy of the Company has been consistent and distinctive. With the support of CPI Group/CPI Holding, we focus on the development of coal-fired and hydro-power plants through acquisitions and construction in economically developed coastal areas or resources-rich regions, so as to maintain sustainable, rapid and healthy growth of the Company.

In 2009, the Company acquired Wu Ling Power successfully and restructured its single coal-fired power business. The percentage of hydro-power installed capacity of the Company was the highest among overseas listed PRC power-generation companies.

In the future, the Company will utilize the high quality platform brought by Wu Ling Power to build and acquire hydro-power projects in Hunan, Sichuan and Xinjiang and expand the percentage of hydro-power capacity. For conventional coal-fired power, the Company will establish coal-fired power generation units with high-capacity and high parameter. The Company will also upgrade the old generation units so as to increase the competitiveness of its coal-fired power business. Furthermore, the Company will promote the integration of coal and electricity business and expand its business to the coal markets in Sichuan, Guizhou, Shanxi and Anhui.

2. WHAT IS THE COMPANY'S CAPITAL INJECTION PLAN FOR THE NEXT TWO YEARS?

Since the IPO in 2004, we have acquired Shentou Power Plant I in 2005 and 25% equity interest of Shanghai Power in 2006. In 2009, the Company successfully completed the acquisition of 63% equity interests in Wu Ling Power. Most of these acquisitions were completed through capital injections from the parent company, showing its strong support for the listed company.

CPI Group is a large power enterprise with a diversified and quality asset portfolio. As at the end of 2010, the controlled installed capacity of CPI Group amounted to 70GW, of which more than 20% was contributed by hydro-power. While developing large-scale and regular coal-fired and hydro-power projects, CPI Group has obtained the controlling rights to develop nuclear power, and is currently participating in several nuclear projects with equity interests. Furthermore, CPI Group also has expanded its presence in the development of coal mining, port and electrolytic aluminium.

In 2011, the Company will continue to seize investment opportunities in the areas of hydro-power and coal-fired power. Capitalised on the support of its parent company, the Company will continue to optimize its asset structure and develop into a unique listed power company with hydro-power and coal-fired power generation businesses.

3. WHAT IS THE COMPANY'S UTILIZATION HOURS FOR 2010 AND THE EXPECTATION FOR 2011?

As the PRC economy continued to improve in 2010, the demand for energy maintained rapid growth and electricity consumption recorded a year-on-year increase of 14.56%. The average utilization hours of power generation facilities in the PRC were 4,660 hours, representing a year-on-year growth of 2.5%.The average utilization hours of coal-fired power plants were 5,031hours, representing a year-on-year decrease of approximately 3.4%.

In 2010, the average utilization hours of coal-fired power plants of China Power was 5,329 hours, representing a year on-year increase of 256 hours or 5.05%. The average utilization hours of hydro-power plants of China Power was 3,190 hours,

It is expected that the PRC economy will continue to grow steadily in 2011 and the market demand in the power industry will be increasing. Energy consumption in the PRC is anticipated to amount to approximately 4.7 trillion KWh, representing a year-on-year growth of approximately 12%. The average utilization hours of power generation facilities will be approximately 4,650 hours. We expect the average utilization hours of the Company will remain at similar level in 2011.

4. WHAT IS THE COMPANY'S CURRENT TARIFF LEVEL?

In 2010, the average on-grid tariff of the Company was RMB311.89/MWh, representing a decrease of 1% as compared with RMB315.04/MWh of last year. The decrease was mainly attributable to the combination of hydro-power business with lower average tariff. In 2010, the average realized tariff of coal fired power plants of the Company was RMB328.25/MWh, representing an increase of 3.67% year on year, and the average realized tariff of hydro power plants was RMB258.71/MWh.

5. WHAT IS THE APPLICABLE TAX RATE FOR CHINA POWER AT PRESENT?

Among the coal-fired power plants of China Power in 2010, the preferential tax treatment "First two years exemption and subsequent three years 50% reduction" of Pingwei Power Plant, Yaomeng Power Plant, Changshu Power Plant and Shentou Power Plant I has been expired. However according to the relevant PRC income tax rules and regulations, special income tax rates have been granted to them as being foreign invested enterprises which are engaged in the energy, transportation or infrastructure activities and these power plants are subject to an income tax rate of 22% for the year. Pingwei Power Plant II is still enjoying the preferential tax treatment "First two years exemption and subsequent three years 50% reduction", which will end in 2011. The preferential tax treatment "First two years exemption and subsequent three years 50% reduction" of Yaomeng Power Plant II and Dabieshan Power Plant will end in 2012. All hydro power plants of the Group are subject to the applicable tax rate of 25% in this year.

6. WHAT IS THE COMPANY'S DIVIDEND POLICY?

The dividend policy of the Company has taken into account of the cash flow, development needs and dividend payout ratio of peers. The dividend payout ratio of China Power in 2005, 2006, 2007 and 2009 were 37.5%, 41.0%,32.9% and 44.3%, respectively. In 2008, the Board did not declare dividend payment because the Company recorded a loss in annual results.

The Board recommended the dividend payment of RMB0.045 per shares in 2010.

Apart from our commitment of a dividend payout ratio of not less than 25%, we will also take the above factors into full consideration when formulating our dividend policy in the future.

The Directors hereby present the shareholders their report together with the audited accounts of the Group for the year ended 31 December 2010 (the "Accounts").

PRINCIPAL ACTIVITIES

The principal activities of the Group are to develop, construct, own, operate and manage large power plants in China, and engage in investment holdings. Particulars of the Company's principal subsidiaries are shown in Note 20 to the Accounts.

RESULTS AND DISTRIBUTION

The results of the Group for the year ended 31 December 2010 are set out in the Consolidated Income Statement on page 72. The Board has recommended the payment of a final dividend of RMB0.045 (equivalent to HK$0.0535) per share for the year ended 31 December 2010, with a total amount of approximately RMB229,818,000.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group acquired property, plant and equipment of approximately RMB4,283,110,000, mainly representing general power assets. Details of the movements in property, plant and equipment of the Group and the Company during the year are set out in Note 16 to the Accounts.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in Note 29 to the Accounts.

BONDS ISSUED

The Company issued RMB800,000,000 5-year fixed rate corporate bond in December 2010. The proceeds were used for the Company's general working capital and corporate funding requirements. Details of the corporate bonds of the Group and the Company are set out in Note 33 to the Accounts.

RESERVES

Details of movements in the reserves of the Group and the Company during the year are set out in Note 30 to the Accounts.

DISTRIBUTABLE RESERVE

According to Section 79B of the Companies Ordinance, as at 31 December 2010, the distributable reserve of the Company amounted to RMB877,998,000 (2009: RMB941,568,000).

DIRECTORS

The present Directors are set out in the section headed "Corporate Information" in this annual report. Biographical details of each of the Directors are set out in the section headed "Directors and Senior Management Profiles" in this annual report, and details of Directors' emoluments are set out in Note15 to the Accounts.

In accordance with Article 82 of the Company's Articles of Association, Mr. Liu Guangchi and Mr. Guan Qihong will retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting. If the above Directors are re-elected, they will not enter into service contracts with the Company or any of its subsidiaries which are not determinable by the employing company within one year without payment of compensation other than statutory compensation.

As at 31 December 2010, none of the Directors had a service contract with the Company or any subsidiaries which was not determinable by the employing company within one year without payment of compensation other than statutory compensation.

The Company has received from each of its independent non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The Company considers all of its independent non-executive Directors independent.

SHARE OPTION SCHEMES

The Company has two share option schemes, namely the Pre-IPO share option scheme (the "Pre-IPO Share Option Scheme") and the share option scheme (the "Share Option Scheme") as follows:

(A) PRE-IPO SHARE OPTION SCHEME

The Company has conditionally approved and adopted the Pre-IPO Share Option Scheme on 24 August 2004. The purposes of the Pre-IPO Share Option Scheme are to retain high-calibre personnel who have contributed to the Company's long-term development and profitability and to motivate them to higher levels of performance by providing them with the opportunity to acquire equity in the Company.

The Pre-IPO Share Option Scheme ended on the date on which dealings in the shares commenced on the Hong Kong Stock Exchange (i.e. 15 October 2004). No further options may be granted after that date but the provisions of the Pre-IPO Share Option Scheme shall remain in full force and effect.

As at the date of this annual report, a total of 6,604,600 shares (representing approximately 0.13% of the existing issued share capital of the Company) may be issued by the Company if all options which had been granted under the Pre-IPO Share Option Scheme have been exercised.

Save that the exercise price per share is subject to the options granted under the Pre-IPO Share Option Scheme being the offer price per share under the IPO of the Company, the principal terms of the Pre-IPO Share Option Scheme are substantially the same as the terms of the Share Option Scheme. Grantees under the Pre-IPO Share Option Scheme were required to pay HK$1.00 to the Company as the nominal consideration of each option granted.

Each option has a 10-year exercise period within which there is a total vesting period of four years. Commencing from the first, second, third and fourth anniversaries of the offer date of an option, the relevant grantee may exercise up to 25%, 50%, 75% and 100% respectively of the shares comprised in his or her option (less any number of shares in respect of which the option has been previously exercised).

The Company has used the Black-Scholes Option Pricing Model (the "Model") to assess value of the Pre-IPO Share Options at the dates of grant. The Model is one of the commonly used models to estimate the fair value of an option. The value of an option varies with different variables of certain subjective assumptions. Any change in the variables so adopted may materially affect the estimation of the fair value of an option. As such, the fair values calculated are inherently subjective due to the assumptions made and the limitations of the valuation model used.

The Pre-IPO Share Options were granted to the Directors, senior management and certain other employees of the Company on 18 September 2004 and to certain other employees of the Company on 11 October 2004. The fair value of the Pre-IPO Share Options determined at the dates of grant using the Model were HK$9,875,200 and HK$4,006,000 respectively. All such fair value has already been expensed regressively through the Group's income statement over the four-year vesting period of the Pre-IPO Share Options commencing from the year ended 31 December 2004 and no share option expense (2009: Nil) has been recognised for the year ended 31 December 2010.

Movements of the options granted under the Pre-IPO Share Option Scheme during the year ended 31 December 2010 are as follows:

		Number of Shares subject to Options						
Grantee	**Date of grant**	**As at 1 January 2010**	**Granted during the year**	**Lapsed or cancelled during the year**	**Exercised during the year**	**Outstanding as at 31 December 2010**	**Expiry date**	**Exercise price per share (HK$)**
Director:								
LI Xiaolin	18 September 2004	1,661,500	—	—	—	1,661,500	17 September 2014	2.53
GAO Guangfu	18 September 2004	207,700	—	—	—	207,700	17 September 2014	2.53
Other employees	18 September 2004	3,696,900	—	—	—	3,696,900	17 September 2014	2.53
	11 October 2004	1,038,500	—	—	—	1,038,500	10 October 2014	2.53

(B) SHARE OPTION SCHEME

The Share Option Scheme was conditionally approved and adopted by a written resolution passed by the Company's shareholders on 24 August 2004. The purposes of the Share Option Scheme are to attract and retain high-calibre personnel to provide them with the opportunity to acquire equity in the Company and to motivate them to higher levels of performance.

Unless otherwise terminated by the Board or the shareholders of the Company in general meeting in accordance with the terms of the Share Option Scheme, the Share Option Scheme shall be valid and effective for a period of 10 years from the date on which it is conditionally adopted by resolution of our shareholders in general meeting (i.e. 24 August 2004) (the "Scheme Period"), and after which no further options will be granted or offered but the provisions of the Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any subsisting options granted within the Scheme Period or otherwise as may be required in accordance with the provisions of the Share Option Scheme.

The Board may, at its absolute discretion, offer any employees, Directors (including executive and non-executive Directors other than independent non-executive Directors), chief executive and members of the management of the Company and the Group (the "Eligible Person") options to subscribe for shares in the Company. Upon acceptance of the offer of an option, the grantee shall pay HK$1.00 to the Company as a nominal consideration for option granted.

As at the date of issue of this annual report, the total number of shares in respect of which options may be granted under the Share Option Scheme was 237,546,500, representing approximately 4.65% of the existing issued share capital of the Company.

Except with the approval of the Company's independent shareholders at the general meeting, the total number of shares issued and to be issued upon the exercise of the options granted or to be granted to each Eligible Person under the Share Option Scheme and other schemes of the Company or any of its subsidiaries (including exercised, cancelled and outstanding options) in any 12-month period shall not exceed 1% of the Company's shares in issue.

The exercise price per share subject to the options granted under the Share Option Scheme shall be determined by the Board but shall be not less than the greatest of:

(a) the closing price of the shares as stated in the Hong Kong Stock Exchange's daily quotation sheet on the date, which must be a business day, of the written offer of the option (the "Offer Date");

(b) the average closing price of the shares as stated in the Hong Kong Stock Exchange's daily quotation sheet for the five business days immediately preceding the Offer Date; and

(c) the nominal value of the shares.

In the event of a capitalisation issue, rights issue, sub-division or consolidation of the shares or reduction of the capital of the Company whilst any option remains exercisable, the Company shall make such corresponding adjustments to the exercise price per share for the outstanding options.

An option may be exercised at any time during a period to be notified by the Board to each grantee, such period not to exceed ten years from the Offer Date of the relevant option. Save any circumstance stated below, options granted under the Share Option Scheme will have a total vesting period of four years. Commencing from the first, second, third and fourth anniversaries of the Offer Date of an option, the relevant grantee may exercise up to 25%, 50%, 75% and 100% respectively of the shares comprised in his or her option subject to any early vesting of options described in the following paragraphs.

(1) RIGHTS ON A GENERAL OFFER

If a general offer (whether by way of take-over offer, share repurchase offer or scheme of arrangement or otherwise in similar manner) is made to the Company's shareholders, the Company shall use its best endeavours to procure that such offer is extended to all the grantees (on the same terms mutatis mutandis, and assuming that they will become, by the exercise in full of the options granted to them, shareholders of the Company). If such offer, having been approved in accordance with applicable laws and regulatory requirements becomes, or is declared unconditional, the grantees shall be entitled to exercise the option in full (to the extent not already exercised) within 14 days after the date on which such general offer becomes or is declared unconditional.

(2) RIGHTS ON SCHEMES OF COMPROMISE OR ARRANGEMENT

If, pursuant to the Companies Ordinance, a compromise or arrangement between the Company and its shareholders or creditors is proposed for the purposes of or in connection with a scheme for the reconstruction of the Company or its amalgamation with any other company or companies, the Company shall give notice thereof to all grantees on the same date as it dispatches to each shareholder or creditor of the Company a notice summoning a meeting to consider such a compromise or arrangement, and thereupon each grantee shall be entitled to exercise all or any of his/her options in whole or in part prior to 12:00 noon on the day immediately preceding the date of the meeting directed to be convened by the court for the purposes of considering such compromise or arrangement. With effect from the date of such meeting, the rights of all grantees to exercise their respective options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all options shall, to the extent that they have not been exercised, be void and lapse.

(3) RIGHTS ON A VOLUNTARY WINDING-UP

In the event of an effective resolution being passed for the voluntary winding-up of the Company or an order of the court is made for the winding-up of the Company, the Company shall give notice thereof ("winding-up notice") to all grantees on the same day as such resolution is passed or order is made. The grantee may by notice in writing to the Company within 21 days after the date of the winding-up notice elect to be treated as if the option (to the extent not already exercised) had been exercised immediately before the passing of such resolution either to its full extent or to the extent specified in the grantee's notice, such notice to be accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which notice is given, whereupon the grantee will be entitled to receive out of the assets available in the liquidation pari passu with the Company's shareholders such sum as would have been received in respect of the Shares the subject of such election.

The Company has used the Black-Scholes Option Pricing Model (the "Model") to assess the value of the options at the dates of grant. The Model is one of the commonly used models to estimate the fair value of an option. The value of an option varies with different variables of certain subjective assumptions. Any change in the variables so adopted may materially affect the estimation of the fair value of an option. As such, the fair values calculated are inherently subjective and uncertain due to the assumptions made and the limitations of the valuation model used.

The options granted pursuant to the Share Option Scheme were granted to the Directors, senior management and certain other employees on 4 April 2007 and 2 July 2008 respectively. The fair value of the options determined at the dates of grant using the Model were HK$23,517,000 and HK$18,346,000 respectively. For the year ended 31 December 2010, an amount of share option expense of RMB3,728,000 has been recognised, with a corresponding adjustment recognised in the Group's employee share-based compensation reserve.

Movements of the options under the Share Option Scheme for the year ended 31 December 2010 are as follows:

Grantee	Date of grant	Number of Shares subject to Options: As at 1 January 2010	Granted during the year	Lapsed or cancelled during the year	Exercised during the year	Outstanding as at 31 December 2010	Expiry date	Exercise price per share (HK$)
Director:								
LI Xiaolin	4 April 2007	1,905,000	—	—	—	1,905,000	3 April 2017	4.07
	2 July 2008	820,000	—	—	—	820,000	1 July 2018	2.326
LIU Guangchi	2 July 2008	740,000	—	—	—	740,000	1 July 2018	2.326
GAO Guangfu	4 April 2007	667,000	—	—	—	667,000	3 April 2017	4.07
	2 July 2008	400,000	—	—	—	400,000	1 July 2018	2.326
GUAN Qihong	2 July 2008	400,000	—	—	—	400,000	1 July 2018	2.326
Other employees	4 April 2007	10,947,000	—	600,000	—	10,347,000	3 April 2017	4.07
	2 July 2008	25,260,000	—	1,820,000	—	23,440,000	1 July 2018	2.326

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year, save as disclosed below, none of the Directors and their associates had any interests in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group:

Name of the Director	Position within Company	Other Interests
LI Xiaolin	Chairman, Executive Director and Chief Executive Officer	Vice-president of CPI Group; Chairman of CPI Holding; Chairman of China Power New Energy Development Limited and director of Companhia de Electricidade de Macau
LIU Guangchi	Executive Director and President	The director and general manager of CPI Holding and chief supervisor of Shanghai Power
GAO Guangfu	Non-executive Director	Manager of Finance and Property Ownership Management Department of CPI Group, director of CPI Holding and director of CPI Financial
GUAN Qihong	Non-executive Director	Manager of the Capital Market and Equity Management Department of the CPI Group, director of CPI Holding and director of CPI Financial

DIRECTORS' INTEREST IN CONTRACTS

There is no contract of significance in which the Company, its subsidiaries, its holding companies, fellow subsidiaries, associated companies and jointly controlled entities was a party, and in which the Director of the Company had any material interest, subsisted during the year.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES OR DEBENTURES

As at 31 December 2010, save as disclosed below, none of the Directors or the chief executive has any interest or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations within the meaning of Part XV of the Securities and Futures Ordinance, Cap. 571 of the Laws of Hong Kong (the "SFO") which will have to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or which will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or which will be required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

Name	Capacity	Name of company in which interests are held	Date of grant	Number of underlying shares interested under physically settled equity derivatives	Percentage of issued share capital of the Company (%)	Long/Short position
LI Xiaolin	Beneficial owner	the Company	18 September 2004, 4 April 2007 and 2 July 2008	4,386,500	0.086	Long
LIU Guangchi	Beneficial owner	the Company	2 July 2008	740,000	0.014	Long
GAO Guangfu	Beneficial owner	the Company	18 September 2004, 4 April 2007 and 2 July 2008	1,274,700	0.025	Long
GUAN Qihong	Beneficial owner	the Company	2 July 2008	400,000	0.0078	Long

Notes:-

(1) The interests of the above Directors in the underlying shares of the Company represent the options granted to them under the Pre-IPO Share Option Scheme and Share Option Scheme by the Company.

(2) None of the above Directors has interests in the securities of the Company (except for interests held under equity derivatives disclosed above).

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 31 December 2010, save as disclosed below, no person, not being a Director nor chief executive of the Company, had an interest or short position in the shares or underlying shares of the Company which should be recorded in the register kept under Section 336 of the SFO.

Name	Capacity	Number of shares in which interested other than under equity derivatives[3]	Percentage of issued share capital of the Company (%)	Long/Short position
China Power Development Limited ("CPDL")	Beneficial owner	1,996,500,000	39.09	Long
CPI Holding[1]	Interest of a controlled corporation	1,996,500,000	39.09	Long
	Beneficial owner	1,526,033,927	29.88	Long
CPI Group[2]	Interest of a controlled corporation	3,522,533,927	68.97	Long

Notes:

(1) CPI Holding is the beneficial owner of CPDL and therefore CPI Holding is deemed to be interested in 1,996,500,000 Shares owned by CPDL for the purposes of the SFO.

(2) CPI Group is the beneficial owner of CPI Holding and therefore CPI Group is deemed to be interested in 1,526,033,927 and 1,996,500,000 Shares owned by CPI Holding and CPDL respectively for the purposes of the SFO.

(3) CPI Group, CPI Holding and CPDL do not have any interest in the equity derivatives of the Company.

CONNECTED TRANSACTIONS ENTERED INTO BY THE GROUP

CONNECTED TRANSACTIONS

(A) Acquisition of Wu Ling Power

On 8 June 2009, the Company entered into the acquisition agreement with CPI Holding (the "Acquisition Agreement"), a wholly-owned subsidiary of CPI Group, pursuant to which the Company conditionally agreed to acquire and CPI Holding conditionally agreed to sell 63% of the equity interest in Wu Ling Power, a company principally engaged in the development, production and supply of hydropower in Hunan and Guizhou. The consideration was RMB4,465,087,500 (subject to adjustment) which was to be satisfied as to 70% thereof by issuing of the Company's shares at an issue price of HK$2.408 per share and as to 30% thereof by way of cash payment.

On 15 December 2009, a total number of 1,501,449,927 of the Company's shares were issued to CPI Holding in settlement of 70% consideration payable under the Acquisition Agreement, representing approximately 29.4% of the issued share capital of the Company as enlarged by the issue of the consideration shares. The remaining portion of the adjusted consideration (being RMB1,365,195,000) was required under the Acquisition Agreement to be satisfied in cash within one year from 26 October 2009, being the date on which the Company obtained the PRC Ministry of Commerce approval. The Company paid HK$200,000,000 and HK$350,000,000 to CPI Holding on 30 November 2009 and 22 October 2010 respectively as partial payment of the adjusted cash consideration for the acquisition.

On 25 October 2010, the Company entered into a supplemental agreement with CPI Holding to extend the payment period of the remaining portion of the cash consideration (being RMB888,387,000) up to and including 26 April 2011 for aligning with the Company's overall plan for capital allocation and the necessary time required for PRC foreign exchange approvals for remittance of foreign currency funds. The remaining portion of the cash consideration was fully paid by the end of January 2011.

