China Power New Energy Development Company Limited

中國電力新能源發展有限公司*

Incorporated in Bermuda with limited liability

Stock Code : 0735

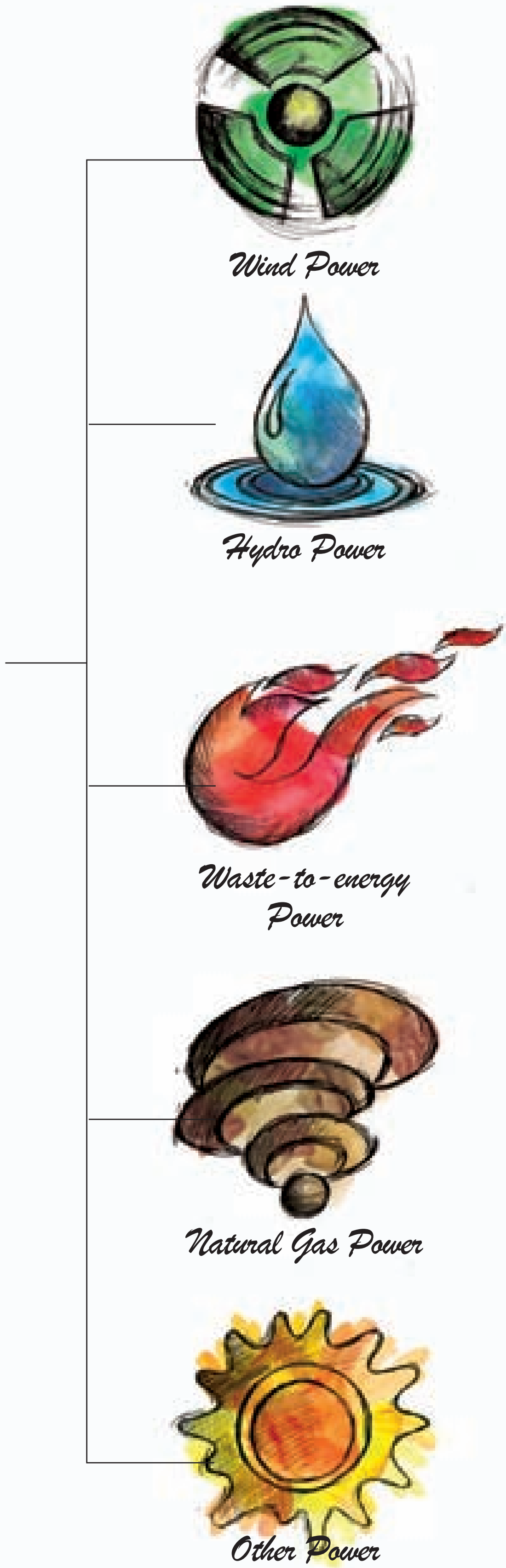
Sustainable Development

Annual Report 2011

*For identification purpose only

About CPNE

China Power New Energy Development Company Limited is committed to the development of environmentally-friendly energy projects



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Corporate Information

CHAIRMAN OF THE BOARD:
Ms. Li Xiaolin

VICE CHAIRMAN OF THE BOARD:
Mr. Yin Lian

CHIEF EXECUTIVE OFFICER:
Mr. Liu Genyu

EXECUTIVE DIRECTORS:
Ms. Li Xiaolin
Mr. Yin Lian
Mr. Zhao Xinyan
Mr. Wang Hao
Mr. Liu Genyu

NON-EXECUTIVE DIRECTOR:
Mr. Cheng Chi

INDEPENDENT NON-EXECUTIVE DIRECTORS:
Mr. Chu Kar Wing
Mr. Wong Kwok Tai
Dr. Li Fang

AUDIT COMMITTEE:
Mr. Chu Kar Wing *(Chairman)*
Mr. Wong Kwok Tai
Dr. Li Fang

REMUNERATION COMMITTEE:
Mr. Chu Kar Wing *(Chairman)*
Mr. Wong Kwok Tai
Dr. Li Fang

NOMINATION COMMITTEE:
Ms. Li Xiaolin *(Chairman)*
Mr. Chu Kar Wing
Mr. Wong Kwok Tai
Dr. Li Fang

COMPANY SECRETARY:
Mr. Fung Chun Nam

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

Corporate Information (Continued)

REGISTERED OFFICE:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG:

Rooms 3801-05, 38/F
China Resources Building
26 Harbour Road
Wanchai, Hong Kong

PRINCIPAL SHARE REGISTRAR:

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE:

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

COMPANY WEBSITE:

www.cpne.com.hk

STOCK CODE:

735

INVESTOR RELATIONS:

Tel: (852) 3607 8888
Fax: (852) 3607 8899
Email: ir@cpne.com.hk

Distribution of Projects

*Total installed capacity**

1,727.05 MW

* As at 31 December 2011

WELL-ESTABLISHED PLATFORMS WITH VARIOUS RENEWABLE PROJECTS

Wind Power

No.	Project	Installed Capacity (MW)	Interest (%)	Attributable Installed Capacity (MW)
1	Phase I of the Gansu Wind Power Project	100.50	100%	100.50
2	Phase II of the Gansu Wind Power Project	49.50	100%	49.50
3	Phase III of the Gansu Wind Power Project	201.00	100%	201.00
4	Phase IV of the Gansu Wind Power Project	100.50	100%	100.50
5	Phase I of the Heilongjiang Wind Power Project (Hongqi Project)	49.50	100%	49.50
6	China Power Dafeng Wind Power Project	200.25	100%	200.25
7	Shanghai Sea Wind Power Project	102.00	24%	24.48
	Sub-total	**803.25**		**725.73**

Hydro Power

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

Waste-to-energy Power

No.	Project	Installed Capacity (MW)	Interest (%)	Attributable Installed Capacity (MW)
11	Deqing Waste Incineration Power Plant	6.00	100%	6.00
12	Kunming Waste Incineration Power Plant	30.00	100%	30.00
13	Haikou Waste Incineration Power Plant	24.00	100%	24.00
	Sub-total	**60.00**		**60.00**

Natural Gas Power

No.	Project	Installed Capacity (MW)	Interest (%)	Attributable Installed Capacity (MW)
14	Dongguan China Power New Energy Heat and Power Plant	360.00	90.1%	324.36
	Sub-total	**360.00**		**324.36**

Other Power

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

Milestone

One Platform
Five Major Business Segments
Over Ten Bases
Over Ten Billion Assets
Reduce Greenhouse Gas Over Ten Million Tons

2006

- Acquired 60% equity interest of Zhongdian Hongze Thermal Power Co., Ltd. and 100% equity interest in Zhongdian Hongze Reproductive Substance Thermal Power Co., Ltd.