As CPI Holding is the indirect controlling shareholder of the Company, the Acquisition Agreement constitutes a connected transaction of the Company under the Listing Rules.

(B) Wu Ling Entrusted Loan Agreements

On 8 June 2009, Wu Ling Power, Qian Dong Power and certain independent financial institutions entered into certain the entrusted loan agreements ("Wu Ling Entrusted Loan Agreements") for an outstanding indebtedness amounting to a total of RMB1.5 billion owed by Qian Dong Power to Wu Ling Group and its relevant subsidiary in connection with the construction of the Qian Dong power plant. The principal provisions of the Wu Ling Entrusted Loan Agreements are set out in the following:

- Total loan amount: RMB1,500,000,000
- Interest rate: 5.4% per annum (being the PBOC Rate as at the date of this announcement)
- Repayment: 3 years
- CPI Holding will indemnify the Company for any losses and damages caused by or related to Qian Dong Power (including the failure of Qian Dong Power to fulfil its obligations under the Wu Ling Entrusted Loan Agreements).

Qian Dong Power is a subsidiary of CPI Group and CPI Group is the ultimate controlling shareholder of the Company. As such, the Wu Ling Entrusted Loan Agreements constitute connected transactions of the Company under the Listing Rules.

(C) Construction of two 600 MW super-critical coal-fired power generation units carried out by Shentou I Power Plant

1. Construction Project Management Agreement

On 29 April 2010, Shentou I Power Plant and CPI Engineering Company entered into the Construction Project Management Agreement whereby Shentou I Power Plant engaged CPI Engineering Company as project manager to manage the project which involves the construction of two 600 MW super-critical coal-fired power generation units in the Ping Lu District, Shuo Zhou City, Shanxi Province of the PRC (the "Project").

Date:	29 April 2010
Management fees:	RMB42,500,000
Bonus management fees:	Not exceeding RMB8,500,000

CPI Engineering Company is a subsidiary of CPI Group and CPI Group is the ultimate controlling shareholder of the Company. As such, the Construction Project Management Agreement constitutes a connected transaction of the Company under the Listing Rules.

2. Equipment Agreement

On 29 April 2010, Shentou I Power Plant and CPCE entered into the Equipment Agreement whereby Shentou I Power Plant engaged CPCE to provide technical assistance and consultancy services relating to the purchase of the equipment and machinery required for the Project, including assistance in the calling of tenders, supervision of the manufacture of the equipment and machinery and acting as agents for purchasing imported equipment and parts for the Project.

Date:	29 April 2010
Service fees:	RMB11,920,000
Term:	Effective upon execution of the agreement until the completion of the services and payment of all service fees.

CPCE is a subsidiary of CPI Group and CPI Group is the ultimate controlling shareholder of the Company. As such, the Equipment Agreement constitutes a connected transaction of the Company under the Listing Rules.

3. Equipment and Materials Management Agreement

On 26 August 2010, Shentou I Power Plant and Shentou Engineering Company entered into the Equipment and Materials Management Agreement whereby Shentou I Power Plant engaged Shentou Engineering Company to provide equipment and materials management services for the Project. The services to be provided under the agreement include: unloading of equipment and materials, transportation to warehouse, warehouse planning and design, unpacking and inspection, management of inventory control system and custody and maintenance of materials and equipment.

Date:	26 August 2010
Management fees:	RMB11,880,000
Bonus management fees:	Not exceeding RMB240,000.

Shentou Engineering Company is a subsidiary of CPI Holding and CPI Holding is the substantial shareholder of the Company. As such, the Equipment and Materials Management Agreement constitutes a connected transaction of the Company under the Listing Rules.

4. Start-up Boiler Agreement

On 26 August 2010, Shentou I Power Plant and Shentou Engineering Company entered into the Start-up Boiler Agreement. Under the terms of the agreement, Shentou Engineering Company agrees to carry out certain construction works in relation to the Project. The construction works to be carried out by Shentou Engineering Company include boiler room start-up installation works, the relevant heating pipelines installation works, fuel pump station, fuel tanks and the common pipeline system installation works.

Date:	26 August 2010
Contract sum:	Not exceeding RMB4,600,000 (The final contract sum will be determined by actual work done)
Completion Date:	Shentou Engineering Company is required to commence the boiler start-up works on 1 September 2010 and complete the works on 1 June 2011. It is also required to commence the fuel system installation works on 1 November 2011 and complete the works on 30 March 2012.

Shentou Engineering Company is a subsidiary of CPI Holding and CPI Holding is the substantial shareholder of the Company. As such, the Start-up Boiler Agreement constitutes a connected transaction of the Company under the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

(A) LAND LEASE AGREEMENTS

1. Pingwei Power Plant and Yaomeng Power Plant Land Lease Agreements

Each of Pingwei Power Plant and Yaomeng Power Plant entered into a land lease agreement with CPI Group on 27 August 2004 (the "Land Lease Agreements") to lease from CPI Group the land on which they are respectively situated. The Land Lease Agreement with Yaomeng Power Plant was later supplemented on 24 September 2004 and 23 May 2007 respectively. The Land Lease Agreement with Pingwei Power Plant was also supplemented on 23 May 2007. The basic terms of the above two Land Lease Agreements as amended are as follows:

Land Lease Agreement	Area sq. m.	Annual rent RMB	Lease commencement date	Lease expiry date
Pingwei Land Lease Agreement	4,352,884	6,845,839.32	1 August 2004	16 September 2019 (being the expiry date of the term of the operation of Pingwei Power Plant)
Yaomeng Land Lease Agreement	2,858,170.6	5,275,364.7	1 August 2004	26 August 2019 (being the expiry date of the term of the operation of Yaomeng Power Plant)

CPI Group is the ultimate controlling shareholder of the Company. Accordingly, the Land Lease Agreements constitute continuing connected transactions of the Group under the Listing Rules.

2. Shentou I Power Plant Land Use Right Lease Agreement

On 9 June 2005, Tianze Development Limited, the holding company of Shentou I Power Plant, entered into a land use right lease agreement (the "Land Use Right Lease Agreement") with CPI Group regarding the lease from CPI Group of a piece of land with an area of approximately 2,925,019.15 sq. m. for a term of 20 years commencing from 1 July 2005. The annual rent for the period up to 31 December 2010 is fixed at RMB4,940,000. The rental amount is subject to review by the parties with reference to an independent valuation upon expiry of the said period.

Shentou I Power Plant is situated on a parcel of land allocated by the State to CPI Group. Accordingly, it is essential to enter into the Land Use Right Lease Agreement to ensure that Shentou I Power Plant is entitled to continue its operation on the land.

CPI Group is the ultimate controlling shareholder of the Company. Accordingly, the Land Use Right Lease Agreement constitutes a continuing connected transaction of the Company under the Listing Rules.

3. Qinghe Land Lease Agreement

The Company (on behalf of China Power Qinghe Company) entered into a land lease agreement (the "Qinghe Land Lease Agreement") with CPI Group on 16 November 2007. According to the Qinghe Land Lease Agreement, the Company agreed to lease from CPI Group a portion of the land on which the assets to be acquired pursuant to an asset acquisition agreement are situated (the "Asset Acquisition Agreement").

On 28 July 2010, the parties entered into a termination agreement (the "Termination Agreement") and mutually agreed to terminate the Asset Acquisition Agreement and all related agreements. Pursuant to the Termination Agreement, the Company, China Power Qinghe Company and Qinghe Power Plant will not proceed with the acquisition and the obligations of the parties under the Asset Acquisition Agreement and all related agreements shall cease and be null and void save for any right or liability accrued before the termination and the preferential right to acquire the Asset by the Company in future.

(B) PROPERTY LEASE AGREEMENTS

1. Beijing Property Lease Agreements

The Company entered into a property lease agreement with CPI Holding on 1 September 2006 in which the premises being rented are used as an office of the Company. The property lease agreement was renewed on 27 August 2009 (the "Property Lease Agreement") and the terms of the Property Lease Agreement are set out as below:

Address of Premise	Area sq. m.	Use	Annual Rent	Lease Term
Premises situated on 7th, 8th, 9th, 11th to 13th Floors, East Building, Huihuang Shidai Plaza, 56 North West Fourth Ring Road, Haidian District, Beijing, PRC	6,800	Office	US$1,468,800 or US$18 per square metre per month	1 September 2009 to 31 August 2012

2. Wu Ling Lease Agreement

Subsequent to the acquisition of Wu Ling Power, Qian Dong Power, a subsidiary of CPI Group, has been using, and since beginning of 2009, leasing a switching station and transmission lines owned by Wu Ling Power for the transmission of electricity generated by Qian Dong Power plant to the Hunan power grid (the "Wu Ling Lease Agreement"). Such arrangements had been formalised in a lease agreement between Wu Ling Power and Qian Dong Power and the details of the lease agreement are set out in the following:

Date:	8 June 2009
Annual consideration:	RMB54,110,000 (the consideration shall be payable annually, on normal commercial terms and not more favourable than that given to any independent third party)
Term:	3 years

CPI Holding is a wholly owned subsidiary of CPI Group and CPI Group is the ultimate controlling shareholder of the Company. As such, CPI Group and CPI Holding are connected persons of the Company as defined in the Listing Rules. Accordingly, the Beijing Property Lease Agreement and Wu Ling Leasing Agreement constitute continuing connected transactions of the Company under the Listing Rules.

(C) PURCHASE AGREEMENTS

1. Pingwei Power Plant II and Yaomeng Power Plant II Purchase Agreements

On 21 December 2006, each of Pingwei Power Plant II and Yaomeng Power Plant II entered into the purchase agreements with the Beijing China Power Environmental Engineering Company Limited* (the "Supplier") respectively pursuant to which each of Pingwei Power Plant II and Yaomeng Power Plant II agreed to purchase from the Supplier the limestone power for desulphurization (the "Materials").

The purchase price of the Materials is determined on arm's length, with reference to the market condition and the quantity of Materials purchased. The parties also agree to review the above purchase prices annually and may adjust the purchase price by reference to the cost of the Materials, production cost, transportation cost and market conditions.

On 21 December 2009 both the Pingwei II Purchase Agreement ("Pingwei II Purchase Agreement") and Yaomeng II Purchase Agreement ("Yaomeng II Purchase Agreement") were renewed. The principal terms of the two purchase agreements are as follows:

Pingwei II Purchase Agreement

- Term: 1 January 2010 to 31 December 2012
- Maximum amount: 47,500 tons of the Materials for each financial year
- Annual cap: RMB9,900,000

Yaomeng II Purchase Agreement

- Term: 1 January 2010 to 31 December 2012
- Maximum amount: 57,500 tons of the Materials for each financial year
- Annual cap: RMB11,500,000

2. Pingwei Power Plant and Yaomeng Power Plant Purchase Agreements

On 13 August 2008, Pingwei Power Plant and Yaomeng Power Plant entered into the Pingwei Purchase Agreement and Yaomeng Purchase Agreement with the Supplier for purchase from it the Materials respectively. The principal terms of the two purchase agreements are as follows:

Pingwei Purchase Agreement

- Term: 13 August 2008 to 31 December 2010
- Maximum amount: 40,000 tons of the Materials for financial year of 2008; and 60,000 tons of the Materials for each financial years of 2009 and 2010
- Annual cap: RMB6,600,000 for financial year of 2008; and RMB9,900,000 for each financial years of 2009 and 2010

Yaomeng Purchase Agreement

- Term: 13 August 2008 to 31 December 2010
- Maximum amount: 40,000 tons of the Materials for financial year of 2008; and 80,000 tons of the Materials for each financial years of 2009 and 2010
- Annual cap: RMB6,600,000 for financial year of 2008; and RMB13,200,000 for each financial years of 2009 and 2010

On 28 December 2010, both the Pingwei Purchase Agreement and the Yaomeng Purchase Agreement were renewed. The principal terms of the two purchase agreements are as follows:

Pingwei Purchase Agreement

- Term: 1 January 2011 to 31 December 2012
- Maximum amount: 45,000 tons of the Materials for each financial year
- Annual cap: RMB9,360,000

Yaomeng Purchase Agreement

- Term: 1 January 2011 to 31 December 2012
- Maximum amount: 65,000 tons of the Materials for each financial year
- Annual cap: RMB11,800,000

Since the Supplier is an indirect subsidiary of CPI Holding, the Supplier is a connected person of the Company and the above purchases agreements constitute continuing connected transactions of the Group.

(D) SERVICE AGREEMENTS

1. Pingwei Power Plant and Yaomeng Power Plant Service Agreements

On 23 May 2007, Pingwei Power Plant entered into a series of service agreements with Pingwei Maintenance Company and Pingwei Industry Company (the "Pingwei Service Agreements"), and Yaomeng Power Plant entered into a series of service agreements with Yaomeng Engineering Company and Yaomeng Industrial Company (the "Yaomeng Service Agreements") in relation to the provision of various services in connection with their day-to-day businesses and operations.

The above service agreements were renewed on 21 December 2009 (except the cleaning, repair and maintenance agreements which were consolidated to the composite service agreements). The relevant terms of the service agreements are summarised below:

Pingwei Service Agreements

- Term: 1 January 2010 to 31 December 2012

	Annual caps (RMB)
• Composite repair and maintenance service agreement (with Pingwei Maintenance Company)	55,630,000
• Fuel related service agreement (with Pingwei Industry Company)	26,900,000
• Composite service agreement (with Pingwei Industry Company)	25,300,000

Yaomeng Service Agreements

- Term: 1 January 2010 to 31 December 2012

	Annual caps (RMB)
• Composite repair and maintenance service agreement (with Yaomeng Engineering Company)	46,680,000
• Fuel related service agreement (with Yaomeng Industrial Company)	7,050,000
• Composite service agreement (with Yaomeng Industrial Company)	33,250,000

2. Pingwei Power Plant II, Yaomeng Power Plant II, Dabieshan Power Plant and Shentou I Power Plant Service Agreements

On 22 November 2007, Pingwei Power Plant II, Yaomeng Power Plant II, Dabieshan Power Plant and Shentou I Power Plant entered into a series of service agreements with Pingwei Maintenance Company, Pingwei Industry Company, Yaomeng Engineering Company, Yaomeng Industrial Company, Shentou Engineering Company and Shentou Industrial Company in relation to the provision of various services in connection with their day-to-day businesses and operations. The relevant terms of the service agreements are summarised below:

Pingwei II Service Agreements

- Term: 1 January 2008 to 31 December 2010

	Annual caps (RMB)
• Composite repair and maintenance service agreement (with Pingwei Maintenance Company)	40,000,000
• Fuel related service agreement (with Pingwei Industry Company)	20,000,000
• Cleaning, repair and maintenance agreement (with Pingwei Industry Company)	13,000,000
• Composite service agreement (with Pingwei Industry Company)	3,000,000

Yaomeng II Service Agreements

- Term: 1 January 2008 to 31 December 2010

	Annual caps (RMB)
• Composite repair and maintenance service agreement (with Yaomeng Engineering Company)	43,000,000
• Fuel related service agreement (with Yaomeng Industrial Company)	16,000,000
• Cleaning, repair and maintenance service agreement (with Yaomeng Industrial Company)	12,000,000
• Composite service agreement (with Yaomeng Industrial Company)	7,000,000

Dabieshan Service Agreements

- Term: 1 January 2008 to 31 December 2010

	Annual caps (RMB)
• Composite repair and maintenance service agreement (with Shentou Engineering Company)	43,000,000
• Fuel related service agreement (with Shentou Industrial Company)	17,000,000
• Cleaning, repair and maintenance agreement (with Shentou Industrial Company)	11,000,000
• Composite service agreement (with Shentou Industrial Company)	7,000,000

Shentou Service Agreements

- Term: 1 January 2008 to 31 December 2010

	Annual caps (RMB)
• Technical repair and maintenance service agreement (with Shentou Engineering Company)	68,000,000
• Fuel and chemical processing service agreement (with Shentou Industrial Company)	24,000,000
• Non-power generation facilities maintenance agreement (with Shentou Industrial Company)	39,000,000
• Composite ancillary service agreement (with Shentou Industrial Company)	19,000,000

On 30 December 2010, the Company entered into a framework agreement with CPI Holding to replace the above service agreements after their expiry on 31 December 2010 (the "Framework Agreement"). Pursuant to the Framework Agreement, the parties agreed that Pingwei Maintenance Company, Yaomeng Engineering Company, Shentou Engineering Company, Pingwei Industry Company, Yaomeng Industrial Company, Shentou Industrial Company, collectively "Suppliers" or individually "Supplier", subsidiaries of CPI Holding, will provide the services to the Pingwei Power Plant II, Yaomeng Power Plant II, Dabieshan Power Plant and Shentou I Power Plant (collectively "Employers" or individually "Employer"), subsidiaries of the Company. The term of the Framework Agreement is three years, commencing from 1 January 2011 and ending on 31 December 2013.

According to the Framework Agreement, if any Employer decides to retain the Suppliers to provide the services, the relevant Employer and Supplier will enter into a separate service agreement and the terms of such agreement will be determined in accordance with the following principles:

(a) Parties

- Relevant Supplier; and
- Relevant Employer.

(b) Fee Payable

The fee payable under the service agreements will be determined by the following mechanism:

- the applicable State tariffs set by the PRC government, if any;
- if there are no such stipulated State tariffs, tariffs recommended by the PRC government;
- if there are neither State tariffs nor recommended tariffs, prices determined in accordance with the prevailing market prices; and
- in the absence of the above, an agreed price reflecting the reasonable cost incurred by the relevant Suppliers in providing the services.

The estimated annual caps for the consideration payable under the Framework Agreement for the three financial years ending 31 December 2011, 2012 and 2013 are estimated to be RMB300,000,000.

As Pingwei Maintenance Company, Pingwei Industry Company, Yaomeng Engineering Company, Yaomeng Industrial Company, Shentou Engineering Company and Shentou Industrial Company are subsidiaries of CPI Holding, and CPI Holding is the holding company of the Company, the entering into the above service agreements constitute continuing connected transactions of the Company under the Listing Rules.

(E) PRODUCTION TARGET SALE AND PURCHASE AGREEMENT

On 28 March 2008, the Company entered into a production target sale and purchase agreement with CPI Group for a term of three years, commencing from the passing of an ordinary resolution by the independent shareholders approving the agreement and ending on 31 December 2010 (the "Production Target Sale and Purchase Agreement").

On 29 December 2010, the Company has entered into the Production Target Sale and Purchase Agreement with CPI Group pursuant to which the parties agree that the CPI Group, their respective associates and power plants will transfer their production targets to the Group, its associates and power plants to the extent permissible under the relevant PRC laws, rules, regulations and policies after the expiry of the original production target sale and purchase agreement on 31 December 2010. The term of the production target sale and purchase agreement is three years, commencing from 1 January 2011 and ending on 31 December 2013. According to the agreement, the parties agreed that their respective subsidiaries, associates or power plants may trade the production targets with each other to the extent permissible under the PRC laws, rules, regulations and policies. In addition, if any subsidiaries, associates or power plants of the CPI Group decides to transfer their production targets to the Company's subsidiaries or power plants, they will enter into a replacement agreement (the "Replacement Agreement") setting out details of the terms and amount of the production targets being transferred. The Replacement Agreement will then be submitted to the relevant PRC government department for approval and confirmation.

The consideration payable under the Replacement Agreements will be determined by the following principles:

- the applicable State tariffs set by the PRC government, if any;
- if there are no such stipulated State tariffs, tariffs recommended by the PRC government;
- if there are neither State tariffs nor recommended tariffs, prices determined in accordance with the prevailing market prices; or
- in the absence of the above, an agreed price will be determined on the reasonable cost plus a profit basis. The parties will enter into negotiation so as to determine the amount of reasonable profit and cost with reference to the profit and cost permissible under the relevant PRC standards.

The estimated annual caps for the consideration payable under the Production Target Sale and Purchase Agreement for the three financial years are as follows:

Financial year ended 31 December	Annual cap (RMB)
2008	424,500,000
2009	1,320,000,000
2010	1,340,000,000

On 29 December 2010, the Company renewed the Production Target Sale and Purchase Agreement with CPI Group for a term of another three years, commencing from 1 January 2011 and ending on 31 December 2013. The estimated annual caps for the consideration payable under the Production Target Sale and Purchase Agreement for the three financial years are as follows:

Financial year ended 31 December	Annual cap (RMB)
2011	156,000,000
2012	228,000,000
2013	228,000,000

As CPI Group is the ultimate holding company of the Company, the entering into the Production Target Sale and Purchase Agreement constitutes a continuing connected transaction of the Company.

REVIEW BY AUDIT COMMITTEE MEMBERS AND AUDITOR

The independent non-executive Directors have reviewed the above continuing connected transactions during the year and confirmed that the transactions were entered into:

(1) in the ordinary and usual course of business of the Company;

(2) on normal commercial terms and no less favourable than those available to or from independent third parties; and

(3) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing the findings and conclusions in respect of the Continuing Connected Transactions disclosed by the Group in pages 58 to 67 of the annual report in accordance with Rule 14A.38 of the Listing Rules.

The Company has complied with the requirements set out in Chapter 14A of the Listing Rules.

Save as disclosed above, no contracts of significance to which the Company, its subsidiaries, holding companies or associated companies was a party subsisted at any time during the year or at the end of the year.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor its subsidiaries purchased, sold or redeemed any of the listed securities of the Company during the year ended 2010.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2010, the aggregate amount of purchases attributable to the Group's five largest suppliers accounted for approximately 82.28% of the Group's total purchases and purchases attributable to the Group's largest supplier accounted for approximately 40.44% of the Group's total purchases.

For the year ended 31 December 2010, the aggregate amount of turnover attributable to the Group's five largest customers accounted for approximately 91.12% of the Group's total turnover and turnover attributable to the Group's largest customer accounted for approximately 19.81% of the Group's total turnover.

At no time during the year did a Director, an associate of a Director or a shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the Company's share capital) have an interest in any of the Group's five largest suppliers or customers.

PUBLIC FLOAT

As at the date of this annual report, based on public information available to the Company and to the best knowledge of the Directors, the Company maintained sufficient public float, being no less than 25% of the issued share capital of the Company as required under the Listing Rules.

AUDITOR

The Accounts have been audited by PricewaterhouseCoopers who retire and, being eligible, offered themselves for re-appointment.

On behalf of the Board
China Power International Development Limited

Li Xiaolin
Chairman

Hong Kong, 30 March 2011

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22/F, Prince's Building
Central, Hong Kong

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF CHINA POWER INTERNATIONAL DEVELOPMENT LIMITED

(incorporated in Hong Kong with limited liability)

We have audited the consolidated accounts of China Power International Development Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 72 to 179, 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 ACCOUNTS

The directors of the Company are responsible for the preparation of consolidated accounts 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 Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated accounts 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 accounts based on our audit and to report our opinion solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance 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 accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated accounts 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 accounts.

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 accounts 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 Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 30 March 2011

Consolidated Income Statement

For the year ended 31 December 2010

	Note	Year ended 31 December 2010 RMB'000	2009 RMB'000
Revenue	5	**14,436,659**	10,936,508
Other income	6	**185,203**	81,310
Fuel costs		**(8,292,780)**	(7,130,796)
Depreciation		**(1,712,388)**	(1,045,864)
Staff costs	11	**(747,462)**	(468,521)
Repairs and maintenance		**(480,076)**	(434,766)
Consumables		**(180,462)**	(181,953)
Other gains, net	7	**133,851**	1,113
Impairment on goodwill	19	**—**	(126,939)
Other operating expenses		**(779,949)**	(509,885)
Operating profit	8	**2,562,596**	1,120,207
Finance income	9	**104,018**	34,551
Finance costs	9	**(1,514,064)**	(703,628)
Share of profits of associated companies		**112,327**	127,986
Share of losses of jointly controlled entities		**(18,395)**	(5,030)
Profit before taxation		**1,246,482**	574,086
Taxation	10	**(380,227)**	(22,476)
Profit for the year		**866,255**	551,610
Attributable to:			
Equity holders of the Company		**666,892**	519,008
Non-controlling interests		**199,363**	32,602
		866,255	551,610
Earnings per share for profit attributable to equity holders of the Company during the year (expressed in RMB per share)			
– basic	13	**0.13**	0.14
– diluted	13	**0.13**	0.14

Details of dividends payable to equity holders of the Company attributable to the profit for the year are set out in Note 14.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2010

	Year ended 31 December	
	2010	2009
	RMB'000	RMB'000
Profit for the year	**866,255**	551,610
Other comprehensive (loss)/income		
– Fair value (loss)/gain on available-for-sale financial assets, net of tax	**(640,697)**	1,077,646
Total comprehensive income for the year	**225,558**	1,629,256
Attributable to:		
– Equity holders of the Company	**26,195**	1,596,654
– Non-controlling interests	**199,363**	32,602
Total comprehensive income for the year	**225,558**	1,629,256

Consolidated Balance Sheet

As at 31 December 2010

	Note	As at 31 December 2010 RMB'000	2009 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	16	**44,950,107**	41,754,053
Prepayments for construction of power plants	17	**1,836,820**	964,962
Land use rights	18	**458,544**	417,868
Goodwill	19	**767,365**	467,619
Interests in associated companies	21	**1,587,565**	1,575,238
Interests in jointly controlled entities	22	**135,881**	75,670
Available-for-sale financial assets	23	**1,733,650**	2,821,498
Long-term loans to a fellow subsidiary	24	**1,500,000**	1,500,000
Deferred income tax assets	38	**45,152**	107,971
		53,015,084	49,684,879
Current assets			
Inventories	25	**336,136**	265,165
Accounts receivable	26	**1,716,569**	1,430,454
Prepayments, deposits and other receivables		**717,121**	689,699
Amounts due from group companies	27	**26,886**	141,439
Receivable from Hubei Electric Power Corporation ("HEPC")		**—**	34,000
Tax recoverable		**1,196**	1,196
Pledged bank deposits	35(b)	**—**	48,886
Cash and cash equivalents	28	**977,365**	1,910,816
		3,775,273	4,521,655
Total assets		**56,790,357**	54,206,534

	Note	As at 31 December 2010 RMB'000	2009 RMB'000
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	29(a)	**5,121,473**	5,121,473
Share premium	29(b)	**4,303,111**	4,303,111
Reserves	30	**2,813,915**	3,013,810
		12,238,499	12,438,394
Non-controlling interests		**2,655,698**	2,442,996
Total equity		**14,894,197**	14,881,390
LIABILITIES			
Non-current liabilities			
Deferred income		**93,863**	96,636
Long-term bank borrowings	31	**24,141,041**	23,934,020
Long-term borrowings from ultimate holding company	32	**1,473,816**	1,473,816
Long-term borrowings from CPI Financial Company ("CPIF")	32	**1,429,595**	1,150,000
Corporate bonds	33	**1,793,239**	992,506
Long-term other borrowings	33	**135,201**	392,327
Obligations under finance leases	34	**184,337**	184,755
Deferred income tax liabilities	38	**570,095**	661,246
Other long-term liabilities		**11,903**	17,380
		29,833,090	28,902,686

As at 31 December 2010

	Note	As at 31 December 2010 RMB'000	2009 RMB'000
Current liabilities			
Accounts and bills payables	35	**461,206**	498,178
Construction cost payable		**1,059,060**	1,297,853
Other payables and accrued charges	36	**897,030**	807,284
Derivative financial instruments	37	**71,902**	71,441
Amounts due to group companies	27	**203,628**	1,292,997
Current portion of long-term bank borrowings	31	**2,342,585**	1,276,716
Short-term bank borrowings	31	**3,724,700**	2,550,000
Other bank borrowings	31	**529,816**	682,820
Short-term borrowings from CPIF	32	**2,300,000**	1,450,000
Current portion of long-term payable to CPIF	32	**—**	270,295
Short-term other borrowings	33	**200,000**	—
Current portion of obligations under finance leases	34	**16,804**	24,244
Taxation payable		**256,339**	200,630
		12,063,070	10,422,458
Total liabilities		**41,896,160**	39,325,144
Total equity and liabilities		**56,790,357**	54,206,534
Net current liabilities		**8,287,797**	5,900,803
Total assets less current liabilities		**44,727,287**	43,784,076

Li Xiaolin
Director

Liu Guangchi
Director

	Note	2010 RMB'000	2009 RMB'000
		As at 31 December	
ASSETS			
Non-current assets			
Property, plant and equipment	16	**1,928**	3,659
Investments in subsidiaries	20	**8,345,465**	8,229,297
Interests in an associated company	21	**552,500**	552,500
Interests in a jointly controlled entity	22	**34,606**	—
Available-for-sale financial assets	23	**1,605,794**	2,720,498
		10,540,293	11,505,954
Current assets			
Prepayments, deposits and other receivables		**2,652**	3,961
Amount due from a fellow subsidiary	27	**2,000**	2,000
Amounts due from subsidiaries	20	**1,463,335**	351,285
Dividends receivable		**499,319**	878,630
Cash and cash equivalents	28	**597,492**	1,578,756
		2,564,798	2,814,632
Total assets		**13,105,091**	14,320,586
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	29(a)	**5,121,473**	5,121,473
Share premium	29(b)	**4,303,111**	4,303,111
Reserves	30	**1,085,309**	1,815,088
		10,509,893	11,239,672

As at 31 December 2010

	Note	As at 31 December 2010 RMB'000	2009 RMB'000
LIABILITIES			
Non-current liabilities			
Corporate bonds	33	**800,000**	—
Deferred income tax liabilities	38	**43,373**	263,841
		843,373	263,841
Current liabilities			
Other payables and accrued charges	36	**46,566**	58,285
Amounts due to group companies	27	**105,079**	1,188,688
Amounts due to subsidiaries	20	**1,045,938**	887,280
Bank borrowings	31	**529,816**	682,820
Taxation payable		**24,426**	—
		1,751,825	2,817,073
Total liabilities		**2,595,198**	3,080,914
Total equity and liabilities		**13,105,091**	14,320,586
Net current assets/(liabilities)		**812,973**	(2,441)
Total assets less current liabilities		**11,353,266**	11,503,513

Li Xiaolin
Director

Liu Guangchi
Director

	Attributable to equity holders of the Company					
	Share capital (Note 29(a)) RMB'000	Share premium (Note 29(b)) RMB'000	Other reserves (Note 30) RMB'000	Accumulated losses (Note 30(iv)) RMB'000	Non-controlling Interests RMB'000	Total RMB'000
Balance at 1 January 2010	5,121,473	4,303,111	3,438,167	(424,357)	2,442,996	14,881,390
Other comprehensive income:						
Decrease in fair value of available-for-sale financial assets	—	—	(734,306)	—	—	(734,306)
Deferred tax on decrease in fair value of available-for-sale financial assets (Note 38)	—	—	183,576	—	—	183,576
Release on disposal of available-for-sale financial assets	—	—	(126,859)	—	—	(126,859)
Release of deferred tax upon disposal of available-for-sale financial assets (Note 38)	—	—	36,892	—	—	36,892
Other comprehensive income, net of tax	—	—	(640,697)	—	—	(640,697)
Profit for the year	—	—	—	666,892	199,363	866,255
Total comprehensive income	—	—	(640,697)	666,892	199,363	225,558
Employee share option benefits	—	—	3,728	—	—	3,728
Lapse of share options	—	—	(1,179)	1,179	—	—
Transfer to statutory reserves	—	—	54,425	(54,425)	—	—
Acquisition of subsidiaries (Note 40)	—	—	—	—	22,517	22,517
Contributions from non-controlling shareholders of subsidiaries	—	—	—	—	75,922	75,922
Dividends paid to a shareholder of a subsidiary	—	—	—	—	(85,100)	(85,100)
2009 final dividend	—	—	—	(229,818)	—	(229,818)
	—	—	56,974	(283,064)	13,339	(212,751)
Balance at 31 December 2010	5,121,473	4,303,111	2,854,444	(40,529)	2,655,698	14,894,197

Consolidated Statement of Changes In Equity

For the year ended 31 December 2010

	Attributable to equity holders of the Company					
	Share capital (Note 29(a)) RMB'000	Share premium (Note 29(b)) RMB'000	Other reserves (Note 30) RMB'000	Accumulated losses (Note 30(iv)) RMB'000	Non-controlling interests RMB'000	Total RMB'000
Balance at 1 January 2009	3,798,610	2,755,361	2,296,913	(887,737)	68,339	8,031,486
Other comprehensive income:						
Increase in fair value of available-for-sale financial assets	—	—	1,341,487	—	—	1,341,487
Deferred tax on increase in fair value of available-for-sale financial assets (Note 38)	—	—	(263,841)	—	—	(263,841)
Other comprehensive income, net of tax	—	—	1,077,646	—	—	1,077,646
Profit for the year	—	—	—	519,008	32,602	551,610
Total comprehensive income	—	—	1,077,646	519,008	32,602	1,629,256
Issue of shares for acquisition of subsidiaries (Note 29(a))	1,322,863	1,547,750	—	—	—	2,870,613
Employee share option benefits	—	—	7,980	—	—	7,980
Lapse of share options	—	—	(2,334)	2,334	—	—
Transfer to statutory reserves	—	—	57,962	(57,962)	—	—
Acquisition of subsidiaries (Note 40)	—	—	—	—	2,271,293	2,271,293
Contributions from non-controlling shareholders of subsidiaries	—	—	—	—	70,762	70,762
	1,322,863	1,547,750	63,608	(55,628)	2,342,055	5,220,648
Balance at 31 December 2009	5,121,473	4,303,111	3,438,167	(424,357)	2,442,996	14,881,390

For the year ended 31 December 2010

	Note	Year ended 31 December 2010 RMB'000	2009 RMB'000
Cash flows from operating activities			
Cash generated from operations	39(a)	**3,517,371**	3,675,342
Interest paid		**(1,814,356)**	(779,617)
PRC income tax paid		**(164,926)**	(44,180)
Net cash generated from operating activities		**1,538,089**	2,851,545
Cash flows from investing activities			
Payments for property, plant and equipment		**(3,449,462)**	(2,019,465)
New prepayments for construction of power plants		**(1,506,315)**	(626,148)
Proceeds from disposal of property, plant and equipment and land use rights		**24,742**	3,809
Payment for land use rights		**(52,738)**	(121,310)
Acquisition of subsidiaries, net of cash acquired	40	**(440,152)**	1,787,175
Payment of purchase consideration for acquisition of Wuling Group		**(1,090,030)**	—
Investment in available-for-sale financial assets		**(26,856)**	—
Proceeds from disposal of available-for-sale financial assets		**293,814**	—
Capital injection to jointly controlled entities		**(78,606)**	—
Loans to a fellow subsidiary		**—**	(530,000)
Dividends received		**105,620**	6,000
Interest received		**104,018**	34,551
Net cash used in investing activities		**(6,115,965)**	(1,465,388)

	Note	Year ended 31 December 2010 RMB'000	2009 RMB'000
Cash flows from financing activities			
New bank borrowings	39(b)	**7,617,500**	3,558,595
New borrowings from CPIF	39(b)	**3,023,795**	1,800,000
New short-term other borrowings	39(b)	**200,000**	—
Issue of corporate bonds	39(b)	**800,000**	—
Contributions from non-controlling shareholders of subsidiaries	39(b)	**75,922**	70,762
Repayment of bank borrowings	39(b)	**(5,636,914)**	(6,045,720)
Repayment of other borrowings	39(b)	**(256,393)**	(101,494)
Repayment of borrowings from CPIF	39(b)	**(1,894,200)**	—
Payments for obligations under finance leases	39(b)	**(19,253)**	(35,416)
Decrease/(increase) in pledged bank deposits		**48,886**	(48,886)
Dividends paid		**(229,818)**	—
Dividends paid to a shareholder of a subsidiary	39(b)	**(85,100)**	—
Net cash generated from/(used in) financing activities		**3,644,425**	(802,159)
Net (decrease)/increase in cash and cash equivalents		**(933,451)**	583,998
Cash and cash equivalents at 1 January		**1,910,816**	1,326,818
Cash and cash equivalents at 31 December	28	**977,365**	1,910,816

1 GENERAL INFORMATION

China Power International Development Limited (the "Company") was incorporated in Hong Kong on 24 March 2004 as a limited liability company under the Hong Kong Companies Ordinance. The Company's shares were listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company and its subsidiaries (together, the "Group") are principally engaged in investment holdings, the generation and sales of electricity, and the development of power plants in The People's Republic of China (the "PRC").

In 2009, the Group acquired 63% equity interests in Wu Ling Power Corporation ("Wuling") from China Power International Holding Limited ("CPIH"), an intermediate holding company of the Company. Wuling and its subsidiaries (together, "Wuling Group"), are principally engaged in the generation and sales of hydropower electricity, and the development and construction of hydropower plants, mainly in Hunan and Guizhou Provinces in the PRC.

These consolidated accounts are presented in thousands of Renminbi ("RMB'000"), unless otherwise stated, and have been approved for issue by the Board of Directors on 30 March 2011.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

The consolidated accounts of the Company 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 accounts have been prepared under the historical cost convention except that available-for-sale financial assets, and certain financial assets and financial liabilities (including derivative instruments) are measured at fair value, as appropriate.

The preparation of accounts 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 accounts, are disclosed in Note 4.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.1 Basis of preparation *(Continued)*

(a) Effect of adopting amendments to standards and interpretations

The following amendments to standards and interpretations are mandatory for accounting periods beginning on or after 1 January 2010. The adoption of these amendments to standards and interpretations does not have any significant impact to the results and financial position of the Group.

HKFRSs (amendment)	Improvements to HKFRSs 2009
HKFRS 1 (revised)	First-time adoption of HKFRSs
HKFRS 1 (amendment)	Additional exemptions for first-time adopters
HKFRS 2 (amendment)	Group cash-settled share-based payment transactions
HKFRS 3 (revised)	Business combinations
HKFRS 5 (amendment)	Non-current asset held for sale and discontinued operations
HKAS 27 (revised)	Consolidated and separate financial statements
HKAS 39 (amendment)	Eligible hedged items
HK-Int 5	Presentation of financial statements - classification by the borrower of a term loan that contains a repayment on demand clause
HK(IFRIC) Int 17	Distributions of non-cash assets to owners

(b) Revised standard that is not yet effective, but has been early adopted by the Group

The Group has early adopted HKAS 24 (Revised) "Related party disclosures". The amendment introduces an exemption from all of the disclosure requirements of HKAS 24 for transactions among government-related entities and the government. Those disclosures are replaced with a requirement to disclose the name of the government and the nature of their relationship, the nature and amount of any individually-significant transactions, and the extent of any collectively-significant transactions qualitatively or quantitatively. It also clarifies and simplifies the definition of a related party.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.1 Basis of preparation *(Continued)*

(c) The following new standard, amendments to standards and interpretations have been issued but are not effective for 2010 and have not been early adopted:

HKFRSs (amendment)	Improvements to HKFRSs 2010 (1)
HKFRS 1 (amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters (1)
HKFRS 7 (amendment)	Disclosures - transfers of financial assets (2)
HKFRS 9	Financial instruments (3)
Additions to HKFRS 9	Financial instruments - financial liabilities (3)
HKAS 12 (amendment)	Deferred tax: recovery of underlying assets (2)
HKAS 32 (amendment)	Classification of right issues (1)
HK(IFRIC) Int 14 (amendment)	Prepayments of a minimum funding requirement (1)
HK(IFRIC) Int 19	Extinguishing financial liabilities with equity instruments(1)

(1) Effective for the Group for annual period beginning on 1 January 2011

(2) Effective for the Group for annual period beginning on 1 January 2012

(3) Effective for the Group for annual period beginning on 1 January 2013

The directors anticipate that the adoption of these new standard, amendments to standards and interpretations will not result in a significant impact on the results and financial position of the Group.

(d) As at 31 December 2010, the Group breached certain financial covenants in respect of a bank loan of RMB529,816,000, details of which have been disclosed in Note 31. These covenant requirements have subsequently been waived by the relevant syndicate of banks after the year end. In preparing these accounts, the directors have taken into account all information that could reasonably be expected to be available and have ascertained that the Group has obtained adequate financial resources to support the Group to continue in operational existence for the foreseeable future. As of 31 December 2010, the Group had undrawn committed banking facilities amounting to approximately RMB20,800 million (2009: RMB12,168 million) and will refinance and/or restructure certain short-term loans into long-term loans or to consider alternative sources of financing, where applicable. Under these circumstances, the directors are of the opinion that the Group will be able to meet its liabilities as and when they fall due within the next twelve months and therefore have prepared the accounts on a going concern basis.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.2 Consolidation

The consolidated accounts include the accounts 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 to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. 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 interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

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 interest 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. 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 associated company, 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.

(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 are initially recognised at cost. The Group's investments in associated companies include goodwill (net of any accumulated impairment loss) identified on acquisition, if any (Note 2.7).

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 investment. When the Group's share of losses in an associated company equals or exceeds its interest in the associated company, including any long-term interest that, in substance, form part of the Group's net investment in the associated Company, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associated company.

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 and losses arising in investments in associated companies are recognised in the income statement.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.2 Consolidation *(Continued)*

(c) Associated companies *(Continued)*

In the Company's balance sheet the interests in an associated company are stated at cost less provision for impairment losses (Note 2.8). The results of the associated company are accounted for by the Company on the basis of dividends received and receivable.

(d) Jointly controlled entities

Jointly controlled entities are entities established under a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over the economic activity.

The Group's interests in jointly controlled entities are accounted for using the equity method of accounting.

The consolidated income statement includes the Group's share of the results of jointly controlled entities for the year, and the consolidated balance sheet includes the Group's share of the net assets of the jointly controlled entities.

(e) Changes in accounting policy

The Group has changed its accounting policy for transactions with non-controlling interests and the accounting for loss of control or significant influence from 1 January 2010 when revised HKAS 27, "Consolidated and separate financial statements", became effective. The revision to HKAS 27 contained consequential amendments to HKAS 28, "Investments in associates", and HKAS 31, "Interests in joint ventures".

Previously transactions with non-controlling interests were treated as transactions with parties external to the Group. Disposals therefore resulted in gains or losses in profit or loss and purchases resulted in the recognition of goodwill. On disposal or partial disposal, a proportionate interest in reserves attributable to the subsidiary was reclassified to profit or loss or directly to retained earnings.

Previously, when the Group ceased to have control or significant influence over an entity, the carrying amount of the investment at the date control or significant influence became its cost for the purposes of subsequently accounting for the retained interests as associated companies, jointly controlled entity or financial assets.

The Group has applied the new policy prospectively to transactions occurring on or after 1 January 2010. As a consequence, no adjustments were necessary to any of the amounts previously recognised in the accounts.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.3 Foreign currency translation

(a) Functional and presentation currency

Items included in the accounts 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 principal activities of the Group are transacted in RMB and accordingly the consolidated accounts are presented in RMB, which is the Company's functional and 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 items are re-measured. 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.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within "finance costs". All other foreign exchange gains and losses are presented in the income statement within "other gains, net".

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.

(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 rate on the dates of the transactions); and

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

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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.4 Property, plant and equipment

Property, plant and equipment other than construction in progress are stated at cost less accumulated depreciation and impairment losses. Cost includes purchase price of the asset, costs transferred from construction in progress and any directly attributable costs of bringing the asset to the working condition and location for its 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 charged to the income statement during the financial period in which they are incurred.

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

Dam	30 - 50 years
Buildings	8 - 45 years
Leasehold improvements	Shorter of 5 years and over the lease term
Power generators and equipment	9 - 28 years
Electricity supply equipment	13 - 30 years
Furniture and fixture	3 - 5 years
Tools and other equipment	3 - 18 years
Motor vehicles	2 - 12 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at end of each reporting period. 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 2.8). Such impairment losses are recognised in the income statement.

Gains or losses on disposals are determined by comparing the net sales proceeds with the carrying amount of the relevant assets and are 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, direct labour costs and overheads and, for qualifying assets, borrowing costs capitalised in accordance with the Group' accounting policy. 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.6 Land use rights

Land use rights are stated at cost less accumulated amortisation and accumulated impairment losses (if any). Cost mainly represents consideration paid for the rights to use the land on which various plants and buildings are situated for a period of 23 to 69 years from the date the respective right was granted. Amortisation of land use rights is calculated on a straight-line basis over the period of the land use rights.

2.7 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 annually 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 identified according to operating segment (Note 2.8).

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

Assets that have an indefinite useful life or have not yet available for use are not subject to amortisation/depreciation 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-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the income statement.

Impairment testing of the investments in subsidiaries, associated companies and jointly controlled entities is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary, associated company or jointly controlled entity in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.9 Financial assets

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available-for-sale. The classification depends on the purposes for which the financial assets were acquired. Management determines the classification of the Group's 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 if expected to be settled within 12 months; otherwise, they are classified as non-current.

(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 those with maturities greater than 12 months after the end of the reporting period which are classified as non-current assets. The Group's loans and receivables include accounts and other receivables, deposits, loans and amounts due from related parties and bank deposits and balances in the consolidated balance sheet.