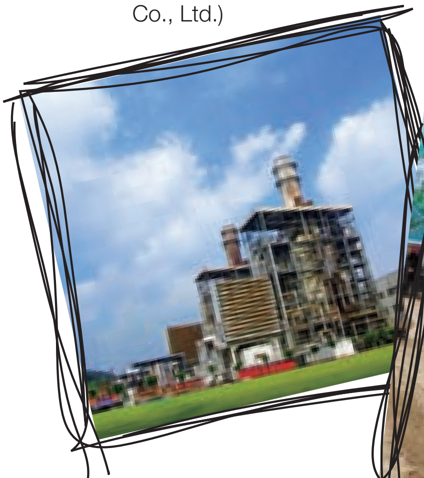
2007

- Acquired China Power International New Energy (Shanghai) Holding Company Limited
- Changed the company name to China Power New Energy Development Company Limited
- Acquired 40% equity interest of Dongguan China Power New Energy Heat and Power Company Limited (formerly known as Dongguan Dong Cheng Dong Xin Heat and Power Company Limited) and 40% equity interest in Dongguan City Kewei Environmental Power Company Limited
- China National Offshore Oil Corporation became the strategic shareholder
- Acquired Shanghai New Energy Tower (formerly known as Long Tu Property)
- Acquired 90% equity interest of Gansu China Power Jiuquan Wind Electric Power Company Limited and 100% in CPI (Fujian) Power Development Limited
- Acquired 100% equity interest of Zhejiang Deqing Jia Neng Waste Incineration Power Company Limited

Milestone (Continued)

2008

- Increased to 80% equity interest of Dongguan China Power New Energy Heat and Power Company Limited
- Acquired 60% equity interest of Kunming China Power Environmental Power Company Limited (formerly known as Yunnan Shuangxing Green Energy Co., Ltd.)



2009

- Acquired 51% equity interest of Zhangping Huakou Hydro Power Company Limited
- Changed the auditors and the financial year-end date
- Formed a joint venture with Shanghai Green Environmental Protection Energy Company Limited and CLP Power China (Chongming) Limited

2010

- Increased to 100% equity interest of Gansu China Power Jiuquan Wind Electric Power Company Limited
- Increased to 100% equity interest of Kunming China Power Environmental Power Company Limited
- Increased to 100% equity interest of Zhangping Huakou Hydro Power Copmany Limited
- Acquired 100% equity interest of China Power Dafeng Wind Power Company Limited

2011

- Completed the issue of RMB500,000,000 3.75% RMB denominated bonds due 2014
- Entered the strategic cooperation framework agreement with First Solar, Inc.
- Increased to 90.1% equity interest of Dongguan China Power New Energy Heat and Power Company Limited and disposed 40% equity interest of Dongguan City Kewei Environmental Power Company Limited
- Announced to introduce China Three Gorges Corporation as the shareholder
- Acquired 100% equity interest of Meixi Hydropower Company

Early 2012

- Completed the issue of RMB800,000,000 6.5% RMB denominated bonds due 2017
- Entered the strategic cooperation framework agreement with Hainan Provincial Water Conservancy & Hydropower Group Co., Ltd.

▲ Dongguan China Power New Energy Heat and Power Plant

▼ Gansu Wind Power Project

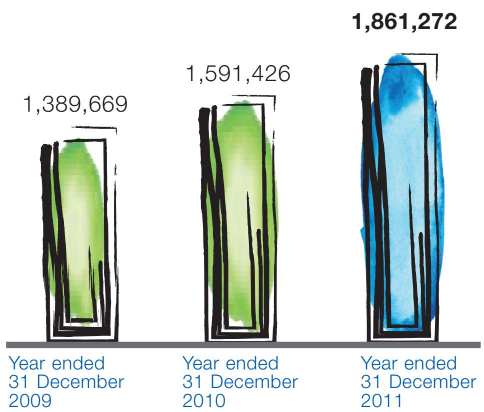
▲Kunming Waste Incineration Power Plant

▲ Haikou Waste Incineration Power Plant

Business and Financial Highlights

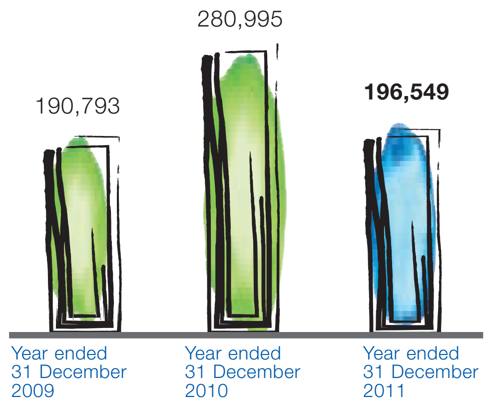
REVENUE AND TARIFF ADJUSTMENT

RMB'000



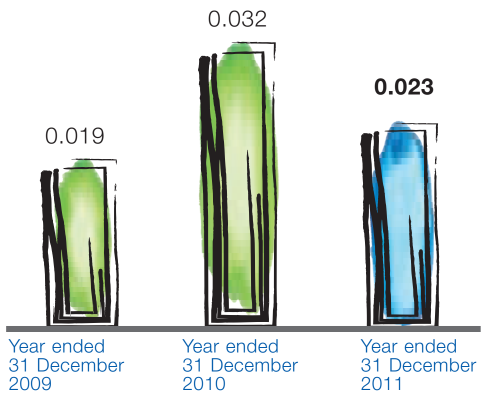
PROFIT FOR THE YEAR

RMB'000



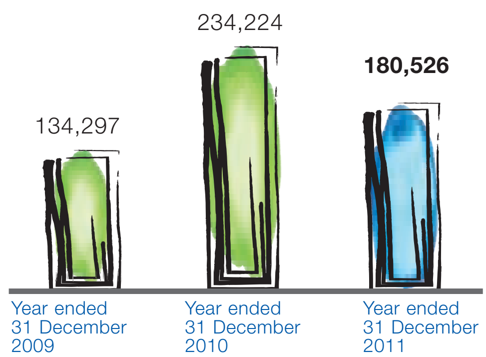
BASIC EARNINGS PER SHARE

RMB

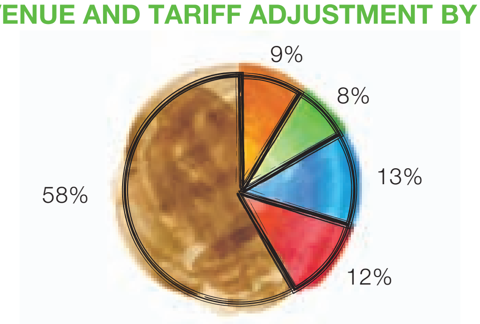


PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

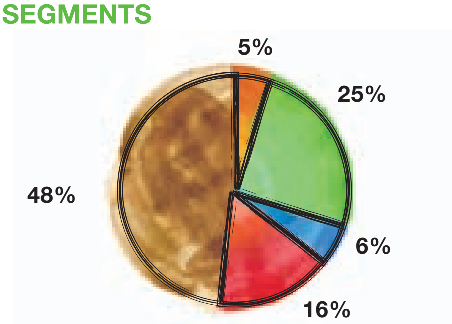
RMB'000



REVENUE AND TARIFF ADJUSTMENT BY BUSINESS SEGMENTS



For the year ended 31 December 2010



For the year ended 31 December 2011

Wind power generation and related business
Hydro power generation business
Waste-to-energy power generation business
Natural gas power generation business
Other power generation business

Business and Financial Highlights (Continued)

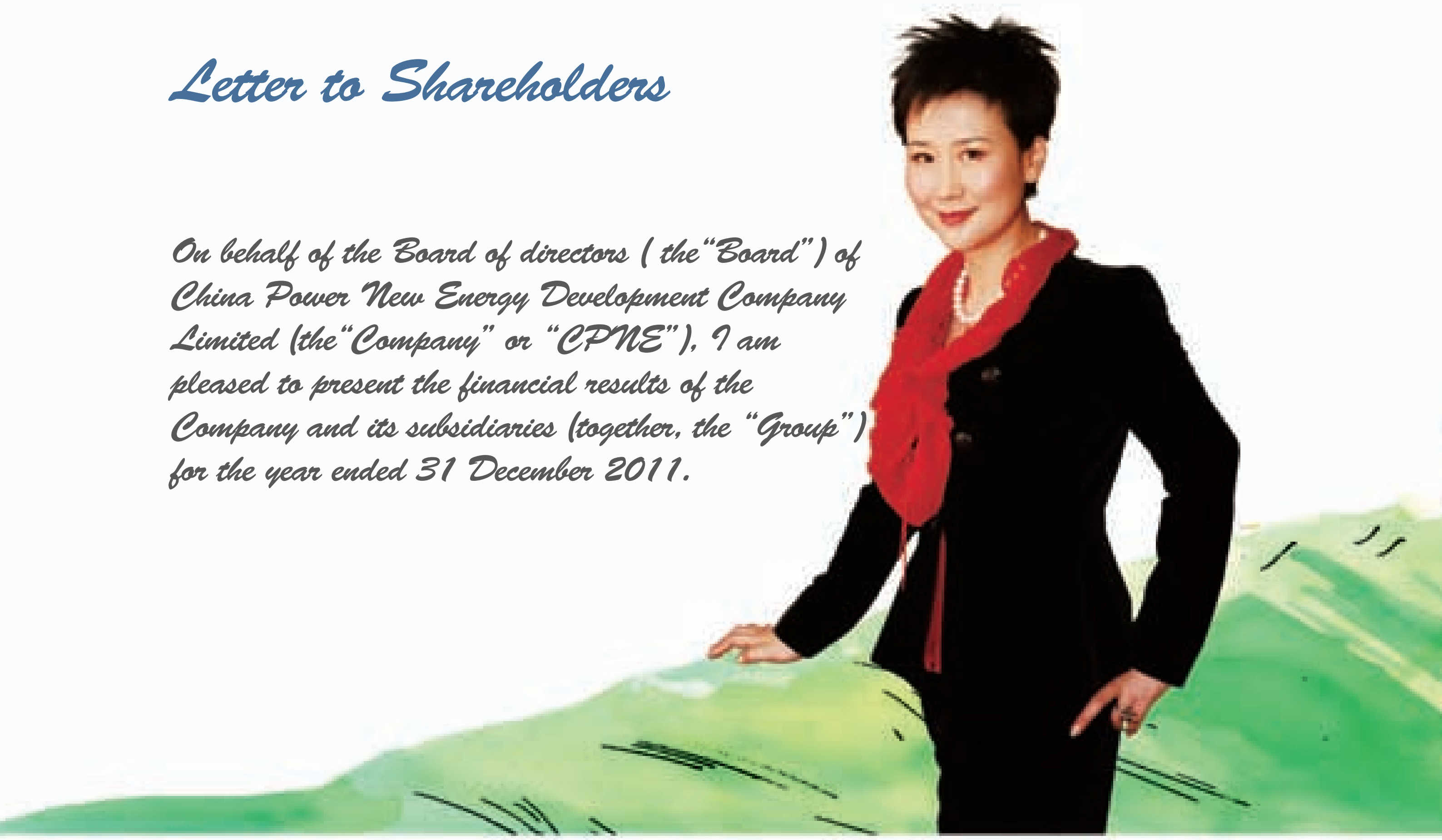
PART OF THE OPERATING PROJECTS AND GEOGRAPHICAL OUTLOOK

Province	Existing Operating Project	Outlook
Gansu	• Phases I to IV of the Gansu Wind Power Project	• Phase V of the Gansu Wind Power Project, a demonstration project of the large wind turbine, is under construction • Phases I and II of the Gansu Photovoltaic Power Project are under construction • Ensure the development rights of the wind power and photovoltaic power projects in Jiuquan area and strengthen the project development in nearby areas • Strengthen the development of the wind power and photovoltaic power in Inner Mongolia, Xinjiang, Qianghai and Ningxia regions
Jiangsu	• China Power Dafeng Wind Power Project	• Continue to develop Phase II of the China Power Dafeng Wind Power Project, Jiangsu Offshore Wind Power Project and Shandong Wind Power Project
Heilongjiang	• Heilongjiang Hongqi Wind Power Project	• Heilongjiang Hailang Wind Power Project plans to commence operation this year

Business and Financial Highlights (Continued)

Province	Existing Operating Project	Outlook
Fujian	• Fujian Shaxikou Hydro-electric Power Plant • Fujian Niu Tou Shan Power Stations • Zhangping Huakou Hydro Power Plant	• Continue to explore project acquisition opportunity in Fujian and other areas
Yunnan	• Kunming Waste Incineration Power Plant	• Strengthen the exploration of wind power, waste-to-energy and photovoltaic energy project in Yunnan province
Guangdong	• Dongguan China Power New Energy Heat and Power Plant	• Explore heat supply and distributed energy sources market aggressively • Research the feasibility on wind power, waste-to-energy power and natural gas power in Guangdong province and nearby provinces
Hainan	• Haikou Waste Incineration Power Plant	• Reinforce the development on photovoltaic power and waste-to-energy power in Hainan province

Letter to Shareholders



On behalf of the Board of directors (the"Board") of China Power New Energy Development Company Limited (the"Company" or "CPNE"), I am pleased to present the financial results of the Company and its subsidiaries (together, the "Group") for the year ended 31 December 2011.

Dear Shareholders,

As one of the pioneers in developing clean energy in the People's Republic of China (the "PRC"), the Group has power generation projects in wind power, hydro power, waste-to-energy power, natural gas power and others with a total installed capacity of approximately 1,727.05MW as at 31 December 2011. Each project is situated at the region with the greatest strategic advantage. Development of the abovementioned five segments by rotation will not only open up different and complementary sources of revenue, but also effectively diversify our investment risks. The structure of the clean energy industry has consistently been optimised in view of the collaborative development among the five geographical regions of the PRC, thereby setting a solid foundation for the Group's future development.