(c) Available-for-sale financial assets

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.9 Financial assets *(Continued)*

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group established fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs. However, if the range of reasonable fair value estimate is significant and the probabilities of the various estimate cannot be reasonably assessed, such financial assets are carried at cost less accumulated impairment losses.

2.10 Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair values. The method of recognising the resulting gains or losses depends on whether the derivative is designated and qualified as a hedging instrument, and if so, the nature of the item being hedged. Since the derivative financial instruments entered into by the Group do not qualify for hedge accounting, changes in the fair value of any derivative instruments are recognised immediately in the income statement.

2.11 Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The Group first assesses whether objective evidence of impairment exists. The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount of the asset is reduced and the amount of the loss is recognised in the income statement.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the income statement.

For equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is an evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss - is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.12 Inventories

Inventories comprise coal, oil, consumable supplies and spare parts held for consumption and usage and 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 using 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.

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. If collection of accounts and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

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 substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. Trade and other payables (including construction costs payable and amounts payable to group companies) 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 directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.16 Borrowings and borrowing costs

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried 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 end of the reporting period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.16 Borrowings and borrowing costs *(Continued)*

Borrowing costs attributable to 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.

2.17 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the 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. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purpose. 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 only 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.

Deferred income tax assets and liabilities are offset when there is a legally enforceable rights to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

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.

(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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.18 Employee benefits *(Continued)*

(c) Share-based compensation

The Group operates an equity-settled, share-based compensation plan, under which the entity receives services 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 including any market performance conditions; excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specific time period, and including the impact of any non-vesting conditions (for example, the requirement for employees to save).

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specific vesting conditions are to be satisfied. At the end of each reporting period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision of original estimates, if any, in the income statement, with a corresponding adjustment to equity.

When the options are exercised, the Company issues new shares. 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 expenditures expected to be required to settle the obligations using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.20 Government grants

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

Government grants and subsidies 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.

Government grants and subsidies relating to property, plant and equipment and other environmental improvement projects are included in non-current liabilities as deferred income and are credited to the income statement on a straight-line basis over the expected lives of the related assets and projects.

2.21 Finance lease

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in short-term and long-term finance lease obligations. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

2.22 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.

2.23 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 that make strategic decisions.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

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.

(i) Sales of electricity are recognised when electricity is generated and transmitted.

(ii) Sales of electricity quotas are recognised when electricity is generated and transmitted by the buyers of the quotas.

(iii) Hotel revenues from room rentals, food and beverages sales, and other ancillary services are recognised upon the provision of the relevant goods and services.

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

(v) Management fee income and service fee income are recognised when services are rendered.

(vi) Dividend income is recognised when the Group's right to receive payments is established.

(vii) Clean development mechanism income is recognised when the counterparties have committed to purchase the carbon credits, the sales prices have been agreed, and relevant electricity has been generated and transmitted.

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

2.25 Dividend distribution

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

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risks (including foreign exchange risk, 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.

3 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.1 Financial risk factors *(Continued)*

(a) Foreign exchange risk

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

The Group's assets and liabilities, and transactions arising from its operations primarily do not expose to material foreign exchange risk. Other than certain bank balances and bank borrowings, the Group's assets and liabilities are primarily denominated in RMB. The Group generates RMB from sales in the PRC to meet its liabilities denominated in RMB.

As at 31 December 2010, certain of the Group's cash and bank balances were denominated in HK$ and USD, details of which have been disclosed in Note 28.

As at 31 December 2010, the Group was exposed to foreign exchange risk primarily with respect to certain of its bank borrowings which were denominated in JPY and USD, details of which have been disclosed in Note 31. RMB experienced certain depreciation and appreciation against JPY and USD during the year which is the major reason for the exchange differences recognised by the Group for the year. Further appreciation and depreciation of JPY and USD against RMB will affect the Group's financial position and results of operations.

The Group manages its foreign exchange risk by performing regular reviews of its net foreign exchange exposures. Management also use certain derivative financial instruments to manage foreign exchange exposures. As at 31 December 2010, the Group had certain derivative financial instruments mainly to sell USD for JPY, details of which have been disclosed in Note 37.

At 31 December 2010, if RMB had weakened/strengthened by 5% against JPY, with all other variables held constant, post-tax profit for the year would have been approximately RMB55,669,000 lower/higher (2009: RMB54,128,000 lower/higher), mainly as a result of foreign exchange losses/gains on translation of JPY denominated borrowings.

At 31 December 2010, if RMB had weakened/strengthened by 5% against HK$, with all other variables held constant, post-tax profit for the year would have been RMB1,151,000 higher/lower (2009: RMB1,113,000 higher/lower), mainly as a result of foreign exchange gains/losses on translation of HK dollars-denominated cash and bank balances.

At 31 December 2010, if RMB had weakened/strengthened by 5% against USD, with all other variables held constant, post-tax profit for the year would have been RMB25,897,000 lower/higher (2009: RMB25,007,000 lower/higher) mainly as a result of foreign exchange losses/gains on translation of USD-denominated bank deposits and borrowings.

3 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.1 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. The Group's interest-bearing assets mainly include long-term loans to a fellow subsidiary and bank balances and deposits, details of which have been disclosed in Notes 24 and 28 respectively. The Group's exposure to changes in interest rates is mainly attributable to its borrowings, details of which have been disclosed in Notes 31 to 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, details of which have been disclosed in Note 31(d), 32 and 33. The Group has not used any specific interest rate swap contracts 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 interest rates, with all other variables held constant, post-tax profit for the year would have been RMB105,519,000 lower/higher (2009: RMB82,214,000 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 available-for-sale financial assets. Most of the Group's available-for-sale financial assets are publicly traded. However, the Group does not trade these investments as such investments are held for strategic rather than trading purpose. The stork market is relatively more volatile in recent years. At 31 December 2010, if the quoted market price of the equity investments held by the Group had increased/decreased by 10% to 30%, with all other variables held constant, the results of the Group would have been unaffected as the investments are classified as available-for-sale and no investments had been considered impaired; and equity would have been RMB120,435,000 to RMB361,304,000 (2009: RMB204,037,000 to RMB612,112,000) higher or RMB120,435,000 to RMB481,738,000 (2009: RMB204,037,000 to RMB612,112,000) lower, mainly as a result of the changes in fair value of available-for-sale financial assets.

The Group also exposes to commodity price risk mainly in relation to the coal price. The Group manages such risk by entering into certain bulk purchase agreements with coal suppliers and continue to look for development of coal mine projects.

3 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.1 Financial risk factors *(Continued)*

(d) Credit risk

The Group's credit risk primarily arises from cash at bank and term deposits, accounts and other receivables, and loans to a fellow subsidiary, details of which are disclosed in Notes 28, 35, 26, 27 and 24 to the accounts respectively.

Substantially all of the Group's cash at bank and term deposits are held in major financial institutions, which management believes are of high credit quality. 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 a majority of the Group's sales of electricity were made to regional and provincial power grid companies. The Group normally grants credit terms ranging from 15 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 accounts receivable is disclosed in Note 26. Management does not expect any losses from non-performance by these counterparties.

In addition, the Group assumed certain loans to a fellow subsidiary following the acquisition of Wuling Group for a term of three years. As the loans are indemnified by CPIH, management considers that the credit risk is low. Management makes periodic collective assessment as well as individual assessment on the recoverability of all loans and 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 loans and 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, borrowings from holding companies and fellow subsidiaries, and short-term and long-term bank loans.

As at 31 December 2010, the net current liabilities of the Group amounted to RMB8,287,797,000. Management monitors regularly the Group's current and expected liquidity requirements to ensure it maintains sufficient cash and cash equivalents and has available funding through adequate amount of committed banking facilities to meet its working capital requirements. The amount of undrawn credit facilities at the balance sheet date are disclosed in Note 31(f) to the accounts. The directors believe that the Group's current operating cash flows and credit facilities from banks are sufficient for financing its capital commitments in the near future and for working capital purposes.

3 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.1 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 (inflows)/outflows.

	Group			
	Within 1 year RMB'000	Between 1 and 2 years RMB'000	Between 3 and 5 years RMB'000	Over 5 years RMB'000
At 31 December 2010				
Bank borrowings	**8,040,573**	**3,591,991**	**10,621,518**	**23,399,696**
Payables and accruals	**2,417,296**	**—**	**—**	**—**
Long-term borrowings from ultimate holding company	**73,986**	**73,986**	**221,957**	**1,691,313**
Amounts due to group companies	**203,628**	**—**	**—**	**—**
Borrowings from CPIF	**2,418,722**	**448,288**	**1,051,794**	**8,060**
Other borrowings	**281,979**	**78,517**	**1,170,210**	**1,152,213**
Derivative financial instruments, net settled	**(13,812)**	**(10,853)**	**5,318**	**92,374**
Obligations under finance leases	**27,335**	**27,335**	**82,005**	**122,315**
At 31 December 2009				
Bank borrowings	5,877,665	3,135,954	7,405,698	26,549,516
Payables and accruals	2,603,315	—	—	—
Long-term borrowings from ultimate holding company	73,986	73,986	221,957	1,765,299
Amounts due to group companies	1,292,997	—	—	—
Borrowings from CPIF	1,809,108	46,570	1,221,247	—
Other borrowings	73,976	66,593	199,778	1,605,099
Derivative financial instruments, net settled	(11,166)	(8,880)	1,713	104,647
Obligations under finance leases	35,417	35,417	106,252	80,856

3 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.1 Financial risk factors *(Continued)*

(e) Liquidity risk *(Continued)*

	Company		
	Within 1 year RMB'000	Between 1 and 2 years RMB'000	Between 3 and 5 years RMB'000
At 31 December 2010			
Payables and accruals	**46,566**	**—**	**—**
Amounts due to:			
Subsidiaries	**1,049,703**	**—**	**—**
Group companies	**105,079**	**—**	**—**
Corporate bonds	**25,600**	**25,600**	**876,239**
Bank borrowings	**533,762**	**—**	**—**
At 31 December 2009			
Payables and accruals	58,285	—	—
Amounts due to:			
Subsidiaries	890,474	—	—
Group companies	1,188,688	—	—
Bank borrowings	716,261	—	—

3 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.2 Capital risk management

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

The Group manages the capital structure and makes adjustments to it in the light of changes in economic condition. In order to maintain or adjust the capital structure, the Group may adjust the dividend payments to shareholders, return capital to shareholders, issue new shares, sell assets to reduce debt or to obtain bank and other 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 borrowings (including current and non-current borrowings as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as "equity", as shown in the consolidated balance sheet, plus net debt.

The table below analyses the Group's capital structure as at 31 December 2010.

	2010	2009
	RMB'000	RMB'000
Total bank borrowings (Note 31)	**30,738,142**	28,443,556
Total payables to CPIF (Note 32)	**3,729,595**	2,870,295
Total payable to ultimate holding company (Note 32)	**1,473,816**	1,473,816
Corporate bonds (Note 33)	**1,793,239**	992,506
Other long-term borrowings (Note 33)	**135,201**	392,327
Short-term other borrowings (Note 33)	**200,000**	—
Less: Cash and cash equivalents (Note 28)	**(977,365)**	(1,910,816)
Net debt	**37,092,628**	32,261,684
Total equity	**14,894,197**	14,881,390
Total capital	**51,986,825**	47,143,074
Gearing ratio	**71%**	68%

The increase in the gearing ratio during 2010 resulted primarily from the additional borrowings obtained in order to finance the capital investments in the construction and development of new power plants.

3 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.3 Fair value estimation

The HKFRS 7 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 assets and liabilities that are measured at fair value.

At 31 December 2010

	Level 1 RMB'000	**Level 2 RMB'000**	**Level 3 RMB'000**	**Total RMB'000**
Assets				
Available-for-sale financial assets - equity securities	**1,605,794**	**—**	**—**	**1,605,794**
Liabilities				
Derivative financial instruments - held for trading	**—**	**—**	**71,902**	**71,902**

At 31 December 2009

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Available-for-sale financial assets - equity securities	2,720,498	—	—	2,720,498
Liabilities				
Derivative financial instruments - held for trading	—	—	71,441	71,441

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 equity investments classified as trading securities or available-for-sale.

3 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.3 Fair value estimation *(Continued)*

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques 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 of an instrument are observable, the instruments is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value.
- Other techniques, such as discounted cash flow analysis and option pricing model, are used to determined fair value for the remaining financial instruments.

The derivative financial instruments - held for trading represents certain net settled derivative financial instruments, with a contract period of 15 years, mainly to sell USD for JPY with an aggregate notional principal amount of JPY3,251,900,000.

The following table presents the changes in these derivative financial instruments for the year ended 31 December 2010.

	2010 **RMB'000**	2009 RMB'000
Opening balance	**71,441**	—
Acquisition of subsidiaries (Note 40)	**—**	61,539
Fair value loss recognised in the income statement (Note 7)	**461**	9,902
Closing balance	**71,902**	71,441
Total loss included in the consolidated income statement for the year for derivative financial instruments held at the end of the reporting period	**461**	9,902

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements used in preparing the accounts 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.

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

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

(ii) Impairment of non-financial assets

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

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

Changes of assumptions in fuel price will affect the result of property, plant and equipment impairment assessment. As at 31 December 2010, if fuel price had increased by 1% from management's estimates with other variables held constant with the expectations, the Group would not need to recognise any additional impairment losses.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(CONTINUED)*

(iii) Current and deferred taxation

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.

(iv) Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the balance sheet cannot be derived from active markets, they are determined using valuation techniques including the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values.

As at 31 December 2010, the Group held certain net settled derivative financial instruments mainly to sell USD for JPY with an aggregate notional principal amount of JPY3,251,900,000 mainly for the purpose of managing currency exposure of JPY denominated bank borrowings, details of which have been disclosed in Note 37. The fair values of these contracts are determined using valuation techniques calculated based on a number of parameters including discount rates and volatility between USD/JPY in various forecasted periods. Changes in assumptions about these factors could significantly affect the reported fair value of the financial instruments with consequential impact on the results of the Group.

5 TURNOVER, REVENUE AND SEGMENT INFORMATION

Revenue recognised during the year is as follows:

	2010	2009
	RMB'000	RMB'000
Sales of electricity to provincial power grid companies (note (a))	**14,307,251**	10,696,290
Provision for power generation and related services (note (b))	**129,408**	240,218
	14,436,659	10,936,508

Note:

(a) Pursuant to the power purchase agreements entered into between the Group and the respective regional and 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 regional and provincial power grid companies as approved by the relevant government authorities.

(b) Provision for power generation and related services represents income from provision of power generation and related services to other power plants and power grid companies which are calculated based on mutually agreed terms.

Segment information

The chief operating decision maker has been identified as the executive directors and certain senior management (collectively referred to as the "CODM") that make strategic decisions. The CODM reviews the internal reporting of the Company and its subsidiaries in order to assess performance and allocate resources. Management has determined the operating segments based on these reports. Currently, it is determined that the "Generation and sales of coal-fired electricity" and "Generation and sales of hydropower electricity" in the PRC are the reportable segments of the Group. The CODM assesses the performance of the operating segments based on a measure of profit/loss before taxation, excluding dividends from available-for-sale financial assets, if any, and effects on items of a non-recurring nature, such as impairments when the impairment is the result of an isolated, non-recurring event. Other information provided to the CODM is measured in a manner consistent with that in the accounts.

Segment assets exclude deferred tax assets, available-for-sale financial assets and corporate assets which are managed on a central basis.

Segment liabilities exclude taxation payable, deferred tax liabilities, derivative financial instruments and corporate liabilities which are managed on a central basis.

5 TURNOVER, REVENUE AND SEGMENT INFORMATION *(CONTINUED)*

Segment information *(Continued)*

	Year ended 31 December 2010				
	Coal-fired electricity RMB'000	Hydropower electricity RMB'000	Reportable segments total RMB'000	Others RMB'000	Total RMB'000
Revenue					
Sales of electricity	11,507,637	2,799,614	14,307,251	—	14,307,251
Provision for power generation and related services	40,718	88,690	129,408	—	129,408
	11,548,355	2,888,304	14,436,659	—	14,436,659
Results of reportable segments	954,908	1,679,708	2,634,616	—	2,634,616
A reconciliation of results of reportable segments to profit for the year is as follows:					
Results of reportable segments					2,634,616
Unallocated income	—	—	—	54,806	54,806
Unallocated expenses	—	—	—	(126,826)	(126,826)
Operating profit					2,562,596
Interest income	2,566	86,165	88,731	15,287	104,018
Finance costs	(539,515)	(958,727)	(1,498,242)	(15,822)	(1,514,064)
Share of profits of associated companies	112,327	—	112,327	—	112,327
Share of losses of jointly controlled entities	(9,889)	—	(9,889)	(8,506)	(18,395)
Profit before taxation					1,246,482
Taxation					(380,227)
Profit for the year					866,255

5 TURNOVER, REVENUE AND SEGMENT INFORMATION *(CONTINUED)*

Segment information *(Continued)*

	Year ended 31 December 2010				
	Coal-fired electricity RMB'000	Hydropower electricity RMB'000	Reportable segments total RMB'000	Others RMB'000	Total RMB'000
Other segment information:					
Capital expenditure	2,704,921	2,495,724	5,200,645	7,058	5,207,703
Depreciation on property, plant and equipment	1,018,216	687,384	1,705,600	6,788	1,712,388
Amortisation of leasehold land and land use rights	3,055	6,029	9,084	—	9,084
Loss/(gain) on disposal of property, plant and equipment and land use rights	4,922	(8,613)	(3,691)	—	(3,691)
Reversal of impairment of inventories	(1,656)	—	(1,656)	—	(1,656)
Provision for/(reversal of) impairment of other receivables	538	(786)	(248)	—	(248)

5 TURNOVER, REVENUE AND SEGMENT INFORMATION *(CONTINUED)*

Segment information *(Continued)*

	As at 31 December 2010				
	Coal-fired electricity RMB'000	Hydropower electricity RMB'000	Reportable segments total RMB'000	Others RMB'000	Total RMB'000
Segment assets					
Other segment assets	21,145,226	28,921,309	50,066,535	—	50,066,535
Goodwill	—	767,365	767,365	—	767,365
Interests in associated companies	1,569,714	—	1,569,714	17,851	1,587,565
Interests in jointly controlled entities	95,212	—	95,212	40,669	135,881
	22,810,152	29,688,674	52,498,826	58,520	52,557,346
Available-for-sale financial assets					1,733,650
Deferred income tax assets					45,152
Long-term loans to a fellow subsidiary					1,500,000
Other unallocated assets					954,209
Total assets per consolidated balance sheet					56,790,357
Segment liabilities					
Other segment liabilities	(1,907,064)	(856,481)	(2,763,545)	—	(2,763,545)
Borrowings	(14,498,892)	(23,476,601)	(37,975,493)	(94,500)	(38,069,993)
	(16,405,956)	(24,333,082)	(40,739,038)	(94,500)	(40,833,538)
Purchase consideration payable to an intermediate holding company					(98,387)
Derivative financial instruments					(71,902)
Taxation payable					(256,339)
Deferred income tax liabilities					(570,095)
Other unallocated liabilities					(65,899)
Total liabilities per consolidated balance sheet					(41,896,160)

5 TURNOVER, REVENUE AND SEGMENT INFORMATION *(CONTINUED)*

Segment information *(Continued)*

	Year ended 31 December 2009				
	Coal-fired electricity RMB'000	Hydropower electricity RMB'000	Reportable segments total RMB'000	Others RMB'000	Total RMB'000
Revenue					
Sales of electricity	10,321,804	374,486	10,696,290	—	10,696,290
Provision for power generation and related services	240,218	—	240,218	—	240,218
	10,562,022	374,486	10,936,508	—	10,936,508
Results of reportable segments	1,196,746	161,146	1,357,892	—	1,357,892
A reconciliation of results of reportable segments to profit for the year is as follows:					
Results of reportable segments					1,357,892
Impairment of goodwill	(126,939)	—	(126,939)	—	(126,939)
Unallocated income	—	—	—	14,957	14,957
Unallocated expenses	—	—	—	(125,703)	(125,703)
Operating profit					1,120,207
Interest income	6,703	15,081	21,784	12,767	34,551
Finance costs	(595,747)	(106,016)	(701,763)	(1,865)	(703,628)
Share of profits/(losses) of associated companies	128,248	—	128,248	(262)	127,986
Share of losses of jointly controlled entities	(5,030)	—	(5,030)	—	(5,030)
Profit before taxation					574,086
Taxation					(22,476)
Profit for the year					551,610

5 TURNOVER, REVENUE AND SEGMENT INFORMATION *(CONTINUED)*

Segment information *(Continued)*

	Year ended 31 December 2009				
	Coal-fired electricity RMB'000	Hydropower electricity RMB'000	Reportable segments total RMB'000	Others RMB'000	Total RMB'000
Other segment information:					
Capital expenditure	2,023,175	426,157	2,449,332	98	2,449,430
Depreciation on property, plant and equipment	934,991	107,777	1,042,768	3,096	1,045,864
Amortisation of leasehold land and land use rights	862	982	1,844	—	1,844
Loss on disposal of property, plant and equipment	6,739	—	6,739	—	6,739
Provision for impairment of inventories	7,759	—	7,759	—	7,759
Provision for impairment of other receivables	611	—	611	—	611

5 TURNOVER, REVENUE AND SEGMENT INFORMATION *(CONTINUED)*

Segment information *(Continued)*

	As at 31 December 2009				
	Coal-fired electricity RMB'000	Hydropower electricity RMB'000	Reportable segments total RMB'000	Others RMB'000	Total RMB'000
Segment assets					
Other segment assets	19,440,473	26,281,850	45,722,323	—	45,722,323
Goodwill	—	467,619	467,619	—	467,619
Interests in associated companies	1,557,387	—	1,557,387	17,851	1,575,238
Interests in jointly controlled entities	61,101	—	61,101	14,569	75,670
	21,058,961	26,749,469	47,808,430	32,420	47,840,850
Available-for-sale financial assets					2,821,498
Deferred income tax assets					107,971
Long-term loans to a fellow subsidiary					1,500,000
Other unallocated assets					1,936,215
Total assets per consolidated balance sheet					54,206,534
Segment liabilities					
Other segment liabilities	(2,254,982)	(707,207)	(2,962,189)	—	(2,962,189)
Borrowings	(12,778,765)	(21,293,735)	(34,072,500)	(100,000)	(34,172,500)
	(15,033,747)	(22,000,942)	(37,034,689)	(100,000)	(37,134,689)
Purchase consideration payable to an intermediate holding company					(1,188,417)
Derivative financial instruments					(71,441)
Taxation payable					(200,630)
Deferred income tax liabilities					(661,246)
Other unallocated liabilities					(68,721)
Total liabilities per consolidated balance sheet					(39,325,144)

5 TURNOVER, REVENUE AND SEGMENT INFORMATION *(CONTINUED)*

Segment information *(Continued)*

All revenues from external customers are generated from the PRC. Except that certain cash and bank balances equivalent to approximately RMB149 million were deposited in certain banks in Hong Kong at 31 December 2010 (31 December 2009: approximately RMB275 million), substantially all of the Group's assets, liabilities and capital expenditure are located or utilised in the PRC.