According to statistics from the National Bureau of Statistics, the gross domestic product of the PRC rose by 9.2% year-on-year in 2011, demonstrating steady and robust growth of the economy with corresponding increase in demands for energy. Given the intricate and ever changing international landscape, the management team and all units of the Company took concerted actions and fully utilized the advantages of its operational and capital platforms in a bid to maintain equal focus on inventory control and incremental development, organic growth and external development, and production safety with economic efficiency. Developments included a new production project with installed capacity of 192.3MW, acquisition of the Meixi hydro power project in Chongqing, increase in tariff and subsidies for certain power generation projects, reduction of adjustable costs, construction of information infrastructure and the receipt of the national silver award in honour of China Power Dafeng Wind Power Project, which is a national quality engineering award. With these developments, the Company is embarking on a promising voyage under the Twelfth Five-Year Plan.

For the year ended 31 December 2011, the Group recorded revenue and tariff adjustment of approximately RMB1,861,272,000 (2010: RMB1,591,426,000), an increase of 17% over the previous year, which was primarily attributed to contributions from those new projects in operation. The Group's net profit for the year was approximately RMB196,549,000 (2010: RMB280,995,000), a decrease of 30% over the previous year, which was mainly caused by certain operations of hydro power and wind power having suffered, respectively, from a drought rarely encountered historically and the weakening of wind power in Jiangsu. Profit attributable to equity holders of the Company amounted to approximately RMB180,526,000 (2010: RMB234,224,000), a drop of 23% over the previous year.

To reduce carbon emissions from electricity supply systems, the PRC government has determined a set of mid to long-term targets to proactively develop various types of new energy. To sustain a favourable development trend as well as sound and orderly progression, the National Energy Bureau of the PRC promulgated targets under the Twelfth Five-Year Plan for development of renewable energy in China and released the Twelfth Five-Year Plan for national energy technology. The Standardization Administration of China also announced requirements for technologies of wind farm power integration system and smart grid development actively undertaken by State Grid Corporation of China, etc. These measures will have positive effects on the new energy industry. Accordingly, the Group will take advantage of these opportunities and while upholding our corporate values of "Responsibility, Integrity, Wisdom and Values", the Group will focus on development and innovation as its direction, targeted management as its strategy, and efficiency and effectiveness as its aim, to arrive at integration of management and control, combination of reliability and pragmatism with delivery of quality products, all of which will define us as a quality corporation in new energy.

Letter to Shareholders (Continued)

In the longer run, the Company will consistently update and revise our development strategies under the Twelfth Five-Year Plan. We plan to proactively explore and realize a strategic development mode of the industry, in which new energy and smart grid are combined, and the three pillars of the industry, i.e. new energy power generation, new energy and smart grid, and energy saving and environmental protection in association with related services become integral to our development strategies. Adjustments will be made continuously to ensure that over 6,400MW of installed capacity will be reached by the end of the Twelfth Five-Year Plan, resulting in three wind power bases up to million kilowatt grade in Gansu, Jiangsu and Inner Mongolia, a hydro power base million-kilowatt grade based on the hydro power projects in Fujian, a natural gas power base million kilowatt grade based on Dongguan Heat and Power Plant, four power bases hundred thousand kilowatt grade in Xinjiang, Gansu, Qinghai and Inner Mongolia, and two solar power generation bases fifty thousand kilowatt grade in Hainan and Yunnan. Moreover, we will utilize the advantage of each region to advance distributed wind power and solar power generation. And, the scale of biomass power generation will be actively expanded. Headquarters for the new energy and smart grid industry and demonstration zone for low-carbon applications will be setup in Hainan. All of these will enable us to pursue our development target as a first-tier new energy group and quality corporation domestically.

To respond to our buoyant growth and to optimise our financial structure, the Company entered into termination of share purchase agreement with China Yangtze Power Co., Ltd. and its wholly-owned subsidiary, China Yangtze International (Hongkong) Co., Ltd. ("HK Co") on 9 December 2011, and a share purchase agreement with China Three Gorges Corporation on 10 December 2011, pursuant to which the Company agreed to dispose of and the purchaser agreed to purchase shares, and 3,230,769,231 new shares would be allotted and issued to the purchaser at an issue price of HK$0.65 per share. The consideration for the issue of the new shares amounting to HK$2,100,000,000 will be used by the Company in furtherance of its business plan of investing in power generating projects to be identified by the Group. In addition, the Company in April 2011 completed the issue of a total of RMB500,000,000 3.75% RMB denominated bonds due 2014, and in January 2012 completed the issue of a total of RMB800,000,000 6.5% RMB denominated bonds due 2017. The proceeds will be mainly used in the investment of power generation projects.

Adhering to our corporate culture of "Still Waters Run Deep" and acting on our mission statement of "light and energy to the world and clear water and blue sky to our next generations", we have been striving for a leading position in the industry. We also aim to be an inventor of policy, an innovative pioneer of self-developed technology as well as a participant in the formulation of national emission standards and regulating regime, and to build up the Company as a strong, excellent and professional corporation, with a view to realizing our transformation of growth from quantity to quality and becoming the trailblazer in the development of international new energy and electricity power industry of the PRC.

Talented staff are the foundation for the development of the Group. The management team places importance on developing talent as well as promoting work life balance, and has put forward various guidelines and implemented measures to enhance the quality of work and life of our staff.

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

Li Xiaolin
Chairman of the Board

21 March 2012

Still Waters Run Deep

Responsibility, Credit, Wisdom, Value

Maximize Stakeholders' Interests

Corporate Social Responsibility

SOCIAL RESPONSIBILITY

Our Environment

In 2011, standard coal consumption, carbon dioxide discharge, carbon dust discharge, sulphuric dioxide discharge, nitrogen oxide discharge and water consumption in our Group's supply of clean energy were reduced by approximately 737,000 tons, 2,041,000 tons, 557,000 tons, 61,000 tons, 31,000 tons and 8,190,000 cubic meters, respectively, in comparison with traditional coal-fired power plants, as we sought to make contributions to economic and social development as well as the well-being of our ecological environment.

Our Staff

Policy on remuneration and benefits

The Company is vigorously developing a normative model for the management of staff remuneration which is fair for all staff, competitive among industry peers and in keeping with market practices, so that the performance of the Company will gradually be improved.

Staff development and training

We have drawn up a preliminary draft of CPNE's 12th Five-Year Plan development planning for human resource management on the basis of our development strategy to provide a development framework for the Group's human resource management in the next five years, in compliance with the principles laid down by the working meeting for human resources of national and central enterprises and the tenet of medium to long term human resource development planning for national and central enterprises. Moreover, the Group has also compiled the Model Code for Company Leader and the CPNE Staff Code of Conduct as part of its efforts to build a high-caliber team.

To improve staff quality, the Group has vigorously enhanced the organization and management of its training programs and the allocation and integration of training resources, so that these programs may deliver the best outcome. In terms of external training, we have actively participated in specialized training organized by the parent company. Internally, we have: 1) carried on with our management training program entitled "Still Waters Run Deep: A Case in Scientific Management" which investigates corporate management in the light of traditional Chinese philosophy; 2) organized training in business speech and presentation skills; and 3) provided qualification training for all personnel involved in project safety management.

Corporate Social Responsibility (Continued)

Production safety

The Group has set up a Production Safety Department, with an emphasis on the cultivation of a stronger sense of responsibility in safety matters. We diligently persist in the principles of safety as priority, prevention rather than cure, and comprehensive treatment. In tandem with our belief that no breaches are unpreventable, no risks uncontrollable and no accidents unavoidable, we have adopted effective measures and procured sound process management to create a safe workplace for employees.

During the year, the Group organized a Safe Production Month campaign, comprising weekly programs entitled Safety Warning Education Week, Safety Knowledge Promotion Week, Emergency Plan Drilling Week and Safety Hazard Inspection and Treatment Week. In 2011, the Group issued 18 comprehensive emergency plans, 86 specific emergency plans and 127 on-site treatment plan.

Team building

During the year, the Group organized a range of team building activities under the theme of "Fostering CPNE Brand Excellence with the Still Waters Run Deep and Team Dynamics." We also sought to enrich employees' leisure life, foster team spirit and reinforce core values by organizing parties, ball games and outdoor activities.

Our Donations

Apart from providing clean energy to the public, we also contribute to the society by actively participating in welfare activities. During the year, the Group organized donations for people who had fallen victim to major catastrophes such the Wenchuan Earthquake, Zhouqu landslides, the drought in the southwestern regions and the conflagration fire at Jiao Zhou Lu, Shanghai.

Moreover, we have also joined the World Wide Fund for Nature initiative of Earth Hour, in a bid to advocate environmental protection through action and contribute to the cause of energy conservation and carbon discharge reduction.

Management Discussion and Analysis

BUSINESS REVIEW

The principal activities of the Group are the development, construction, owning, operation and management of clean energy power plants, including but not limited to wind power generation, hydro power generation, waste-to-energy power generation, natural gas power generation, photovoltaic power generation and other power generation in Mainland China. The power generation plants currently owned or controlled by the Group are mainly situated in Guangdong, Fujian and Gansu etc. and the electricity generated thereof is sold to Southern Power Grid, East China Power Grid and Northwest Power Grid. The Group is also engaged in investment holding in the clean energy power industry, property investments and securities investments.

Business Performance for the Year Ended 31 December 2011

For the year ended 31 December 2011, the Group recorded revenue and tariff adjustment of approximately RMB1,861,272,000 (2010: RMB1,591,426,000), the growth of which was primarily attributed to contributions from new power projects after commencing operation.

For the year ended 31 December 2011, the Group's fuel costs amounted to approximately RMB799,264,000 (2010: RMB794,983,000), net finance costs (mainly comprised of interest payable for borrowings in respect of the new energy power projects) amounted to approximately RMB215,060,000 (2010: RMB72,231,000), and fair value loss on financial assets at fair value through profit or loss amounted to approximately RMB6,974,000 (2010: loss of approximately RMB9,381,000). The Group's profit for the year was approximately RMB196,549,000 (2010: RMB280,995,000) and the Group recorded profit attributable to equity holders of the Company amounted to approximately RMB180,526,000 (2010: RMB234,224,000). Basic earnings per share was approximately RMB0.023 (2010: RMB0.032).

Business Environment

According to statistics released by the National Energy Board of the PRC, the cumulative electricity consumption of the PRC in 2011 was 4,692.8 billion kWh, representing a surge of 11.7% year-on-year. In respect of the scheduled target for the development of renewable energy in the PRC under the Twelfth Five-Year Plan issued by the National Energy Board of the PRC, it is anticipated that the PRC will make step up efforts to devise a competitive regime for the renewable energy industry by 2015, and the total developed capacity of non-fossil energy, including wind power, solar power, biomass power, solar energy utilisation and nuclear power, etc., will reach 480 million tonnes of standard coal equivalent. Prospects for clean energy and renewable energy development will be most promising.

According to the report issued by the Enterprises Research Institute under the Development Research Center of the State Council of the PRC (中國國務院發展研究中心企業研究所), the shortage of electricity of the PRC in 2011 was approximately 30 million kW and shortage will be deteriorating in 2012, demonstrating tremendous demand in the electricity market of the PRC.

To promote the healthy development of clean energy and renewable energy of the PRC, officials from the National Energy Board of the PRC stated the development focus of renewable energy during the period of the Twelfth Five-Year Plan to be as follows: to attach high importance to grid-connection and absorption of wind power, to advance wind power technologies and quality standards, to control the annual development plan of wind power, to ensure the gradual progression of wind power development, to revamp the subsidies policy for photovoltaic power generation, to support the application of distributed photovoltaic power generation, to activate the utilisation of renewable energy in rural areas, and to establish model counties in green energy.

With the PRC government finalising the "Decision of the State Council on Accelerating the Fostering and Development of Strategic Emerging Industries" (《關於加快培育和發展戰略性新興產業的決定》), promulgating scheduled targets for renewable energy of the PRC under the Twelfth Five-Year Plan and releasing the Twelfth Five-Year Plan for national energy technology; the Standardisation Administration of China announcing requirements for technologies of wind farm power integration system; and the State Grid Corporation of China actively undertaking smart grid development; all such measures will not only help uplift the standards of the industry by refining the quality of construction, but also rein in disorganised competition within the industry by ensuring limited resources for projects are utilised in a justifiable way. Development of the new energy industry will then be carried out in an orderly manner.

With such sound policies as the basis, complemented by plans from the State Grid Corporation of China to actively develop smart grids and extra-high voltage networks, the Group will devote its efforts to completing preliminary works for new projects so as to lay a solid foundation for future development.