The Group's major customers are regional and provincial power grid companies. During the year ended 31 December 2010, the Group's external revenue amounting to approximately RMB13,155 million (31 December 2009: RMB10,262 million) is generated from 5 (31 December 2009: 5) major customers, each of which account for 10% or more of the Group's external revenue.

6 OTHER INCOME

	2010 **RMB'000**	2009 RMB'000
Sales of electricity quotas	**23,628**	31,505
Income from the provision of repairs and maintenance services	**20,539**	19,075
Hotel operations income	**45,740**	7,981
Rental income	**65,293**	12,650
Management fee income	**3,780**	4,099
Dividend income from CPIF (Note 42(a))	**5,620**	6,000
Clean development mechanism income	**20,603**	—
	185,203	81,310

7 OTHER GAINS, NET

	2010 RMB'000	2009 RMB'000
Amortisation of deferred income	**10,774**	11,015
Government grant (note)	**90,000**	—
Fair value loss on derivative financial instruments	**(461)**	(9,902)
Gain on disposal of available-for-sale financial assets	**29,792**	—
Others	**3,746**	—
	133,851	1,113

Note: Government grant represents a subsidy received by a subsidiary during the year in connection with its close down of certain power generating units in prior years.

8 OPERATING PROFIT

Operating profit is stated after charging/(crediting) the following:

	2010 RMB'000	2009 RMB'000
Amortisation of land use rights (Note 18)	**9,084**	1,844
Auditor's remuneration	**7,407**	8,227
Depreciation of property, plant and equipment (Note 16)		
– owned property, plant and equipment	**1,693,002**	1,026,478
– property, plant and equipment under finance leases	**19,386**	19,386
(Gain)/loss on disposal of property, plant and equipment and land use rights	**(3,691)**	6,739
Operating lease rental in respect of		
– equipment	**4,848**	2,116
– leasehold land and buildings	**34,876**	33,426
(Reverse of)/provision for impairment of inventories	**(1,656)**	7,759
(Reverse of)/provision for impairment of other receivables	**(248)**	611
Reservoir maintenance and usage fees	**85,484**	10,861
Staff costs including directors' emoluments (Note 11)	**747,462**	468,521
Write-off of pre-operating expenses	**25,240**	19,115

9 FINANCE INCOME AND COSTS

	2010 RMB'000	2009 RMB'000
Finance Income		
Interest income from bank deposits	**21,893**	21,785
Interest income from a fellow subsidiary (Note 42 (a))	**82,125**	12,766
	104,018	34,551
Finance costs		
Interest expense on		
– bank borrowings wholly repayable within five years	**414,064**	213,539
– bank borrowings not wholly repayable within five years	**1,128,322**	541,431
– long-term borrowings from ultimate holding company not wholly repayable within five years	**73,986**	12,650
– short-term borrowings from CPIF	**78,866**	16,758
– long-term borrowings from CPIF wholly repayable within five years	**54,226**	50,964
– long-term other borrowings wholly repayable within five years	**17,170**	49
– long-term other borrowings not wholly repayable within five years	**49,177**	11,685
– short-term other borrowings	**5,366**	—
– obligations under finance leases	**11,395**	12,403
	1,832,572	859,479
Less: Amounts capitalised	**(437,984)**	(135,409)
	1,394,588	724,070
Net exchange losses/(gains)	**119,476**	(20,442)
	1,514,064	703,628

The weighted average interest rate on capitalised borrowings is approximately 5.0% (2009: 5.2%) per annum.

10 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 except as disclosed below.

The amount of taxation charged/(credited) to the consolidated income statement represents:

	2010	2009
	RMB'000	RMB'000
PRC current income tax	**220,635**	56,814
Deferred income tax charge/(credit) (Note 38)	**159,592**	(34,338)
	380,227	22,476

The taxation on the Group's profit before taxation differs from the theoretical amount that would arise using the taxation rate of the PRC as follows:

	2010	2009
	RMB'000	RMB'000
Profit before taxation	**1,246,482**	574,086
Less: Share of profits of associated companies	**(112,327)**	(127,986)
Add: Share of losses of jointly controlled entities	**18,395**	5,030
	1,152,550	451,130
Calculated at the PRC statutory tax rate of 25% (2009: 25%)	**288,138**	112,783
Effect of tax concession	**(52,460)**	(61,425)
Effect of different tax rates	**(2)**	7,678
Effect of change in tax rate	**—**	(14,903)
Income not subject to taxation	**(35,518)**	(52,643)
Expenses not deductible for taxation purposes	**50,450**	45,429
Tax losses for which no deferred income tax asset was recognised	**154,781**	11,349
Utilisation of tax losses previously not recognised	**(25,162)**	(25,792)
Taxation charge	**380,227**	22,476

10 TAXATION *(CONTINUED)*

Share of taxation charge attributable to associated companies for the year ended 31 December 2010 of RMB25,691,000 (2009: RMB27,610,000) are included in the Group's share of profits of associated companies for the year.

Pursuant to the relevant PRC income tax rules and regulations, special income tax rates have been granted to certain subsidiaries of the Group and an associated company as being foreign invested enterprises which are engaged in the energy, transportation or infrastructure activities. These companies are subject to a tax rate of 22% for the year 2010 (2009: 20%) followed by tax rates gradually increased from 24% to 25% in the ensuing two years towards 2012. A subsidiary acquired by the Group in the year 2005 will be subject to tax rates gradually increased from 22% for the year 2010 (2009: 10%) to 25% in the ensuing two years towards 2012. Certain subsidiaries of the Group that started operations in the years 2007 and 2008 are also entitled to a two-year exemption from income tax starting from the year in operation followed by a 50% reduction in income tax rate in the ensuing three years. These companies have been subject to reduced tax rates ranging from 11% to 12.5% during the period. The tax rates for these companies will be gradually increased to 25% towards year 2013.

11 STAFF COSTS

	2010 RMB'000	2009 RMB'000
Wages, salaries and bonuses	**520,611**	292,024
Staff welfare	**149,929**	109,180
Share options benefits to directors and employees	**3,728**	7,980
Pension costs - defined contribution plans	**73,194**	59,337
	747,462	468,521

12 PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The profit attributable to equity holders of the Company is dealt with in the accounts of the Company to the extent of a profit of RMB165,069,000 (2009: RMB87,295,000).

13 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)	**666,892**	519,008
Weighted average number of shares in issue (shares in thousands)	**5,107,061**	3,667,224
Basic earnings per share (RMB)	**0.13**	0.14

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares arising from the Company's share options. Diluted earnings per share for the years ended 31 December 2010 and 2009 equal basic earnings per share as the exercise of the outstanding share options would be anti-dilutive.

14 DIVIDENDS

	2010	2009
	RMB'000	RMB'000
Final, proposed, of RMB0.045 (2009: RMB0.045) per share	**229,818**	229,818

At a meeting held on 30 March 2011, the directors recommended the payment of a final dividend for the year ended 31 December 2010 of RMB0.045 (equivalent to HK$0.0535) per ordinary share (2009: RMB0.045 (equivalent to HK$0.0511)), totalling RMB229,818,000 (equivalent to HK$273,228,000) (2009: RMB229,818,000 (equivalent to HK$260,971,000). This proposed dividend is not reflected as dividend payable in these accounts, but will be reflected as an appropriation of retained earnings for the year ending 31 December 2011.

15 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 RMB'000	Basic salary, housing allowance, other allowances and benefits in kind RMB'000	Share-based compensation# RMB'000	Discretionary bonuses RMB'000	Employer's contribution to pension scheme RMB'000	Total RMB'000
Executive directors						
Ms. Li Xiaolin	—	627	234	113	—	974
Mr. Liu Guangchi	—	557	78	107	—	742
Non-executive directors						
Mr. Gao Guangfu[1]	—	—	94	—	—	94
Mr. Guan Qihong[1]	—	—	42	—	—	42
Independent non-executive directors						
Mr. Kwong Che Keung, Gordon	170	85	—	—	—	255
Mr. Li Fang	170	85	—	—	—	255
Mr. Tsui Yiu Wa, Alec	170	60	—	—	—	230
	510	1,414	448	220	—	2,592

1 During the year ended 31 December 2010, each of Mr. Gao Guangfu and Mr. Guan Qihong waived their director fees and other allowances of RMB106,000 and RMB70,000, respectively.

\# Share-based compensation are determined based on the fair value of the share options granted to the relevant directors at the date of grant and recognised over the vesting periods. During the years ended 31 December 2009 and 2010, none of these options has been exercised by the directors.

15 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 RMB'000	Basic salary, housing allowance, other allowances and benefits in kind RMB'000	Share-based compensation# RMB'000	Discretionary bonuses RMB'000	Employer's contribution to pension scheme RMB'000	Total RMB'000
Executive directors						
Ms. Li Xiaolin	—	616	489	158	—	1,263
Mr. Liu Guangchi	—	576	153	153	—	882
Non-executive directors						
Mr. Gao Guangfu[1]	—	—	195	—	—	195
Mr. Guan Qihong[1]	—	—	83	—	—	83
Independent non-executive directors						
Mr. Kwong Che Keung, Gordon	176	123	—	—	—	299
Mr. Li Fang	176	123	—	—	—	299
Mr. Tsui Yiu Wa, Alec	176	123	—	—	—	299
	528	1,561	920	311	—	3,320

1 During the year ended 31 December 2009, each of Mr. Gao Guangfu and Mr. Guan Qihong waived their director fees and other allowances of RMB106,000 and RMB70,000, respectively.

Share-based compensation are determined based on the fair value of the share options granted to the relevant directors at the date of grant and recognised over the vesting periods. During the years ended 31 December 2009 and 2010, none of these options has been exercised by the directors.

15 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 2 (2009: 2) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining 3 (2009: 3) individuals during the year are as follows:

	2010 RMB'000	2009 RMB'000
Basic salaries, housing allowance, other allowances, share options and benefits in kind	**1,749**	2,277
Discretionary bonuses	**186**	308
Employer's contribution to pension scheme	**—**	—
	1,935	2,585

Their emoluments fell within the following bands:

	Number of individuals	
	2010	2009
Nil to HK$1,000,000 (equivalent to RMB865,426 (2009: RMB881,213))	**3**	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.

16 PROPERTY, PLANT AND EQUIPMENT

(a) Group

	Dam RMB'000	Buildings and leasehold improvements RMB'000	Power generators and equipment RMB'000	Electricity supply equipment RMB'000	Furniture and fixture, tools and other equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
Cost								
At 1 January 2010	6,702,438	13,810,130	16,596,484	4,916,033	870,910	215,106	7,236,227	50,347,328
Acquisition of subsidiaries (Note 40)	171,883	273,404	93,041	38,775	15,342	1,520	49,440	643,405
Additions	—	246,384	79,347	1,828	15,978	18,714	3,920,859	4,283,110
Disposals	—	(12,700)	(9,383)	(39,769)	(4,868)	(2,421)	(514)	(69,655)
Transfer	283,506	688,370	1,113,414	55,271	4,037	1,206	(2,145,804)	—
At 31 December 2010	7,157,827	15,005,588	17,872,903	4,972,138	901,399	234,125	9,060,208	55,204,188
Accumulated depreciation and impairment losses								
At 1 January 2010	29,798	1,758,518	5,162,871	1,240,097	334,795	67,196	—	8,593,275
Depreciation charge for the year	185,748	456,801	753,194	175,917	121,751	18,977	—	1,712,388
Disposals	—	(4,263)	(6,453)	(35,093)	(3,654)	(2,119)	—	(51,582)
At 31 December 2010	215,546	2,211,056	5,909,612	1,380,921	452,892	84,054	—	10,254,081
Net book value								
At 31 December 2010	6,942,281	12,794,532	11,963,291	3,591,217	448,507	150,071	9,060,208	44,950,107

16 PROPERTY, PLANT AND EQUIPMENT *(CONTINUED)*

(a) Group *(Continued)*

	Dam	Buildings and leasehold improvements	Power generators and equipment	Electricity supply equipment	Furniture and fixture, tools and other equipment	Motor vehicles	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost								
At 1 January 2009	—	4,995,580	13,577,396	2,983,910	671,189	138,578	684,516	23,051,169
Acquisition of subsidiaries (Note 40)	6,702,438	8,596,435	2,233,472	1,764,109	161,187	27,017	5,889,942	25,374,600
Additions	—	15,209	33,505	1,596	16,520	6,159	1,891,089	1,964,078
Disposals	—	(1,247)	(34,762)	—	(1,974)	(4,536)	—	(42,519)
Transfer	—	204,153	786,873	166,418	23,988	47,888	(1,229,320)	—
At 31 December 2009	6,702,438	13,810,130	16,596,484	4,916,033	870,910	215,106	7,236,227	50,347,328
Accumulated depreciation and impairment losses								
At 1 January 2009	—	1,521,551	4,666,490	1,070,392	261,254	59,695	—	7,579,382
Depreciation charge for the year	29,798	237,387	522,887	169,705	74,537	11,550	—	1,045,864
Disposals	—	(420)	(26,506)	—	(996)	(4,049)	—	(31,971)
At 31 December 2009	29,798	1,758,518	5,162,871	1,240,097	334,795	67,196	—	8,593,275
Net book value								
At 31 December 2009	6,672,640	12,051,612	11,433,613	3,675,936	536,115	147,910	7,236,227	41,754,053

16 PROPERTY, PLANT AND EQUIPMENT *(CONTINUED)*

(a) Group *(Continued)*

(i) As at 31 December 2010, certain of the Group's property, plant and equipment with carrying value of approximately RMB4,910 million (2009: RMB4,437 million) 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 leasehold land as at 31 December 2010 is ranging from 9 to 15 years (2009: 10 to 16 years).

(ii) As at 31 December 2010, the legal title of certain of the Group's properties with carrying amount of approximately RMB2,189 million (2009: RMB1,589 million) 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.

In addition, certain of the Group's property, plant and equipment are situated on leasehold land in the PRC which was granted for the use by the relevant government authorities to the relevant entities in the Group at nil consideration with no specific terms of usage.

(iii) As at 31 December 2010, the cost and accumulated depreciation of property, plant and equipment held by the Group under finance leases amounted to RMB233 million (2009: RMB233 million) and RMB48 million (2009: RMB29 million) respectively.

(iv) As at 31 December 2010, certain property, plant and equipment of the Group with carrying amount of approximately RMB439 million (2009: RMB276 million) was pledged as security for certain long-term bank borrowings of the Group (Note 31(e)).

16 PROPERTY, PLANT AND EQUIPMENT *(CONTINUED)*

(b) Company

	Leasehold improvements RMB'000	Office and other equipment RMB'000	Furniture and fixture RMB'000	Motor vehicles RMB'000	Total RMB'000
Cost					
At 1 January 2010	**7,552**	**1,412**	**479**	**2,361**	**11,804**
Additions	**—**	**5**	**—**	**—**	**5**
Disposal	**—**	**(13)**	**—**	**—**	**(13)**
At 31 December 2010	**7,552**	**1,404**	**479**	**2,361**	**11,796**
Accumulated depreciation and impairment losses					
At 1 January 2010	**5,646**	**1,024**	**186**	**1,289**	**8,145**
Depreciation charge for the year	**840**	**220**	**87**	**588**	**1,735**
Disposal	**—**	**(12)**	**—**	**—**	**(12)**
At 31 December 2010	**6,486**	**1,232**	**273**	**1,877**	**9,868**
Net book value					
At 31 December 2010	**1,066**	**172**	**206**	**484**	**1,928**
Cost					
At 1 January 2009	7,552	1,402	479	2,361	11,794
Additions	—	10	—	—	10
At 31 December 2009	7,552	1,412	479	2,361	11,804
Accumulated depreciation and impairment losses					
At 1 January 2009	4,317	761	94	875	6,047
Depreciation charge for the year	1,329	263	92	414	2,098
At 31 December 2009	5,646	1,024	186	1,289	8,145
Net book value					
At 31 December 2009	1,906	388	293	1,072	3,659

17 PREPAYMENTS FOR CONSTRUCTION OF POWER PLANTS

Prepayments for construction of power plants represent advance payments made to contractors in connection with the construction of the Group's power plants including payments for equipment and machineries pending delivery to the relevant power plants for installation.

18 LAND USE RIGHTS

	Group	
	2010	2009
	RMB'000	RMB'000
Cost		
At 1 January	**421,784**	44,511
Acquisition of subsidiaries (Note 40)	**—**	255,963
Additions	**52,738**	121,310
Disposal	**(3,653)**	—
At 31 December	**470,869**	421,784
Accumulated amortisation		
At 1 January	**3,916**	2,072
Amortisation charge for the year	**9,084**	1,844
Disposal	**(675)**	—
At 31 December	**12,325**	3,916
Net book amount		
At 31 December	**458,544**	417,868

The amount represents cost of the land use rights in respect of land located in the PRC where certain of the Group's property, plant and equipment are built on. As at 31 December 2010, substantially all of the land use rights are held on leases of between 10 and 50 years.

19 GOODWILL

	Group	
	2010	2009
	RMB'000	RMB'000
Cost		
At 1 January	**634,558**	166,939
Acquisition of subsidiaries (Note 40)	**299,746**	467,619
At 31 December	**934,304**	634,558
Accumulated impairment losses		
At 1 January	**166,939**	40,000
Impairment losses	**—**	126,939
At 31 December	**166,939**	166,939
Net book amount		
At 31 December	**767,365**	467,619

Goodwill is allocated to the Group's cash generating units (CGUs) identified according to operating segments.

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

	Coal-fired electricity RMB'000	**Hydropower electricity RMB'000**	**Total RMB'000**
As at 31 December 2010	**166,939**	**767,365**	**934,304**
As at 31 December 2009	166,939	467,619	634,558

For the purposes of impairment reviews, the recoverable amount of goodwill is determined based on value-in-use calculations. The value-in-use calculations use pre-tax cash flow projections based on financial budgets approved by management for the purposes of impairment reviews covering a five-year period. Cash flows beyond the five-year period are expected to be similar to that of the fifth year based on the then existing production capacity, taking into account of the expected remaining useful lives of the relevant underlying operating assets.

19 GOODWILL *(CONTINUED)*

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% (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 units. Other key assumptions applied in the impairment tests include the expected tariff rates, fuel costs, and demand of electricity in the region where the power plants are located, when applicable.

Impairment of goodwill for Shentou:

In 2009, the Group assessed the recoverable amount of goodwill and determined that goodwill associated with Shanxi Shentou Electric Power Company Limited ("Shentou"), a subsidiary operating in coal-fire electricity segment, was impaired. The major factor contributing to the impairment of the cash-generating unit was that the existing power generating units in Shentou were expected to be closed down gradually in the upcoming years. Consequently, while there is no indication that the carrying amount of the relevant property, plant and equipment in Shentou exceeded their recoverable amount as at 31 December 2009, goodwill attributable to the cash-generating unit was considered impaired.

20 INVESTMENTS IN SUBSIDIARIES

	Company	
	2010	2009
	RMB'000	RMB'000
Unlisted investments, at cost	**8,955,609**	8,839,441
Provision for impairment	**(610,144)**	(610,144)
	8,345,465	8,229,297
Amounts due from subsidiaries (note (a))	**1,463,335**	351,285
Amounts due to subsidiaries (note (b))	**1,045,938**	887,280

Note:

(a) Except for an aggregate amount due from subsidiaries of RMB1,410,000,000 (2009: RMB340,000,000) which carries interest at 4.37% (2009: 4.38%) per annum and repayable within the next twelve months, amounts due from subsidiaries are unsecured, interest free and repayable on demand.

(b) The amounts due to subsidiaries are unsecured, repayable on demand, and carry interest at 0.36% (2009: 0.36%) per annum.

20 INVESTMENTS IN SUBSIDIARIES *(CONTINUED)*

The following is a list of the principal subsidiaries at 31 December 2010:

Name of companies	Place of establishment and operation	Registered /paid up capital	Proportion of ownership interest Held by the Company	Proportion of ownership interest Held by a subsidiary	Type of legal entity	Principal activities
Interests held directly:						
Anhui Huainan Pingwei Electric Power Generating Company Limited	The PRC	RMB841,600,000	100%	—	Wholly foreign-owned enterprise	Generation and sale of electricity
Huainan Pingwei No.2 Electric Power Generating Company Limited	The PRC	USD150,000,000/ USD104,153,000	100%	—	Wholly foreign-owned enterprise	Generation and sale of electricity
Huanggang Dabieshan Power Generating Company Limited	The PRC	RMB815,526,000/ RMB773,474,000	93%	—	Sino-foreign equity joint venture	Generation and sale of electricity
Pingdingshan Yaomeng Power Generating Company Limited	The PRC	RMB866,000,000	100%	—	Wholly foreign owned enterprise	Generation and sale of electricity
Pingdingshan Yaomeng No.2 Power Generating Company Limited	The PRC	USD120,000,000/ USD105,249,000	100%	—	Wholly foreign-owned enterprise	Generation and sale of electricity
Tianze Development Limited	British Virgin Islands	USD1	100%	—	Limited liability company	Investment holding
Wu Ling Power Corporation	The PRC	RMB4,030,000,000	63%	—	Sino-foreign equity joint venture	Generation and sale of electricity
四川中電福溪電力開發有限公司 (Sichuan CPI Fuxi Power Company Limited)	The PRC	RMB968,000,000/ RMB357,961,000	51%	—	Sino-foreign equity joint venture	Generation and sale of electricity#

\# The power plant is under development.