Management Discussion and Analysis (Continued)

As at 31 December 2011, the following operating power projects were owned by the Group through its subsidiaries, associated company and jointly-controlled entities:

No.	Project Name	Nature of Business	Installed Capacity (MW)	Interest (%)	Attributable Installed Capacity (MW)	Average Tariff (RMB/MWh)	Average Utilization Hours (Hours)	Gross Generation (MWh)
1	Phase I of the Gansu Wind Power Project (甘肅風力發電項目一期)	Wind power generation	100.50	100	100.50	462	1,717	172,583
2	Phase II of the Gansu Wind Power Project (甘肅風力發電項目二期)	Wind power generation	49.50	100	49.50	540	2,185	108,165
3	Phase III of the Gansu Wind Power Project (甘肅風力發電項目三期)	Wind power generation	201.00	100	201.00	520	1,840	369,855
4	Phase IV of the Gansu Wind Power Project (甘肅風力發電項目四期)*	Wind power generation	100.50	100	100.50	520	441	44,293
5	Phase I of the Heilongjiang Wind Power Project (Hongqi Project) (黑龍江風力發電項目一期) (紅旗項目)	Wind power generation	49.50	100	49.50	620	1,918	94,945
6	China Power Dafeng Wind Power Project (中電大豐風力發電項目)	Wind power generation	200.25	100	200.25	488	1,540	308,447
7	Shanghai Sea Wind Power Project (上海海風發電項目)	Wind power generation	102.00	24	24.48	975	2,232	227,642
8	Fujian Shaxikou Hydro-electric Power Plant (福建沙溪口水力發電廠)	Hydro-electric power generation	300.00	100	300.00	210	2,106	631,754
9	Niu Tou Shan Power Stations (牛頭山發電廠)	Hydro-electric power generation	122.20	52	61.60	346	2,032	248,339
10	Zhangping Huakou Hydro Power Plant (漳平市華口水電廠)	Hydro-electric power generation	36.60	100	36.60	323	1,897	69,440
11	Deqing Waste Incineration Power Plant (德清廢物焚化發電廠)	Waste-to-energy power generation	6.00	100	6.00	550	7,440	44,643
12	Kunming Waste Incineration Power Plant (昆明廢物焚化發電廠)	Waste-to-energy power generation	30.00	100	30.00	485	7,102	213,044
13	Haikou Waste Incineration Power Plant (海口廢物焚化發電廠)^	Waste-to-energy power generation	24.00	100	24.00	627	2,978	71,479
14	Dongguan China Power New Energy Heat and Power Plant (東莞中電新能源熱電廠)	Natural gas power generation	360.00	90.1	324.36	1,030	2,830	1,018,766
15	Zhongdian Hongze Reproductive Substance Thermal Power Plant (中電洪澤生物質發電廠)	Biomass power generation	15.00	100	15.00	760	2,075	31,121
16	Zhongdian Hongze Thermal Plant (中電洪澤熱電廠)	Coal-fired power generation	30.00	60	18.00	519	885	26,560
	Total		**1,727.05**		**1,541.29**			**3,681,076**

* Operation commenced in the fourth quarter of 2011
^ Operation commenced in the third quarter of 2011

The above power plants have a total installed capacity of 1,727.05MW, of which the installed capacity attributable to the Group is 1,541.29MW.

Wind Power Generation Projects

Given the abundant wind resources in the Gansu Province in 2011 and the operation of the 750 kV transmission line, sales of electricity from Phases I and II of the Gansu Wind Power Project achieved steady growth over the previous year. Phases III and IV of the Gansu Wind Power Project also commenced operation in 2011. Construction works of Phase V of the Gansu Wind Power Project, being a model project of large-sized wind power generating unit in Jiuquan (Gansu Qiaowan Sannan Yi Wind Power Project) with installed capacity of 20MW, are underway. Planning for the early phase of Phases VI to VIII of the Gansu Wind Power Project with installed capacity of 640MW is also underway.

Pre-development works of Jiangsu Sea Wind Power Project with installed capacity of 300MW are in process.

On 6 July 2011, the Group obtained approval from the Development and Reform Commission of Inner Mongolia Autonomous Region to kick off preliminary works for Phase I of the Inner Mongolia Wind Power Project with total installed capacity of 49.5MW, details of which were set out in the announcement of the Company dated 15 July 2011.

The amount of electricity generated by the China Power Dafeng Wind Power Project was negatively affected by less wind resources available in Dafeng City, Jiangsu Province during the year when compared with that of the previous year.

Phase I of the Heilongjiang Wind Power Project (Hongqi Wind Power Project) had commenced power generation to the grid during the year, providing revenue contribution to the wind power generation segment of the Group. Construction works of Phase II of the Heilongjiang Wind Power Project (Hailang Wind Power Project) are underway.

Phase II of the China Power Dafeng Wind Power Project, the Shandong Wendeng Wind Power Project (山東文登風力發電項目), Inner Mongolia Chayou Zhongqi Wind Power Project (內蒙察右中旗風力發電項目) and Shanghai Chongming Wind Power Project (上海崇明風力發電項目) are at the pre-planning stage.

Management Discussion and Analysis (Continued)

Hydro Power Generation Projects

In 2011, due to the lower rainfall compared to the year before, water supply from the reservoir area of the water power stations in Fujian district was significantly less. Electricity generation from the Fujian Shaxikou Hydro-electric Power Plant and Niu Tou Shan Power Stations decreased, leading to a plunge of approximately 43.2% in power generation from the hydro power segment over the previous year. Accordingly, the two hydro power plants took measures such as reduction of water consumption, budget strengthening and monitoring, and costs cutting, to deal with the above problems.

In November 2011, the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會) granted approval for the increment of on-grid tariff of Shaxikou Hydro-electric Power Plant by RMB0.04/kWh to RMB0.25/kWh, bringing a boost of revenue from hydro power generation.

Zhangping Huakou Hydro Power Plant switched into commercial operation in the second half of 2011.

On 15 December 2011, CPI (Fujian) Power Development Limited ("CPI Fujian"), an indirect wholly-owned subsidiary of the Company, entered into a share transfer agreement with Zhe Jiang Ouneng Electric Power Group Stock Co., Ltd. ("Ouneng Power Group") and Chongqing Meixi River Hydropower Development Company Limited ("Meixi Hydropower Company"), pursuant to which Ouneng Power Group agreed to sell, and CPI Fujian agreed to buy, the entire issued share capital in Meixi Hydropower Company for RMB348,000,000. For details, please refer to the announcement of the Company dated 15 December 2011.

On 16 March 2012, the pricing department of Fujian Province granted approval for the increment of on-grid tariff of Niu Tou Shan Power Stations and Zhangping Huakou Hydro Power Plant by RMB0.021/kWh.

Waste-to-energy Power Generation Projects

On 15 July 2011, the Group entered into an agreement with Ample Forest Limited in respect of the disposal of the entire issued share capital in Worldtron Limited together with the shareholder's loan at a consideration of RMB192,000,000. Worldtron Limited indirectly held 40% equity interest in Dongguan City Kewei Environmental Power Plant. Details of this transaction were set out in the announcement of the Company dated 15 July 2011.

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

Natural Gas Power Generation Projects

Taking into account the completion of the Group's acquisition in September 2011 of Fortune Jade Limited, which held 10.1% equity interest in Dongguan China Power New Energy Heat and Power Company Limited ("Dongguan Heat and Power"), the Group holds 90.1% equity interest in Dongguan Heat and Power. For details, please refer to the announcement of the Company dated 15 July 2011, the circular dated 5 August 2011 and the announcement dated 22 August 2011.