20 INVESTMENTS IN SUBSIDIARIES *(CONTINUED)*

Name of companies	Place of establishment and operation	Registered /paid up capital	Proportion of ownership interest Held by the Company	Held by a subsidiary	Type of legal entity	Principal activities
Interests held indirectly:						
Shanxi Shentou Electric Power Company Limited	The PRC	RMB501,681,000	—	100%	Wholly foreign-owned enterprise	Generation and sale of electricity
Guizhou Qing Shui Jiang Hydropower Co., Ltd.	The PRC	RMB1,955,500,000	—	95%	Sino-foreign equity joint venture	Generation and sale of electricity
Huaihua Yuanjiang Power Development Co., Ltd.	The PRC	RMB500,000,000	—	95%	Sino-foreign equity joint venture	Generation and sale of electricity
Hunan Wuhua Hotel Co., Ltd.	The PRC	RMB162,100,000	—	70%	Sino-foreign equity joint venture	Hotel ownership and operation
Hunan Wuling Engineering Co., Ltd.	The PRC	RMB48,000,000	—	100%	Sino-foreign equity joint venture	Provision of repair and maintenance services
Hunan Wu Ling Li Yuan Economic Development Co., Ltd.	The PRC	RMB49,795,000	—	100%	Sino-foreign equity joint venture	Provision of repair and maintenance services
Hunan Xiang Zhong Power Co., Ltd.	The PRC	RMB50,000,000	—	95%	Sino-foreign equity joint venture	Generation and sale of electricity
Wuling Power Fuel Company Limited	The PRC	RMB110,000,000	—	100%	Limited liability company	Provision of fuel purchase services
湖南中水投資有限公司 (Hunan Zhong Shui Investment Co., Ltd.)	The PRC	RMB67,000,000	—	100%	Limited liability company	Generation and sale of electricity#

\# The power plant is under development.

20 INVESTMENTS IN SUBSIDIARIES *(CONTINUED)*

Name of companies	Place of establishment and operation	Registered /paid up capital	Proportion of ownership interest Held by the Company	Held by a subsidiary	Type of legal entity	Principal activities
Interests held indirectly:						
理縣華成水電開發有限責任公司 (Li Xian Huacheng Hydropower Development Limited)	The PRC	RMB65,818,410	—	100%	Limited liability company	Generation and sale of electricity#
四川九源電力開發有限責任公司 (Sichuan Jiuyuan Power Development Limited)	The PRC	RMB30,000,000	—	100%	Limited liability company	Generation and sale of electricity#
張家界土木溪水電開發有限公司 (Zhang Jia Jie Tumuxi Hydropower Development Limited)	The PRC	RMB42,000,000	—	59.64%	Limited liability company	Generation and sale of electricity
四川紅葉電力有限責任公司	The PRC	RMB50,000,000	—	91%	Limited liability company	Generation and sale of electricity
理縣紅葉水電開發有限責任公司	The PRC	RMB12,000,000	—	100%	Limited liability company	Generation and sale of electricity

The power plant is under development

21 INTERESTS IN ASSOCIATED COMPANIES

	Group 2010 RMB'000	Group 2009 RMB'000	Company 2010 RMB'000	Company 2009 RMB'000
Unlisted investments, at cost	**1,196,270**	552,500	**552,500**	552,500
Acquisition of subsidiaries (Note 40)	**—**	643,770	**—**	—
Share of undistributed post-acquisition reserves	**391,295**	378,968	**—**	—
	1,587,565	1,575,238	**552,500**	552,500

Interests in associated companies include goodwill of approximately RMB158,000,000 (2009: RMB158,000,000).

The following are the details of the associated companies as at 31 December 2010:

Name of company	Place of establishment and operation	Paid up capital	Proportion of ownership interest Held by the Company	Proportion of ownership interest Held by a subsidiary	Type of legal entity	Principal activities
Interest held directly:						
Jiangsu Changshu Electric Power Generating Company Limited	The PRC	RMB1,105,000,000	50%	—	Sino-foreign equity joint venture	Generation and sale of electricity
Interest held indirectly:						
湖南華潤電力鯉魚江有限公司 (China Resources Power Hunan Liyujiang Company Limited)	The PRC	RMB573,660,000	—	40%	Sino-foreign equity joint venture	Generation and sale of electricity
湖南核電有限公司 (Hunan Nuclear Power Company Limited)	The PRC	RMB100,000,000	—	20%	Sino-foreign equity joint venture	Generation and sale of electricity#

\# The power plant is under development.

21 INTERESTS IN ASSOCIATED COMPANIES *(CONTINUED)*

The following is an extract of the operating results and financial position of the associated companies based on unaudited management accounts of the associated companies 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		
Turnover	**4,291,490**	3,783,596
Profit before taxation	**307,328**	568,983
Profit after taxation	**244,709**	516,008
Financial position		
Non-current assets	**7,063,308**	6,162,238
Current assets	**1,080,818**	1,234,508
Current liabilities	**(3,644,753)**	(3,453,479)
Non-current liabilities	**(1,376,734)**	(1,050,334)
Net assets	**3,122,639**	2,892,933

During the year, dividend income of RMB100,000,000 was received from an associated company (2009: Nil).

22 INTERESTS IN JOINTLY CONTROLLED ENTITIES

	Group		Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
Unlisted investments, at cost	**163,175**	70,000	**34,606**	—
Acquisition of subsidiaries (Note 40)	**—**	14,569	**—**	—
Share of undistributed post-acquisition reserves	**(27,294)**	(8,899)	**—**	—
	135,881	75,670	**34,606**	—

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

Name of companies	Place of establishment and operation	Registered/ paid up capital	Proportion of ownership interest Held by the Company	Proportion of ownership interest Held by a subsidiary	Type of legal entity	Principal activities
Interest held directly:						
四川廣旺集團船景煤業有限責任公司 (Sichuan Guangwang Group Chuanjing Coal Industry Company Limited)	The PRC	RMB472,000,000/ RMB70,713,912	49%	—	Sino-foreign equity joint venture	Coal mining#
Interest held indirectly:						
廣州中電荔新電力實業有限公司 (Guangzhou China Power Lixin Industrial Company Limited)	The PRC	RMB228,000,000	—	50%	Sino-foreign equity joint venture	Generation and sale of electricity#
張家界索溪峪酒店有限公司 (Zhang Jia Jie Suoxiyu Hotel Company Limited)	The PRC	RMB18,000,000	—	23.79%	Sino-foreign equity joint venture	Hotel ownership and operations

The projects have not yet commenced operation.

22 INTERESTS IN JOINTLY CONTROLLED ENTITIES *(CONTINUED)*

The following amounts represent the Group's share of the assets, liabilities, revenues, results and commitments of the jointly controlled entities as derived from 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 **RMB'000**	2009 RMB'000
Operating results		
Turnover	**1,186**	—
Loss for the year	**18,395**	5,030
Financial position		
Non-current assets	**532,860**	209,746
Current assets	**106,322**	1,159
Current liabilities	**(415,430)**	(135,235)
Non-current liabilities	**(87,871)**	—
Net assets	**135,881**	75,670

	2010 **RMB'000**	2009 RMB'000
Capital commitments in respect of property, plant and equipment		
Contracted but not provided for	**1,448,599**	824,739

There are no contingent liabilities relating to the Group's interests in the jointly controlled entities and the jointly controlled entities did not have any material contingent liabilities as at 31 December 2010 (2009: Nil).

23 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group		Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
Unlisted equity investments outside Hong Kong - at cost (note (a))	**127,856**	101,000	**—**	—
Equity securities listed outside Hong Kong - at fair value (note (b))	**1,605,794**	2,720,498	**1,605,794**	2,720,498
	1,733,650	2,821,498	**1,605,794**	2,720,498
Market value of equity securities listed outside Hong Kong	**1,605,794**	2,720,498	**1,605,794**	2,720,498

Note:

(a) Unlisted equity investments principally represent interests in certain unlisted companies which do not have a quoted market price in an active market and for which the range of other methods of reasonably estimating fair value is significant and the probabilities of the various estimates cannot be reasonably assessed. Accordingly these investments are carried at cost less accumulated impairment losses.

(b) Details of the equity securities listed outside Hong Kong as at 31 December 2010 are as follows:

Name of company	Place of establishment and operation	Registered and paid up capital	Equity interest attributable to the Group	Type of legal entity	Principal activity
Interests held directly:					
Shanghai Electric Power Co., Ltd	The PRC	RMB2,139,739,000	18.86%	Joint stock company with limited liability with its A shares listed on the Shanghai Stock Exchange	Investment holdings and the generation and sale of electricity

24 LONG-TERM LOANS TO A FELLOW SUBSIDIARY

As part of the Acquisition of Wuling Group, the Group assumed the entrusted loans provided by Wuling to Qian Dong Power Corporation ("Qian Dong"), a former subsidiary of Wuling (and currently a subsidiary of CPIH), amounting to RMB1,500,000,000. These loans are granted for a term of 3 years from the respective dates of drawdown at a fixed interest rate of 5.4% per annum. All these loans are repayable in the year 2012.

CPIH has agreed to indemnify the Company for any losses and damages caused by or related to Qian Dong (including the failure of Qian Dong to fulfil its obligations under the entrusted loan agreement) in respect of these loans.

As at 31 December 2010, the fair value of the long-term loans to a fellow subsidiary is RMB1,499,394,000 (2009: RMB1,513,025,000).

25 INVENTORIES

	Group	
	2010	2009
	RMB'000	RMB'000
Coal and oil	**115,799**	64,494
Spare parts and consumables	**220,337**	200,671
	336,136	265,165

26 ACCOUNTS RECEIVABLE

	Group	
	2010	2009
	RMB'000	RMB'000
Accounts receivable from provincial power grid companies (note (a))	**1,530,227**	1,335,287
Accounts receivable from other companies (note (a))	**233**	459
	1,530,460	1,335,746
Notes receivable (note (b))	**186,109**	94,708
	1,716,569	1,430,454

The carrying value of accounts and notes receivable approximate their fair values due to their short maturity. All accounts and notes receivable are denominated in RMB.

As at 31 December 2010, certain bank borrowings were secured by the rights on accounts receivable of certain subsidiaries of the Group (Note 31(e)). The accounts receivable secured under these facilities as at 31 December 2010 was amounting to RMB1,208,989,000 (2009: RMB706,744,000).

26 ACCOUNTS RECEIVABLE *(CONTINUED)*

Note:

(a) The Group normally grants 15 to 60 days credit period to customers from the end of the month in which the sales are made. The ageing analysis of the accounts receivable is as follows:

	Group	
	2010	2009
	RMB'000	RMB'000
1 to 3 months	**1,530,460**	1,335,746

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

(b) Notes receivable are analysed as follows:

	2010	2009
	RMB'000	RMB'000
Bank acceptance notes issued by third parties	**186,109**	94,708

The notes receivable are normally with maturity period of 180 days (2009: 180 days).

27 AMOUNTS DUE FROM/(TO) GROUP COMPANIES

Group

	As at 31 December	
	2010	2009
	RMB'000	RMB'000
Amounts due from group companies		
Amount due from an intermediate holding company	**600**	1,000
Amounts due from fellow subsidiaries	**19,437**	139,085
Amount due from CPIF	**6,849**	1,354
	26,886	141,439
Amounts due to group companies		
Amount due to ultimate holding company	**69,907**	68,374
Amounts due to fellow subsidiaries	**18,389**	36,206
Amount due to an intermediate holding company	**6,421**	—
Purchase consideration payable to an intermediate holding company (note)	**98,387**	1,188,417
Amount due to CPIF	**10,524**	—
	203,628	1,292,997

Company

	As at 31 December	
	2010	2009
	RMB'000	RMB'000
Amount due from a fellow subsidiary	**2,000**	2,000
Amounts due to group companies		
Amount due to ultimate holding company	**271**	271
Amount due to an intermediate holding company	**6,421**	—
Purchase consideration payable to an intermediate holding company (note)	**98,387**	1,188,417
	105,079	1,188,688

Note:

Apart from the purchase consideration payable to an intermediate holding company which is repayable on or before 26 April 2011, the balances with group companies are unsecured, interest free and repayable on demand.

28 CASH AND CASH EQUIVALENTS

	Group		Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
Cash at bank and in hand	**972,494**	1,201,212	**597,492**	869,152
Time deposits with initial terms of less than three months	**4,871**	709,604	**—**	709,604
	977,365	1,910,816	**597,492**	1,578,756
Denominated in:				
RMB	**941,374**	1,562,276	**564,774**	1,303,541
USD	**6,343**	326,279	**6,188**	256,156
HK$	**29,648**	22,261	**26,530**	19,059
	977,365	1,910,816	**597,492**	1,578,756

(i) The weighted average effective interest rate on time deposits, with maturity ranging from 1 week to 3 months, was 1.7% and 2.2% per annum during the years ended 31 December 2010 and 2009 respectively. 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.

29 SHARE CAPITAL AND SHARE PREMIUM

(a) Authorised and issued capital

	Company	
	Number of shares (of HK$1 each)	Notional amount RMB'000
Authorised:		
At 1 January 2009, 31 December 2009 and 31 December 2010	**10,000,000,000**	**10,600,000**
Issued and fully paid:		
At 1 January 2009	**3,605,610,850**	**3,798,610**
Issue of shares for acquisition of subsidiaries (note)	**1,501,449,927**	**1,322,863**
At 31 December 2009 and 2010	**5,107,060,777**	**5,121,473**

Note:

On 15 December 2009, the Company issued 1,501,449,927 new shares of HK$1 each to CPIH as part of the purchase consideration for the acquisition of 63% interest in Wuling Group (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 (i.e. 30 October 2009), amounted to approximately RMB 2,871 million (equivalent to approximately HK$3,273 million).

(b) Share premium

	Company RMB'000
At 1 January 2009	**2,755,361**
Issue of shares for acquisition of subsidiaries (Note 29(a))	**1,547,750**
At 31 December 2009 and 2010	**4,303,111**

29 SHARE CAPITAL AND SHARE PREMIUM *(CONTINUED)*

(c) Share option schemes

Pursuant to the written resolution passed by the shareholders of the Company on 24 August 2004, two share option schemes, namely, Share Option Scheme (the "Option Scheme"), and Pre-IPO Share Option Scheme (the "Pre-IPO Scheme") were approved and adopted by the Company.

(i) Option Scheme

Under the Option Scheme, the Board of Directors of the Company may at its absolute discretion, offer any employees, directors (including executive and non-executive directors other than independent non-executive directors), chief executive and members of the management of the Company and the Group (the "Eligible Person") options to subscribe for shares of the Company (the "Shares"). Options may be granted without initial payment except the payment of HK$1 as nominal consideration for the grant. The exercise price of the share option shall be not less than the greater of (a) the closing price of the Shares as stated in the Stock Exchange's daily quotation sheet on the date, which must be a business day, of the written offer of the option (the "Offer Date"); (b) the average closing price of the Shares as stated in the Stock Exchange's daily quotation sheet for the five business days immediately preceding the Offer Date; and (c) the nominal value of the Shares.

The maximum number of Shares which may be issued upon the exercise of all options under the Option Scheme which have been granted and have neither lapsed nor been cancelled or exercised in full and all outstanding options granted and yet to be exercised under any other schemes of the Company or any of its subsidiaries (including the Pre-IPO Scheme) shall not exceed such number of Shares as shall represent 30% of the Company's issued share capital from time to time. The maximum number of Shares in respect of which options may be granted to any Eligible Person in any 12-month period shall not exceed 1% of the Shares in issue.

29 SHARE CAPITAL AND SHARE PREMIUM *(CONTINUED)*

(c) Share option schemes *(Continued)*

(i) Option Scheme *(Continued)*

Details of the options granted under the Option Scheme outstanding as at 31 December 2010 are as follows:

			Number of shares subject to the options At 31 December	
Date of grant	**Expiry date**	**Exercise price**	**2010**	2009
Directors				
4 April 2007	3 April 2017	HK$4.07	**2,572,000**	2,572,000
2 July 2008	1 July 2018	HK$2.326	**2,360,000**	2,360,000
Senior management and other employees				
4 April 2007	3 April 2017	HK$4.07	**10,347,000**	10,947,000
2 July 2008	1 July 2018	HK$2.326	**23,440,000**	25,260,000
			38,719,000	41,139,000

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

	2010		2009	
	Average exercise price in HK$ per share	**Number of shares subject to the options**	Average exercise price in HK$ per share	Number of shares subject to the options
At 1 January	**2.899**	**41,139,000**	2.926	45,113,000
Lapsed	**4.07**	**(600,000)**	4.07	(2,004,000)
Lapsed	**2.326**	**(1,820,000)**	2.326	(1,970,000)
At 31 December		**38,719,000**		41,139,000

29 SHARE CAPITAL AND SHARE PREMIUM *(CONTINUED)*

(c) Share option schemes *(Continued)*

(i) Option Scheme *(Continued)*

Options granted are exercisable within a period of ten years within which there is a total vesting period of four years. Commencing from the first, second, third and fourth anniversaries of the offer date of an option, the relevant grantee may exercise up to 25%, 50%, 75% and 100% respectively of the Shares comprised in his or her option.

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

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

	Date of grant of share options	
	2 July 2008	**4 April 2007**
Option value	HK$0.62	HK$1.14
Significant inputs into the valuation model:		
Exercise price	HK$2.326	HK$4.07
Share price at grant date	HK$2.09	HK$4.07
Expected volatility (note)	36.44%	30.95%
Risk-free interest rate	3.41%	4.16%
Expected life of options	6.25 years	6.25 years
Expected dividend yield	2.27%	2.75%

Note:

The volatility of the underlying stock during the life of the options is estimated based on the historical volatility of the Company since its listing on the Stock Exchange on 15 October 2004 up to the date of grant of the relevant options.

29 SHARE CAPITAL AND SHARE PREMIUM *(CONTINUED)*

(c) Share option schemes *(Continued)*

(ii) Pre-IPO Share Option Scheme

The principal terms of the Pre-IPO Scheme are substantially the same as the terms of the Option Scheme except for the following:

(a) the subscription price per Share shall be the offer price per Share on the initial public offering of the Company; and

(b) no options will be offered or granted upon the commencement of dealings in the Shares on the Stock Exchange.

Details of the options granted under the Pre-IPO Scheme outstanding as at 31 December 2010 are as follows:

	Date of grant	Expiry date	Exercise price	Number of shares subject to the options At 31 December 2010	At 31 December 2009
Directors	18 September 2004	17 September 2014	HK$2.53	**1,869,200**	1,869,200
Senior management and other employees	18 September 2004	17 September 2014	HK$2.53	**3,696,900**	3,696,900
Senior management and other employees	11 October 2004	10 October 2014	HK$2.53	**1,038,500**	1,038,500
				6,604,600	6,604,600

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

	2010 Average exercise price in HK$ per share	**2010** Number of shares subject to the options	2009 Average exercise price in HK$ per share	2009 Number of shares subject to the options
At 1 January	**2.53**	**6,604,600**	2.53	7,103,100
Lapsed	**—**	**—**	2.53	(498,500)
At 31 December		**6,604,600**		6,604,600

29 SHARE CAPITAL AND SHARE PREMIUM *(CONTINUED)*

(c) Share option schemes *(Continued)*

(ii) Pre-IPO Share Option Scheme *(Continued)*

Options granted are exercisable within a period of ten years within which there is a total vesting period of four years. Commencing from the first, second, third and fourth anniversaries of the offer date of an option, the relevant grantee may exercise up to 25%, 50%, 75% and 100% respectively of the Shares comprised in his or her option.

Consideration in connection with all options granted were received. Save as mentioned above, no other share options granted under the Pre-IPO Share Option Scheme were cancelled or exercised during the year. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

The fair values of options granted under the Pre-IPO Share Option Scheme determined using the Dividend Adjusted Black-Scholes Option Pricing Model were as follows:

	Date of grant of share options	
	18 September 2004	**11 October 2004**
Option value	HK$1.14	HK$1.13
Significant inputs into the valuation model:		
Exercise price	HK$2.53	HK$2.53
Share price at grant date	HK$2.53	HK$2.53
Expected volatility (note)	43.71%	43.28%
Risk-free interest rate	4.40%	4.41%
Expected life of options	6.3 years	6.3 years
Expected dividend yield	0.99%	0.99%

Note:

The volatility of the underlying stock during the life of the options was estimated based on the historical volatility of the comparable companies for the past four years as of the respective valuation dates since there were no trading records of the Company's shares at the respective grant dates.

30 RESERVES

Group

	Merger reserve (note (i)) RMB'000	Capital reserve (note (ii)) RMB'000	Available-for-sale financial assets reserve RMB'000	Statutory reserves (note (iii)) RMB'000	Share-based compensation reserve RMB'000	Accumulated losses (note (iv)) RMB'000	Total RMB'000
At 1 January 2010	**306,548**	**2,262,848**	**643,422**	**195,934**	**29,415**	**(424,357)**	**3,013,810**
Decrease in fair value of available-for-sale financial assets	**—**	**—**	**(734,306)**	**—**	**—**	**—**	**(734,306)**
Deferred tax on decrease in fair value of available-for-sale financial assets (Note 38)	**—**	**—**	**183,576**	**—**	**—**	**—**	**183,576**
Release on disposal of available-for-sale financial assets	**—**	**—**	**(126,859)**	**—**	**—**	**—**	**(126,859)**
Release of deferred tax upon disposal of available-for-sale financial assets (Note 38)	**—**	**—**	**36,892**	**—**	**—**	**—**	**36,892**
Employee share option benefits	**—**	**—**	**—**	**—**	**3,728**	**—**	**3,728**
Lapse of share options	**—**	**—**	**—**	**—**	**(1,179)**	**1,179**	**—**
Transfer to reserves	**—**	**—**	**—**	**54,425**	**—**	**(54,425)**	**—**
2009 final dividend	**—**	**—**	**—**	**—**	**—**	**(229,818)**	**(229,818)**
Profit for the year	**—**	**—**	**—**	**—**	**—**	**666,892**	**666,892**
At 31 December 2010	**306,548**	**2,262,848**	**2,725**	**250,359**	**31,964**	**(40,529)**	**2,813,915**
At 1 January 2009	306,548	2,262,848	(434,224)	137,972	23,769	(887,737)	1,409,176
Increase in fair value of available-for-sale financial assets	—	—	1,341,487	—	—	—	1,341,487
Deferred tax on increase in fair value of available-for-sale financial assets (Note 38)	—	—	(263,841)	—	—	—	(263,841)
Employee share option benefits	—	—	—	—	7,980	—	7,980
Lapse of share options	—	—	—	—	(2,334)	2,334	—
Transfer to reserves	—	—	—	57,962	—	(57,962)	—
Profit for the year	—	—	—	—	—	519,008	519,008
At 31 December 2009	306,548	2,262,848	643,422	195,934	29,415	(424,357)	3,013,810

30 RESERVES *(CONTINUED)*

Group *(Continued)*

Note:

(i) Merger reserve

The merger reserve of the Group represents the difference between the nominal amount of the share capital issued by the Company and the nominal amount of the registered capital of the subsidiaries transferred to the Company pursuant to the reorganisation of the Group took place in 2004.

(ii) Capital reserve

Capital reserve represents the difference between the fair value of the net assets injected by the then owner of the relevant companies of the Group and the registered capital of these companies upon their establishment.