Commencement of preliminary works for upgrading Dongguan Heat and Power was approved upon receipt of such letter from the Development and Reform Commission of Guangdong Province on 16 November 2011. The upgrading project, situated at Dongcheng Technology Park, Dongcheng District, Dongguan Municipality (東莞市東城區東城科技工業園) and adjacent to the current Dongguan natural gas power project, plans to have two fuel gas-steam combined cycle units installed, each with a unit output of 390MW and a total installed capacity of 780MW. Upon completion, the total installed capacity of Dongguan natural gas power project will reach 1,140MW.

Management Discussion and Analysis (Continued)

Photovoltaic Power Generation Projects

On 10 May 2011, the Group entered into a strategic cooperation framework agreement with First Solar, Inc., through which both parties agreed to establish a comprehensive strategic partnership in the investment, construction and project management of power plants, as well as the application of thin-film photovoltaic modules, allowing the Group to be well prepared for any future developments in photovoltaic power generation.

The construction works of both Phase I of the Gansu Photovoltaic Power Generation Project (Gansu Baiyin Photovoltaic Power Generation) and Phase II of the Gansu Photovoltaic Power Generation Project (Gansu Wuwei Photovoltaic Power Generation), each with an installed capacity of 20MW, are underway.

Clean Development Mechanism

The Company received the consent from National Development and Reform Commission to regard China Power Dafeng Wind Power Project and Zhangping Huakou Hydro Power Plant as Clean Development Mechanism projects. Base on the revenue generated from the voluntary emission reduction of Phase I of the Gansu Wind Power Project, the Company will continue to apply the projects which fulfill the requirement of Clean Development Mechanism projects to boost the revenue and bring significant contribution to the Company.

FUTURE PLANS

The Twelfth Five-Year Plan of the PRC has clearly defined the direction for the development of new energies, which leads the Group to believe that there is enormous development potential for the sector of new energies. On such basis, the Group, through innovating mechanisms, carrying out targeted management and focusing on efficiency and effectiveness, will place emphasis on development and projects, and integration of production safety and management, so as to transform the direction of its growth from quantity to quality and develop into a quality corporation and the trailblazer in transformational development.

The Group's future efforts will focus on:

1. Reinforcing and maintaining safety conditions;
2. Speeding up transformation and development;
3. Raising and sustaining the quality of construction;
4. Devoting efforts to improving operational quality and profitability;
5. Activating information infrastructure and technology construction; and
6. Bolstering the management of human resources and teambuilding.

FINANCIAL REVIEW

Revenue and Tariff Adjustment

For the year ended 31 December 2011, revenue and tariff adjustment were approximately RMB1,861,272,000 (2010: approximately RMB1,591,426,000), an increase of 17% over last year, which was primarily attributed to contributions from new energy power projects after commencing operation.

Fuel Costs

For the year ended 31 December 2011, fuel costs of the Group were approximately RMB799,264,000 (2010: approximately RMB794,983,000), an increase of 1% over last year, which was mainly attributed to increased coal and natural gas prices.

Depreciation and Amortisation

For the year ended 31 December 2011, depreciation and amortisation of the Group were approximately RMB342,599,000 (2010: approximately RMB176,497,000), an increase of 94% over last year, which was mainly attributed to depreciation incurred on power generation units of new projects commencing operating during the year.

Staff Costs

For the year ended 31 December 2011, staff costs of the Group were approximately RMB130,787,000 (2010: approximately RMB123,691,000), an increase of 6% over last year.

Repairs and Maintenance

For the year ended 31 December 2011, repairs and maintenance expenses of the Group were approximately RMB40,114,000 (2010: approximately RMB37,759,000), an increase of 6% over last year, which was mainly attributed to the Group's business expansion and larger installed capacity.

Operating Profit

For the year ended 31 December 2011, operating profit of the Group was approximately RMB432,306,000 (2010: approximately RMB380,917,000), an increase of 13% over last year, which was primarily attributed to contributions from new energy power projects after commencing operation.

Finance Costs, Net

For the year ended 31 December 2011, net finance costs of the Group amounted to approximately RMB215,060,000 (2010: approximately RMB72,231,000), an increase of 198% over last year, which was primarily due to the finance costs incurred on the issue of RMB denominated bonds and new project loans.

Income Tax Expense

For the year ended 31 December 2011, income tax expense of the Group was approximately RMB30,454,000 (2010: approximately RMB64,752,000), a decrease of 53% over last year. The decrease in income tax expense was primarily attributed to the adverse impact on the amount of electricity generated by hydro power in the face of the severe aridity.

Profit Attributable to the Equity Holders of the Company

For the year ended 31 December 2011, profit attributable to equity holders of the Group was approximately RMB180,526,000 (2010: approximately RMB234,224,000), a decrease of 23% over last year, which was mainly due to negative impact of the uncontrollable climate on certain wind power projects and hydro power projects.

Liquidity and Financial Resources

As at 31 December 2011, the Group had cash and cash equivalents of approximately RMB645,150,000. The Group's principal sources of funds include cash inflow generated from operations, as well as the working capital and project financing of its respective subsidiaries from financial institutions such as banks.

Capital Expenditure

For the year ended 31 December 2011, capital expenditure of the Group was approximately RMB960,971,000, spent mainly on development of new projects, procurement of equipment and technical renovation projects, which was primarily financed by the Group's cash balances and project financing.

Borrowings

As at 31 December 2011, total borrowings of the Group amounted to approximately RMB4,691,430,000 (2010: approximately RMB4,927,173,000), consisting of short-term bank borrowings and current portion of long-term borrowings of approximately RMB402,795,000 and long-term bank and other borrowings of approximately RMB4,288,635,000. The interest rates of the Group's bank borrowings will be adjusted in accordance with the relevant regulations of the People's Bank of China.

In April 2011, the Company completed the issue of RMB500,000,000 3.75% coupon RMB denominated bonds due in 2014, details of which were set out in the announcements of the Company dated 13 April, 25 April and 29 April 2011.

In January 2012, the Company completed the issue of RMB800,000,000 6.5% coupon RMB denominated bonds due in 2017, details of which were set out in the announcements of the Company dated 30 December 2011 and 9 January 2012.

Gearing Ratio

As at 31 December 2011, the gearing ratio of the net debt divided by total capital was 47% (2010: 46%).

Foreign Exchange and Currency Risks

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

Investment Risk of the Capital Market

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

For the year ended 31 December 2011, the Group's fair value loss on financial assets at fair value through profit or loss amounted to approximately RMB6,974,000 (2010: loss of approximately RMB9,381,000).

Charges on the Group's Assets

As at 31 December 2011, certain bank deposits, accounts receivable, lease prepayments and investment properties of the Group with an aggregate amount of approximately RMB2,580,488,000 (2010: approximately RMB1,685,977,000) were pledged as securities for certain notes payable and bank borrowings of the Group.