(iii) Statutory reserves

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

(iv) Accumulated losses

Accumulated losses retained by the Group, its associated companies and jointly controlled entities include impairment losses on property, plant and equipment of certain subsidiaries and an associated company which have been accounted for in the Group's consolidated income statement in prior years. In the local statutory accounts of the relevant subsidiaries and associated company, these losses have been dealt with in the respective company's capital reserves in accordance with the relevant local accounting rules and regulations. Profit distributions made by these companies were based on the distributable reserves as reported in the statutory accounts of the respective companies.

30 RESERVES *(CONTINUED)*

Company

	Available-for-sale financial assets reserve RMB'000	Share-based compensation reserve RMB'000	Retained earnings RMB'000	Total RMB'000
At 1 January 2010	**844,105**	**29,415**	**941,568**	**1,815,088**
Profit for the year	**—**	**—**	**165,069**	**165,069**
Employee share option benefits	**—**	**3,728**	**—**	**3,728**
Lapse of share options	**—**	**(1,179)**	**1,179**	**—**
Decrease in fair value of available-for-sale financial assets	**(734,306)**	**—**	**—**	**(734,306)**
Deferred tax on decrease in fair value of available-for-sale financial assets (Note 38)	**183,576**	**—**	**—**	**183,576**
Release on disposal of available-for-sale financial assets	**(154,920)**	**—**	**—**	**(154,920)**
Release of deferred tax upon disposal of available-for-sale financial assets (Note 38)	**36,892**	**—**	**—**	**36,892**
2009 final dividend	**—**	**—**	**(229,818)**	**(229,818)**
At 31 December 2010	**175,347**	**31,964**	**877,998**	**1,085,309**
At 1 January 2009	(233,541)	23,769	1,026,529	816,757
Loss for the year	—	—	(87,295)	(87,295)
Employee share option benefits	—	7,980	—	7,980
Lapse of share options	—	(2,334)	2,334	—
Increase in fair value of available-for-sale financial assets	1,341,487	—	—	1,341,487
Deferred tax on increase in fair value of available-for-sale financial assets (Note 38)	(263,841)	—	—	(263,841)
At 31 December 2009	844,105	29,415	941,568	1,815,088

31 BANK BORROWINGS

Bank borrowings are analysed as follows:

	Group		Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
Non-current				
Long-term bank borrowings				
– secured (note (e))	**17,589,427**	15,992,186	**—**	—
– unsecured	**9,424,015**	9,901,370	**529,816**	682,820
	27,013,442	25,893,556	**529,816**	682,820
Less: current portion of long-term bank borrowings				
– secured	**(2,311,585)**	(629,866)	**—**	—
– unsecured	**(31,000)**	(646,850)	**—**	—
– unsecured bank borrowings reclassified as current (note (b))	**(529,816)**	(682,820)	**(529,816)**	(682,820)
	24,141,041	23,934,020	**—**	—
Current				
Short-term bank borrowings, unsecured	**3,724,700**	2,550,000	**—**	—
Current portion of long-term bank borrowings	**2,342,585**	1,276,716	**—**	—
Unsecured bank borrowings reclassified as current (note (b))	**529,816**	682,820	**529,816**	682,820
	6,597,101	4,509,536	**529,816**	682,820
Total bank borrowings	**30,738,142**	28,443,556	**529,816**	682,820

31 BANK BORROWINGS *(CONTINUED)*

(a) The carrying amounts of the Group's bank borrowings approximate their fair values and are denominated in the following currencies:

	2010	2009
	RMB'000	RMB'000
RMB	**28,556,679**	26,125,850
USD	**696,949**	874,285
JPY	**1,484,514**	1,443,421
	30,738,142	28,443,556

(b) On 15 July 2008, the Company entered into a facility agreement ("Facility Agreement") relating to a USD100,000,000 term loan facility ("Loan Facilities") with a syndicate of banks for the purpose of financing the general corporate funding requirements of the Company and its subsidiaries. The Loan Facilities have a term of three years commencing from the date of the Facility Agreement and imposed certain specific performance obligations on the Group. As at 31 December 2010, the Group's drawdown in connection with the Loan Facilities amounted to RMB529,816,000 (equivalent to USD 80,000,000) (2009:RMB682,820,000 (equivalent to USD100,000,000)), whereby the Group was not able to fulfill certain financial covenants as stipulated under the Facility Agreement which constitutes an event of default under the Facility Agreement. Subsequent to the year end, the Group has obtained a waiver in respect of the aforementioned covenant requirements from the syndicate of banks for the year ended 31 December 2010. These bank borrowings have already been classified as current liabilities as at 31 December 2010 in accordance with the relevant repayment terms. As at 31 December 2009, these borrowings had been classified as current as the Group did not have an unconditional right to defer its settlement for at least twelve months.

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

	Group	
	2010	2009
	RMB'000	RMB'000
Wholly repayable within five years	**6,387,496**	4,493,720
Not wholly repayable within five years	**20,625,946**	21,399,836
	27,013,442	25,893,556

31 BANK BORROWINGS *(CONTINUED)*

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

	Group	
	2010	2009
	RMB'000	RMB'000
Within one year	**2,872,401**	1,959,536
In the second year	**2,249,636**	1,879,366
In the third to fifth year	**6,860,907**	3,769,148
After the fifth year	**15,030,498**	18,285,506
	27,013,442	25,893,556

(d) The effective interest rates of the Group's bank borrowings are as follows:

	Group	
	2010	2009
Current bank borrowings, at floating rates	**3.81%**	4.59%
Non-current bank borrowings, at floating rates	**5.32%**	5.16%

The Group's non-current bank borrowings are primarily carried at floating rates. As at 31 December 2010, the carrying value of non-current bank borrowings approximate their fair values.

(e) As at 31 December 2010, the long-term bank borrowings of the Group were secured as follows:

	2010	2009
	RMB'000	RMB'000
Secured against the rights on accounts receivable of certain subsidiaries of the Group (Note 26)	**13,144,213**	13,448,766
Guaranteed by the ultimate holding company	**1,823,773**	1,822,060
Guaranteed by Hunan Provincial Finance Bureau	**660,741**	621,360
Guaranteed by Hunan Provincial Power Company	**1,810,200**	—
Secured against property, plant and equipment of a subsidiary of the Group (Note 16(a)(iv))	**150,500**	100,000
	17,589,427	15,992,186

31 BANK BORROWINGS *(CONTINUED)*

(f) At 31 December 2010, the Group had the following undrawn committed borrowing facilities:

	Group	
	2010	2009
	RMB'000	RMB'000
Bank borrowings	**20,799,840**	12,168,411

32 BORROWINGS FROM GROUP COMPANIES

	Group	
	2010	2009
	RMB'000	RMB'000
Non-current		
Long-term borrowings from ultimate holding company (note (a))	**1,473,816**	1,473,816
Long-term borrowings from CPIF (note (b))	**1,429,595**	1,150,000
	2,903,411	2,623,816
Current		
Short-term borrowings from CPIF (note (c))	**2,300,000**	1,450,000
Current portion of long-term payable to CPIF (note (d))	**—**	270,295
	2,300,000	1,720,295
	5,203,411	4,344,111

32 BORROWINGS FROM GROUP COMPANIES *(CONTINUED)*

As at 31 December 2010, the fair value of non-current borrowings from group companies amounted to RMB2,837,620,000 (2009: RMB2,622,158,000).

The carrying amounts of current borrowings from CPIF approximate their fair values.

Note:

(a) The long-term borrowings from ultimate holding company are unsecured, bearing interest at 5.02% (2009: 5.02%) per annum and are repayable by year 2018.

(b) The long-term borrowings from CPIF are unsecured, bearing interest at rates ranging from 3.80% to 4.86% (2009: 3.80% to 4.86%) per annum and are repayable by year 2014.

(c) The short-term borrowings from CPIF are unsecured, bearing interest at 2.91% to 5.00% (2009: 2.91% to 4.78%) per annum and are repayable by year 2011.

(d) Current portion of long-term payable to CPIF as at 31 December 2009 was unsecured, bearing interest at 5.27% per annum and was repaid during 2010.

33 OTHER BORROWINGS

	Group		Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
Corporate bonds				
Corporate bonds issued by the Company (note(a))	**800,000**	—	**800,000**	—
Corporate bonds issued by a subsidiary (note(b))	**993,239**	992,506	**—**	—
	1,793,239	992,506	**800,000**	—
Other long-term borrowings				
Loans from a non-controlling shareholder (note(c))	**135,201**	385,201	**—**	—
Other borrowings (note(d))	**—**	7,126	**—**	—
	135,201	392,327	**—**	—
Short-term other borrowings (note(e))	**200,000**	—	**—**	—

As at 31 December 2010, the fair value of corporate bonds and other long-term borrowings amounted to RMB1,928,422,000 (2009:RMB1,393,271,000).

The carrying amounts of short-term other borrowings approximate their fair values.

33 OTHER BORROWINGS *(CONTINUED)*

Note:

(a) Unsecured RMB denominated corporate bonds were issued by the Company in December 2010 for a term of 5 years from December 2010 at an interest rate of 3.2% per annum.

(b) Corporate bonds issued by a subsidiary represent certain bonds issued by Wuling and are bearing interest at 4.6% (2009: 4.6%) per annum for a term of 10 years from April 2009. These bonds are guaranteed by the ultimate holding company of the Company.

(c) Loans from a non-controlling shareholder are unsecured, bearing interest at 5.76% (2009: 5.35%) per annum and are repayable by 31 December 2015.

(d) Other borrowings represented a loan from a local government in the PRC, which was unsecured and bearing interest at 3.6% per annum and was repaid during 2010.

(e) Short-term other borrowings from a local financial institution are unsecured, bearing interest at 4.51% per annum and repayable in May 2011.

34 OBLIGATIONS UNDER FINANCE LEASES

	Group	
	2010	2009
	RMB'000	RMB'000
Obligations under finance leases	**201,141**	208,999
Current portion of finance leases	**(16,804)**	(24,244)
Non-current portion of finance leases	**184,337**	184,755

At 31 December 2010, the Group's finance lease liabilities were repayable as follows:

	Group	
	2010	2009
	RMB'000	RMB'000
Within one year	**27,335**	35,417
In the second to fifth year	**109,340**	141,669
After the fifth year	**122,315**	80,856
	258,990	257,942
Future finance charges on finance leases	**(57,849)**	(48,943)
Present value of finance leases	**201,141**	208,999

35 ACCOUNTS AND BILLS PAYABLES

	Group	
	2010	2009
	RMB'000	RMB'000
Accounts payable (note (a))	**220,516**	178,785
Due to related companies (note (a))	**121,290**	194,112
	341,806	372,897
Bills payables (note (b))	**119,400**	125,281
	461,206	498,178

The carrying amounts of accounts and bills payables approximate their fair values due to their short maturity.

Note:

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

	Group	
	2010	2009
	RMB'000	RMB'000
1 to 6 months	**320,302**	350,916
7 to 12 months	**670**	82
Over 1 year	**20,834**	21,899
	341,806	372,897

Amounts due to related companies are mainly related to purchase accruals made by the Group and are included under accounts payable. Balances are unsecured, interest free and shall be settled in accordance with the respective trading terms.

(b) Bills payable are bills of exchange with average maturity period of 3 to 6 months (2009: 3 to 6 months). As at 31 December 2010, no bank deposits is pledged against these bills payable as security (2009: RMB48,886,000).

36 OTHER PAYABLES AND ACCRUED CHARGES

	Group		Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
Salaries and staff welfare payable	**67,424**	81,636	**10,998**	9,487
Value added tax payable	**127,087**	151,721	**—**	—
Other taxes payable	**176,364**	153,391	**4,761**	—
Repairs and maintenance expense payable	**10,073**	26,323	**—**	—
Insurance expense payable	**8,512**	13,132	**—**	—
Discharge fees payable	**2,731**	2,998	**—**	—
Reservoir maintenance and usage fees payables	**133,041**	121,789	**—**	—
Interest payable	**88,934**	82,113	**1,811**	1,662
Other payables and accrued operating expenses	**192,892**	174,181	**28,996**	47,136
Considerations payable for acquisition of subsidiaries (Note 40(a))	**89,972**	—	**—**	—
	897,030	807,284	**46,566**	58,285

37 DERIVATIVE FINANCIAL INSTRUMENTS

	Group	
	2010	2009
	RMB'000	RMB'000
Derivative financial instruments - held for trading	**71,902**	71,441

As at 31 December 2010, the Group had certain net settled derivative financial instruments , with a contract period of 15 years, mainly to sell USD for JPY with an aggregate notional principal amount of JPY3,251,900,000 (2009: JPY3,381,970,000).

38 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		Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
Deferred income tax assets	**45,152**	107,971	**—**	—
Deferred income tax liabilities	**(570,095)**	(661,246)	**(43,373)**	(263,841)
Net deferred income tax liabilities	**(524,943)**	(553,275)	**(43,373)**	(263,841)

The net movement on the deferred income tax assets/(liabilities) is as follows:

	Group		Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
At 1 January	**(553,275)**	57,189	**(263,841)**	—
Credited/(charged) directly to equity (Note 30)	**220,468**	(263,841)	**220,468**	(263,841)
Acquisition of subsidiaries (Note 40)	**(32,544)**	(380,961)	**—**	—
(Charged)/credited to the consolidated income statement (Note 10)	**(159,592)**	34,338	**—**	—
At 31 December	**(524,943)**	(553,275)	**(43,373)**	(263,841)

38 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 liabilities:

	Group						Company	
	Accelerated tax depreciation		Changes in fair value of available-for-sale financial assets		Total		Changes in fair value of available-for-sale financial assets	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
At 1 January	**(435,446)**	—	**(263,841)**	—	**(699,287)**	—	**(263,841)**	—
Acquisition of subsidiaries (Note 30)	**(32,544)**	(404,441)	**—**	—	**(32,544)**	(404,441)	**—**	—
Credited/(charged) directly to equity	**—**	—	**220,468**	(263,841)	**220,468**	(263,841)	**220,468**	(263,841)
Charged to the income statement	**(92,946)**	(31,005)	**—**	—	**(92,946)**	(31,005)	**—**	—
At 31 December	**(560,936)**	(435,446)	**(43,373)**	(263,841)	**(604,309)**	(699,287)	**(43,373)**	(263,841)

38 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 *(Continued)*:

Deferred tax assets:

	Group											
	Decelerated tax depreciation		Provision for receivables		Provision for inventories obsolescence		Tax losses		Others		Total	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
At 1 January	**35,850**	—	**22,902**	13,187	**4,888**	7,452	**71,824**	36,550	**10,548**	—	**146,012**	57,189
Acquisition of subsidiaries (Note 40)	**—**	6,368	**—**	10,613	**—**	—	**—**	—	**—**	6,499	**—**	23,480
Credited/(charged) to the consolidated income statement	**19,489**	29,482	**(14,694)**	(898)	**(3,481)**	(2,564)	**(71,824)**	35,274	**3,864**	4,049	**(66,646)**	65,343
At 31 December	**55,339**	35,850	**8,208**	22,902	**1,407**	4,888	**—**	71,824	**14,412**	10,548	**79,366**	146,012

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through the future taxable profits is probable. At 31 December 2010, the Group had unrecognised tax losses to be carried forward against future taxable income amounted to RMB1,712,124,000 (2009: RMB1,093,000,000), which are mainly expiring within five years.

The deferred income tax credited/(charged) to equity during the year is as follows:

	Group		Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
Available-for-sale financial assets reserve (Note 30)	**220,468**	(263,841)	**220,468**	(263,841)

39 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

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

	2010 RMB'000	2009 RMB'000
Profit before taxation	**1,246,482**	574,086
Share of profits of associated companies	**(112,327)**	(127,986)
Share of losses of jointly controlled entities	**18,395**	5,030
Interest income	**(104,018)**	(34,551)
Interest expense	**1,394,588**	724,070
Dividend income	**(5,620)**	(6,000)
Depreciation of property, plant and equipment	**1,712,388**	1,045,864
Amortisation of land use rights	**9,084**	1,844
Amortisation of deferred income	**(10,774)**	(11,015)
(Gain)/loss on disposal of property, plant and equipment	**(3,691)**	6,739
(Reversal of)/provision for impairment of other receivables	**(248)**	611
(Reversal of)/provision for impairment of inventories	**(1,656)**	7,759
Fair value loss on derivative financial instruments	**461**	9,902
Impairment on goodwill	**—**	126,939
Share-based compensation expense	**3,728**	7,980
Gain on disposal of available-for-sale financial assets	**(29,792)**	—
Operating profit before working capital changes	**4,117,000**	2,331,272
(Increase)/decrease in accounts receivable	**(286,115)**	345,201
Decrease/(Increase) in prepayments, deposits and other receivables	**58,644**	(171,507)
(Increase)/decrease in inventories	**(69,179)**	240,744
(Increase)/decrease in balances with group companies	**(155,081)**	1,178,916
Decrease in accounts and bills payables	**(177,375)**	(198,351)
Increase/(decrease) in other payables and accrued charges	**3,727**	(109,893)
(Decrease)/increase in deferred income	**(2,773)**	9,580
Decrease in long-term receivable from HEPC	**—**	34,000
Decrease in current portion of long-term receivable from HEPC	**34,000**	—
Decrease in other long-term prepayments	**—**	15,950
Decrease in other long-term liabilities	**(5,477)**	(570)
Cash generated from operations	**3,517,371**	3,675,342

39 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(b) Analysis of changes in financing during the year

	Long-term and short-term bank and other borrowings RMB'000	Borrowings from CPIF and ultimate holding company RMB'000	Obligations under finance leases RMB'000	Non-controlling interests RMB'000
Balance at 1 January 2009	11,056,875	100,000	232,012	68,339
Acquisition of subsidiaries	21,360,133	2,173,816	—	2,271,293
New bank borrowings	3,558,595	—	—	—
Repayment of bank borrowings	(6,045,720)	—	—	—
Repayment of other borrowings	(101,494)	—	—	—
New borrowings from CPIF	—	1,800,000	—	—
Payments for obligations under finance leases	—	—	(35,416)	—
Interest element for obligations under finance leases	—	—	12,403	—
Contributions from non-controlling shareholders of a subsidiary	—	—	—	70,762
Non-controlling shareholders' share of profit for the year	—	—	—	32,602
Balance at 31 December 2009	29,828,389	4,073,816	208,999	2,442,996
Acquisition of subsidiaries	314,000	—	—	22,517
New bank borrowings	7,617,500	—	—	—
Repayment of bank borrowings	(5,636,914)	—	—	—
New short-term other borrowings	200,000	—	—	—
Repayment of other borrowings	(256,393)	—	—	—
Repayment of borrowings from CPIF	—	(1,894,200)	—	—
Issue of corporate bonds	800,000	—	—	—
New borrowings from CPIF	—	3,023,795	—	—
Payments for obligations under finance leases	—	—	(19,253)	—
Interest element for obligations under finance leases	—	—	11,395	—
Contributions from non-controlling shareholders of subsidiaries	—	—	—	75,922
Non-controlling shareholders' share of profit for the year	—	—	—	199,363
Dividends paid to a non-controlling shareholder of a subsidiary	—	—	—	(85,100)
Balance at 31 December 2010	**32,866,582**	**5,203,411**	**201,141**	**2,655,698**

40 BUSINESS COMBINATIONS

(a) During the year ended 31 December 2010, the Group acquired the following subsidiaries:

(i) Acquisition of 湖南中水投資有限責任公司 (Hunan Zhong Shui Investment Co., Ltd)

Effective 1 April 2010, the Group acquired the entire equity interests in Hunan Zhong Shui Investment Co., and its subsidiaries (together, "Zhong Shui") from two independent third parties at an aggregate consideration of RMB29,250,000.

(ii) Acquisition of 理縣華成水電開發有限責任公司 (Li Xian Huacheng Hydropower Development Limited)

Effective 1 July 2010, the Group acquired the entire equity interests in 理縣華成水電開發有限責任公司 and its subsidiaries (together "Huacheng") from two independent third parties at an aggregate consideration of RMB226,312,000.

(iii) Acquisition of 四川九源電力開發有限責任公司 (Sichuan Jiuyuan Power Development Limited)

Effective 14 October 2010, the Group acquired the entire equity interests in 四川九源電力開發有限責任公司 ("Jiuyuan") from certain independent third parties at an aggregate consideration of RMB246,495,000.

(iv) Acquisition of 張家界土木溪水電開發有限責任公司 (Zhang Jia Jie Tumuxi Hydropower Development Limited)

Effective 21 October 2010, the Group acquired the 59.64% equity interests in 張家界土木溪水電開發有限責任公司 and its subsidiaries (together "Tumuxi") from an independent third party at a consideration of RMB47,000,000.

As a result of the acquisitions, the Group is expected to increase its presence in hydropower market in the PRC. Goodwill arose from these acquisitions is mainly attributable to the anticipated profitability of these operations and the anticipated future operating synergies with these companies.

The net assets acquired in the above transactions and the relevant goodwill arising are as follows:

	Zhong Shui	Huacheng	Jiuyuan	Tumuxi	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Purchase considerations					
– paid in cash	29,250	176,782	209,053	44,000	459,085
– payable	—	49,530	37,442	3,000	89,972
	29,250	226,312	246,495	47,000	549,057
Fair value of net identifiable assets acquired (see below)	(16,530)	(73,523)	(131,492)	(27,766)	(249,311)
Goodwill (Note 19)	12,720	152,789	115,003	19,234	299,746

40 BUSINESS COMBINATIONS *(CONTINUED)*

(a) During the year ended 31 December 2010, the Group acquired the following subsidiaries (continued):

	Zhong Shui		Huacheng		Jiuyuan		Tumuxi		Total	
	Acquiree's carrying amount RMB'000	Fair value RMB'000	Acquiree's carrying amount RMB'000	Fair value RMB'000	Acquiree's carrying amount RMB'000	Fair value RMB'000	Acquiree's carrying amount RMB'000	Fair value RMB'000	Acquiree's carrying amount RMB'000	Fair value RMB'000
Property plant and equipment (Note 16)	4,691	4,691	220,424	230,057	184,828	304,907	80,116	103,750	490,059	643,405
Land use rights	—	—	842	—	—	—	22,330	—	23,172	—
Inventories	—	—	136	136	—	—	—	—	136	136
Cash and cash equivalents	11,846	11,846	1,657	1,657	4,598	4,598	832	832	18,933	18,933
Other assets	10	10	74,380	74,380	5,888	5,888	5,540	5,540	85,818	85,818
Net deferred tax liabilities (Note 38)	—	—	—	(2,198)	—	(30,020)	—	(326)	—	(32,544)
Bank borrowings	—	—	(122,000)	(122,000)	(145,000)	(145,000)	(47,000)	(47,000)	(314,000)	(314,000)
Other liabilities	(17)	(17)	(104,782)	(104,782)	(8,881)	(8,881)	(16,240)	(16,240)	(129,920)	(129,920)
	16,530	16,530	70,657	77,250	41,433	131,492	45,578	46,556	174,198	271,828
Non-controlling interests – at proportionate share of the entities' identifiable net assets		—		(3,727)		—		(18,790)		(22,517)
Net identifiable assets acquired		16,530		73,523		131,492		27,766		249,311
Purchase considerations – paid in cash		29,250		176,782		209,053		44,000		459,085
Less: Cash and Cash equivalents acquired		(11,846)		(1,657)		(4,598)		(832)		(18,933)
Net cash outflow on acquisitions		17,404		175,125		204,455		43,168		440,152

40 BUSINESS COMBINATIONS *(CONTINUED)*

(a) During the year ended 31 December 2010, the Group acquired the following subsidiaries (continued):

The newly acquired businesses contributed revenue of RMB59,237,997 and profit of RMB11,374,697 to the Group for the year ended 31 December 2010 since acquisition. The revenue and results contributed by the businesses to the Group for the year ended 31 December 2010 since their respective acquisition dates, individually or in aggregate, are relatively insignificant to the Group. The Group's revenues and profit for the year ended 31 December 2010 would not be materially different if the acquisition had occurred on 1 January 2010.

As at 31 December 2010, the initial accounting for the above acquisitions is determined on a provisional basis as the allocation of fair value to the identifiable assets and liabilities of the acquisitions is still in progress. Adjustments to those provisional values of identifiable assets and liabilities, including any additional depreciation, amortisation, and other profit or loss effect, if any, will be recognised on completion of the initial accounting.

(b) Acquisition of Wuling Group

Details of net assets acquired and goodwill as at 31 December 2009 are as follows:

	RMB'000
Purchase considerations:	
- Fair value of shares issued (Note 29(a) and (b))	2,870,613
- Cash paid	176,778
- Consideration payable in cash (Note 27)	1,188,417
- Direct expenses relating to the acquisition	44,952
	4,280,760
Fair value of net identifiable assets acquired (see below)	(3,813,141)
Goodwill	467,619

In 2009, provisionally estimated fair values of assets and liabilities acquired on the acquisition of Wuling Group were used for the preparation of the accounts for the year ended 31 December 2009. The fair value exercise was completed during the current year and no further adjustment is considered necessary.

40 BUSINESS COMBINATIONS *(CONTINUED)*

(b) Acquisition of Wuling Group *(Continued)*

The assets and liabilities arising from the acquisition are as follows:

	Fair value RMB'000	**Acquiree's carrying amount** RMB'000
Property, plant and equipment (Note 16)	25,374,600	23,963,536
Land use rights (Note 18)	255,963	120,817
Interests in associated companies (Note 21)	643,770	637,238
Interests in a jointly controlled entity (Note 22)	14,569	14,569
Available-for-sale financial assets	101,000	101,000
Inventories	13,892	13,892
Long-term loans to a fellow subsidiary	970,000	970,000
Receivables, prepayments and deposits	1,876,610	1,876,790
Cash and cash equivalents	1,963,953	1,963,953
Payables and accruals	(980,409)	(980,409)
Long-term borrowings from ultimate holding company	(1,473,816)	(1,473,816)
Derivative financial instruments (Note 3.3)	(61,539)	(61,539)
Other long-term liabilities	(17,950)	(17,950)
Borrowings	(21,360,133)	(21,360,133)
Short-term borrowings from CPIF	(700,000)	(700,000)
Current income tax	(155,115)	(155,115)
Deferred taxation (Note 38)	(380,961)	17,112
	6,084,434	4,929,945
Non-controlling interests	(2,271,293)	
Net identifiable assets acquired	3,813,141	
Purchase considerations - paid in cash	(176,778)	
Cash and cash equivalents in subsidiaries acquired	1,963,953	
Net cash inflow on acquisition	1,787,175	

41 COMMITMENTS

(a) Capital commitments

	Group		Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
Authorised but not contracted for				
in respect of				
- property, plant and equipment	**3,318,281**	488,963	**—**	—
- capital contribution to an associated company	**813,800**	813,800	**813,800**	813,800
Contracted but not provided for				
in respect of				
- property, plant and equipment	**14,118,139**	14,211,866	**—**	—
- capital contribution to a jointly controlled entity	**196,674**	198,450	**196,674**	198,450
- capital contribution to subsidiaries	**—**	—	**902,572**	1,254,681
- capital contribution to an associated company	**220,500**	—	**220,500**	—
- acquisition of a subsidiary	**31,690**	—	**—**	—
- acquisition of a business (note)	**—**	944,628	**—**	—
	18,699,084	16,657,707	**2,133,546**	2,266,931

Note: The commitment to acquire a business was cancelled in July 2010.

41 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	**31,363**	23,995	**14,302**	14,072
Later than one year and not later than five years	**56,083**	16,812	**14,278**	16,812
	87,446	40,807	**28,580**	30,884

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

(c) Future operating lease arrangements

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

	Group		Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
Other equipment				
Not later than one year	**122,647**	63,144	**—**	—
Later than one year and not later than five years	**14,177**	66,241	**—**	—
	136,824	129,385	**—**	—

42 RELATED PARTY TRANSACTIONS

The Group is controlled by China Power Development Limited ("CPDL"), a company incorporated in the British Virgin Islands, which owns approximately 39.09% of the Company's shares. CPIH, an intermediate holding company, also holds approximately 29.88% of the Company's shares directly. The remaining interests are widely held. The directors regard CPI Group, a company incorporated in the PRC, as being the ultimate holding company.

CPI Group is a state-owned enterprise established in the PRC and is controlled by the PRC Government which also owns a significant portion of the productive assets in the PRC. In accordance with HKAS 24 ("Revised"), government-related entities and their subsidiaries, directly or indirectly controlled, jointly controlled or significantly influenced by the PRC government are defined as related parties of the Group. On that basis, related parties include CPI Group, its subsidiaries, jointly controlled entities and associates (other than the Group), other government-related entities and their subsidiaries, other entities and corporations in which the Company is able to control or exercise significant influence and key management personnel of the Company and CPI Group as well as their close family members.

For the purpose of the related party transactions disclosures, the Directors believes that it is also meaningful to disclose the related party transactions with CPI Group companies for the interests of accounts users. The Directors believe that the information of related party transactions has been adequately disclosed in these consolidated accounts.

Major related parties that had transactions with the Group were as follows:

Related parties	Relationship with the Company
CPI Group（中國電力投資集團公司）	Ultimate holding company
CPIH	An intermediate holding company
CPIF（中電投財務有限公司）	A company controlled by CPI Group
Shanxi Shentou Industrial Company Limited（山西神頭電力實業有限責任公司）	Fellow subsidiary
Shanxi Shentou Engineering Company Limited（山西神頭電力檢修有限責任公司）	Fellow subsidiary
Huainan Pingwei Electric Power Industrial Company Limited（淮南平圩電力實業有限責任公司）	Fellow subsidiary

42 RELATED PARTY TRANSACTIONS *(CONTINUED)*

Related parties	Relationship with the Company
Anhui Huainan Pingwei Power Engineering Maintenance Company Limited (安徽淮南平圩電力檢修工程有限責任公司)	Fellow subsidiary
Pingdingshan Yaomeng Power Engineering Company Limited (平頂山姚孟電力工程有限責任公司)	Fellow subsidiary
Pingdingshan Yaomeng Power Industrial Company Limited (平頂山姚孟電力實業有限責任公司)	Fellow subsidiary
Qian Dong (貴州黔東電力有限公司)	Fellow subsidiary
Hunan Xiangtou International Investment Limited ("Xiangtou") (湖南湘投國際投資有限公司)	A non-controlling shareholder of a subsidiary

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 accounts. Management of the Group are of the opinion that meaningful information relating to related party transactions has been adequately disclosed.

42 RELATED PARTY TRANSACTIONS *(CONTINUED)*

(a) Income

	Note	**2010** **RMB'000**	2009 RMB'000
Income from generation of electricity on behalf of fellow subsidiaries	(i)	**—**	147,723
Interest income from Qian Dong	(ii)	**82,125**	12,766
Rental income from Qian Dong	(iii)	**54,110**	9,018
Management fee from CPIH	(iv)	**3,780**	3,995
Dividend income from CPIF	(v)	**5,620**	6,000
Income from provision of repairs and maintenance services to Qian Dong	(vi)	**1,331**	1,828

(i) Income from generation of electricity on behalf of fellow subsidiaries were calculated based on mutually agreed prices.

(ii) Interest income from a fellow subsidiary was charged at a fixed interest rate of 5.4% per annum.

(iii) Rental income from a fellow subsidiary was charged in accordance with the terms of the relevant agreements.

(iv) Management fee from CPIH in connection with the Group's services rendered for management of certain power plants on behalf of CPIH was charged in accordance with the terms of the relevant agreements.

(v) Dividend income was received from CPIF based on the dividends declared by the board of directors of CPIF in proportion to the Group's interest in the company.

(vi) Income from the provision of repairs and maintenance services to a fellow subsidiary was charged in accordance with the terms of the relevant agreements.

42 RELATED PARTY TRANSACTIONS *(CONTINUED)*

(b) Expenses

	Note	**2010**	2009
		RMB'000	RMB'000
Operating lease rental in respect of land to CPI Group	(i)	**17,061**	17,061
Operating lease rental in respect of buildings to CPIH	(i)	**10,029**	10,095
Purchases of fuel, raw materials and spare parts from fellow subsidiaries	(ii)	**78,869**	97,581
Service fees to fellow subsidiaries	(iii)	**327,056**	296,804
Construction costs to fellow subsidiaries	(iv)	**161,375**	70,407
Labor costs charged by fellow subsidiaries	(v)	**1,258**	8,295
Interest expense to CPIF	(vi)	**139,155**	67,722
Interest expense to CPI Group	(vii)	**73,986**	12,650
Interest expense to Xiangtou	(viii)	**16,403**	6,094

(i) Rental expense in respect of certain land and buildings leased from CPI Group and CPIH was charged in accordance with the terms of the relevant agreements.

(ii) Purchases of goods were charged in accordance with the terms of the relevant agreements.

(iii) Service fees mainly related to repairs and maintenance services and transportation services which were carried out at mutually agreed prices.

(iv) Construction costs were payable in accordance with the terms of contracts.

(v) Labor costs were charged on a cost reimbursement basis.

(vi) Interest expense to CPIF was charged based on outstanding loan balance at 2.91% to 5.00% (2009: 2.91% to 6.66%) per annum.

(vii) Interest expense to CPI Group were charged based on outstanding loan balance at 5.02% (2009: 5.02%) per annum.

(viii) Interest expense to Xiangtou were charged based on outstanding loan balance at 5.76% (2009: 5.35%) per annum.

42 RELATED PARTY TRANSACTIONS *(CONTINUED)*

(c) Year-end balances with related parties

	Note	2010 RMB'000	2009 RMB'000
Amount due from CPIF	(i)	**6,849**	1,354
Amount due from CPIH	(i)	**600**	1,000
Amounts due from fellow subsidiaries	(i)	**19,437**	139,085
Amounts due to CPIF	(i)	**10,524**	—
Amount due to CPI Group	(i)	**69,907**	68,374
Amounts due to CPIH	(i)	**104,808**	1,188,417
Amounts due to fellow subsidiaries	(i)	**18,389**	36,206
Long-term borrowings from CPI Group	(ii)	**1,473,816**	1,473,816
Amounts payable to CPIF	(iii)	**—**	270,295
Borrowings from CPIF	(iv)	**3,729,595**	2,600,000
Long-term loans to a fellow subsidiary	(v)	**1,500,000**	1,500,000
Loans from Xiangtou	(vi)	**135,201**	385,201

Note:

(i) Except for the purchase consideration payable to CPIH of RMB98,387,000 (2009: RMB1,188,417,000) (also see Note 27) which is repayable on or before 26 April 2011, the amounts due from/(to) CPI Group, CPIH and fellow subsidiaries are unsecured, interest free and repayable on demand.

(ii) Long-term borrowings from CPI Group are unsecured, carrying interest at a rate of 5.02% (2009: 5.02%) per annum and repayable by year 2018.

(iii) Amounts payable to CPIF are unsecured, carrying interest at 5.27% (2009: 5.27%) per annum and repayable within twelve months from the balance sheet date.

(iv) Borrowings from CPIF are unsecured, carrying interest at rates ranging from 2.91% to 5.00% (2009: 2.91% to 4.86%) per annum and repayable before the end of year 2014.

(v) Long-term loans to a fellow subsidiary are unsecured, carrying interest at a fixed interest rate of 5.4% (2009: 5.4%) per annum and repayable before the end of year 2012.

(vi) The loans from Xiangtou are unsecured, bearing interest at 5.76% (2009: 5.35%) per annum and repayable by 31 December 2015.

42 RELATED PARTY TRANSACTIONS *(CONTINUED)*

(d) For the year ended 30 December 2010 and 2009, the Group's significant transactions and balances with entities that are controlled, jointly controlled or significantly influenced by the PRC government mainly include:

(i) bank deposits in state-owned banks and the related interest income

(ii) bank borrowings from the state-owned banks and the related interest expenses

(iii) sales of electricity to provincial power grid companies owned by the PRC government and the related receivables

(iv) purchases of coal from state-owned enterprises and the related payables

(v) reservoir maintenance and usage fees to the PRC government

(vi) an amount due from Hubei Electric Power Corporation

(vii) service fees to state-owned enterprises

The prices and terms of such transactions are set out in the relevant agreements governing these transactions or as mutually agreed.

(e) Key management compensation

	2010	2009
	RMB'000	RMB'000
Basic salaries, housing allowance, other allowances, discretionary bonus and other benefits	**5,083**	6,108
Share-based compensation	**1,267**	2,801
	6,350	8,909

43 APPROVAL OF ACCOUNTS

The accounts were approved by the Board of Directors on 30 March 2011.

Five-year Financial and Operations Summary

	2010 RMB million	2009 RMB million	2008 RMB million	2007 RMB million	2006 RMB million
Revenue	**14,436.7**	10,936.5	9,632.4	5,907.3	5,202.9
Profit/(loss) before taxation	**1,246.5**	574.1	(698.4)	671.6	748.5
Taxation	**(380.2)**	(22.5)	(4.3)	(64.8)	(95.3)
Profit/(loss) for the year	**866.3**	551.6	(702.7)	606.8	653.2
Attributable to:					
Equity holders of the Company	**666.9**	519.0	(689.2)	607.8	654.3
Non-controlling interests	**199.4**	32.6	(13.5)	(1.0)	(1.1)
Profit/(loss) for the year	**866.3**	551.6	(702.7)	606.8	653.2
Total non-current assets	**53,015.1**	49,684.9	18,374.1	20,240.9	14,159.2
Total current assets	**3,775.3**	4,521.7	3,935.5	2,581.2	2,818.9
Total assets	**56,790.4**	54,206.6	22,309.6	22,822.1	16,978.1
Total current liabilities	**12,063.1**	10,422.5	4,265.6	3,403.4	3,628.9
Total non-current liabilities	**29,833.1**	28,902.7	10,012.6	8,350.7	4,385.2
Net assets	**14,894.2**	14,881.4	8,031.4	11,068.0	8,964.0
Equity attributable to equity holders of the Company	**12,238.5**	12,438.4	7,963.1	11,023.6	8,938.2
Non-controlling interests	**2,655.7**	2,443.0	68.3	44.4	25.8
Total equity	**14,894.2**	14,881.4	8,031.4	11,068.0	8,964.0
Attributable installed capacity (MW)	**11,585**	11,177	9,037	7,883	5,348
Gross generation (MWh)	**48,558,685**	37,195,711	36,360,449	26,701,707	24,065,245
Net generation (MWh)	**46,002,897**	34,714,399	33,890,035	24,813,254	22,262,463
Net coal consumption rate (grams/kWh)	**324.51**	329.85	334.4	343.4	348.6

"attributable installed capacity"	the aggregate proportionate installed capacities attributable to a company based on the percentage of equity interest held by such company in its controlled or invested company or companies
"auxiliary power"	electricity consumed by a power plant in the course of generation
"average utilisation hours"	for a specified period, the amount of electricity produced in such period (in MWh) divided by the average capacity in such period
"Board"	the Board of Directors of the Company
"Baishi Power Plant"	貴州清水江水電有限公司白市水電站項目
"Changshu Power Plant"	江蘇常熟發電有限公司 (Jiangsu Changshu Electric Power Generating Company Limited*)
"China Power" or "Company"	China Power International Development Limited
"China Power Qinghe Company"	遼寧中電清河發電有限公司(Liaoning China Power Qinghe Electric Power Generating Company Limited*)
"CPCE"	中國電能成套設備有限公司 (China Power Complete Equipment Co., Ltd.*)
"CPDL"	China Power Development Limited（中國電力發展有限公司*）
"CPI Engineering Company"	中電投電力工程有限公司 (CPI Engineering Company Limited*)
"CPI Group"	中國電力投資集團公司 (China Power Investment Corporation*)
"CPI Wuhu Power Plant"	中電國際（蕪湖）發電有限公司 (CPI Wuhu Power Generating Company Limited*)
"CPIF" or "CPI Financial"	中電投財務有限公司 (CPI Financial Co., Ltd.)
"CPI Holding"	中國電力國際有限公司 (China Power International Holding Limited)
"Director(s)"	director(s) of the Company
"Dabieshan Power Plant"	黃岡大別山發電有限責任公司 (Huanggang Dabieshan Power Company Limited*)
"Fuxi Power Plant"	四川中電福溪電力開發有限公司 (Sichuan CPI Fuxi Power Company Limited*)
"gross generation"	for a specific period, the total amount for electrical power produced by a power plant in that period including auxiliary power
"GW"	gigawatt, one million kilowatts
"Heimifeng Power Plant"	五凌電力有限公司黑麋峰抽水蓄能電廠
"installed capacity"	the manufacturers' rated power output of a generating unit or a power plant, usually denominated in MW

"KWh"	kilowatt-hour, a standard unit of energy used in the electric power industry. One kilowatt-hour is the amount of energy that would be produced by a generator producing one thousand watts for one hour
"MW"	megawatt, one million watts. The installed capacity of a power plant is generally expressed in MW
"MWh"	megawatt-hour, one thousand kWh
"Net coal consumption rate"	average consumption of standard coal for supplying 1 kWh power (deducting self-used power)
"Pingwei Industry Company"	淮南平圩電力實業有限責任公司 (Huainan Pingwei Electric Power Industry Company Limited*)
"Pingwei Maintenance Company"	安徽淮南平圩電力檢修工程有限責任公司(Anhui Huainan Pingwei Power Engineering Company Limited*)
"Pingwei Power Plant"	安徽淮南平圩發電有限責任公司 (Anhui Huainan Pingwei Electric Power Generating Company Limited*)
"Pingwei Power Plant II"	淮南平圩第二發電有限責任公司(Huainan Pingwei No.2 Electric Power Generating Co., Ltd.*)
"net generation"	the actual amount of electricity sold by a power plant in a particular period of time, which equals gross generation less auxiliary power and losses incurred during the transmission from the power plant to the power grid
"Qinghe Power Plant"	遼寧清河發電有限責任公司 (Liaoning Qinghe Electric Power Generating Company Limited*)
"Shanghai Power"	上海電力股份有限公司 (Shanghai Electric Power Co., Ltd.*)
"Shentou I Power Plant"	山西神頭發電有限責任公司 (Shanxi Shentou Power Generating Company Limited*)
"Shentou Industrial Company"	山西神頭電力實業有限責任公司 (Shanxi Shentou Industrial Company Limited*)
"Shentou Engineering Company"	山西神頭電力檢修有限責任公司 (Shanxi Shentou Engineering Company Limited*)
"standard coal"	coal with an energy content of 7,000 kilocalories per kilogram
"super-critical"	a thermodynamic expression describing the state of a substance where there is no clear distinction between the liquid and the gaseous phase. Water reaches this state at a pressure above 22.1 megapascals (MPa)
"Tuokou Power Plant"	懷化沅江電力開發有限公司托口水電站項目

"Wuhu Shaoda Power Plant"	蕪湖兆達電力開發有限公司 (Wuhu Shaoda Power Development Company Limited*)
"Wu Ling Power"	五淩電力有限公司 (Wu Ling Power Corporation*)
"Xintang Power Plant"	廣州中電荔新電力實業有限公司 (Guangzhou China Power Lixin Industry Company Limited)
"Yaomeng Engineering Company"	平頂山姚孟電力工程有限責任公司 (Pingdingshan Yaomeng Power Engineering Co., Ltd.*)
"Yaomeng Industrial Company"	平頂山姚孟電力實業有限責任公司(Pingdingshan Yaomeng Power Industrial Co., Ltd.*)

* *For identification purpose only*

Useful Information for Investors

RESULTS

The financial results of the Company for the year ended 31 December 2010 was published on 30 March 2011.

ANNUAL REPORTS

The 2010 Annual Report of the Company will be made available on our website http://www.chinapower.hk and will be dispatched to our shareholders in the middle of April 2011.

ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held on 20 May 2011 at 11:00 a.m. For details of the Annual General Meeting, please refer to the Notice of Annual General Meeting which is expected to be published by the end of April 2011.

LISTING

The Company's shares are listed on the Main Board of the Hong Kong Stock Exchange. The stock code is 2380.

SHAREHOLDERS' ENQUIRIES

For enquiries about share transfer and registration, please contact the share registrar of the Company:

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17/F
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong
Tel.: (852) 2862 8628
Fax: (852) 2865 0990

For enquiries from investors and analysts, please contact:

Mr. Shou Rufeng
General Manager
Capital Market & Investor Relations Department

or

Ms. Zhao Huan
Investor Relations Manager

China Power International Development Limited
Suite 6301, 63/F, Central Plaza,
18 Harbour Road,
Wanchai,
Hong Kong
Tel.: (852) 2802 3861
Fax: (852) 2802 3922
e-mail: ir@chinapower.hk

China Power International Development Limited
中國電力國際發展有限公司

Hong Kong Office:
Suite 6301, 63/F, Central Plaza,
18 Harbour Road, Wanchai, Hong Kong
Tel: (852) 2802 3861
Fax: (852) 2802 3922

Beijing Office:
East Bldg., Hui Huang Shi Dai Plaza, 56 North West Fourth Ring Road
Haidian Dist., Beijing, P.R. China, Postcode 100080
Tel: (86-10) 6260 1888
Fax: (86-10) 6260 1777