Contingent Liabilities

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

Subsequent event

On 31 January 2012, the shareholders of the Company approved the allotment and issue of 3,230,769,231 new ordinary shares with par value of HK$0.10 (the "New Shares") in the share capital of the Company pursuant to and in accordance with the terms and conditions of the share purchase agreement dated 10 December 2011 entered into between the Company and China Three Gorges Corporation (the "Share Purchase Agreement"). The proceeds from the issuance of the New Shares will be HK$2,100,000,000.

Up to the date of this report, the issuance of the New Shares is pending for completion of the conditions set out in the Share Purchase Agreement.

EMPLOYEE AND REMUNERATION POLICIES

As at 31 December 2011, the Group had approximately 987 employees in Hong Kong and the PRC (2010: 1,293).

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

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

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

CHANGES OF DIRECTORS

With effect from 7 July 2011, Mr. Yin Lian has been appointed as a non-executive director of the Company, and Dr. Li Fang has been appointed as an independent non-executive director and a member of both the Audit Committee and Remuneration Committee of the Company. For more information, please refer to the announcement of the Company dated 6 July 2011.

With effect from 21 March 2012, Mr. Yin Lian has been re-designated as an executive director and has been appointed as the vice chairman of the Company. For more information, please refer to the other announcement of the Company dated 21 March 2012.

Directors and Senior Management Profiles

EXECUTIVE DIRECTORS

Ms. Li Xiaolin, aged 50, joined the Group in May 2007. She is an executive director and the Chairman of the Board and of the Executive Committee and the Nomination Committee of the Company. She is also a director of certain subsidiaries of the Company. Ms. Li is a senior engineer. She graduated from Tsinghua University with a Master of Engineering degree in power systems and automation. She was also a visiting scholar at the Sloan Business School of Massachusetts Institute of Technology in the United States. She has been the chairman of the board of China Power New Energy Limited (a substantial shareholder of the Company) since August 2006. Ms. Li also acts as the chairman of the board and chief executive officer of China Power International Development Limited (a company listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), stock code: 2380); the chairman of China Power International Holding Limited (the holding company of China Power New Energy Limited); and a director of Companhia de Electricidade de Macau. She has served in various positions including head of the International Economic and Trade Division of the Ministry of Electric Power Industry and associate head of the International Economic and Trade Division of the Ministry of Energy.

Mr. Yin Lian, aged 58, was appointed as a non-executive director of the Company on 7 July 2011 and re-designated as an executive director and the Vice Chairman of the Company on 21 March 2012. He is a member of the Executive Committee of the Company. He is also the general manager of China Power International New Energy Holding Limited, an indirect wholly-owned subsidiary of the Company. Mr. Yin graduated from Tsinghua University with a bachelor of gas turbine degree. He has served as the general manager and deputy secretary of Party Leadership Group of Hainan Power Grid Company, a wholly-owned subsidiary of China Southern Power Grid Co., Ltd.

Mr. Zhao Xinyan, aged 49, joined the Group in May 2007. He is an executive director and a member of the Executive Committee of the Company. He is also a director of certain subsidiaries of the Company. Mr. Zhao is a senior engineer. He graduated from Chongqing University with a Bachelor's degree in materials engineering and from Guanghua School of Management, Peking University with a Master of Business Administration (MBA) degree. He has been a director of China Power New Energy Limited (a substantial shareholder of the Company) since August 2006. Mr. Zhao is also the vice president of China Power International Holding Limited (the holding company of China Power New Energy Limited) and China Power International Development Limited (a company listed on the Main Board of the Stock Exchange, stock code: 2380). He has served as a manager in various departments of China Power International Development Limited.

Mr. Wang Hao, aged 48, joined the Group in February 2002. He is an executive director and a member of the Executive Committee of the Company. He is also a director of certain subsidiaries of the Company. Mr. Wang is engaged as an investment consultant of several listed companies in the PRC and has extensive experience in investment management of companies in the PRC.

Mr. Liu Genyu, aged 48, joined the Group in May 2007. He is an executive director and a member of the Executive Committee of the Company. He is also the Chief Executive Officer of the Company and a director of certain subsidiaries of the Company. Mr. Liu is a senior engineer. He graduated from Tsinghua University with a degree of Executive Master of Business and Administration (EMBA). Mr. Liu is also the assistant to the president of China Power International Holding Limited (a substantial shareholder of the Company) and the Development Supervisor of China Power International Development Limited (a company listed on the Main Board of the Stock Exchange, stock code: 2380). Mr. Liu has also served in positions including the vice president of Chongqing Jinlong Electric Power Co., Ltd. and a lecturer in Harbin Power Vocational Technology College.

NON-EXECUTIVE DIRECTOR

Mr. Cheng Chi, aged 51, joined the Group in April 2008. He is a non-executive director of the Company. Mr. Cheng has extensive experience in capital and financial operations management. Mr. Cheng graduated from Renmin University of China with a Master's degree. Currently, he also acts as the general manager of the Capital and Financial Operations Management Department of China National Offshore Oil Corporation and China National Offshore Oil Corporation Investment Company Limited.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chu Kar Wing, aged 54, joined the Group in December 2002. He is an independent non-executive director, the Chairman of both the Audit Committee and Remuneration Committee and a member of the Nomination Committee of the Company. Mr. Chu holds a bachelor's degree in social science majoring in economics. He has extensive experience in the banking and finance sector. Currently, he is also an independent non-executive director of Emperor Capital Group Limited (a company listed on the Main Board of the Stock Exchange, stock code: 717).

Mr. Wong Kwok Tai, aged 73, joined the Group in September 2004. He is an independent non-executive director and a member of each of the Audit Committee, the Nomination Committee and Remuneration Committee of the Company. Mr. Wong is a Certified Public Accountant and Practising Member. He has extensive experience in the audit and finance areas in different industries. Currently, he is the director of W. Wong CPA Limited. He is also an independent non-executive director of the following companies listed on the Main Board of the Stock Exchange: New Century Group Hong Kong Limited (stock code: 234), Beijing Yu Sheng Tang Pharmaceutical Group Limited (stock code: 1141), Takson Holdings Limited (stock code: 918) and China Tycoon Beverage Holdings Limited (stock code: 209).

Dr. Li Fang, aged 50, joined the Group in July 2011. He is an independent non-executive director and a member of each of the Audit Committee, the Nomination Committee and the Remuneration Committee of the Company. Dr. Li graduated from University of Science and Technology Beijing 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. Dr. Li is currently the chairman of Beijing Mainstreets Investment Group Corporation, a company listed on Shenzhen Stock Exchange (stock code: 000609) and an independent non-executive director of China Power International Development Limited, a company listed on the Main Board of the Stock Exchange (stock code: 2380). Dr. 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 Davis Polk & Wardwell.

SENIOR MANAGEMENT

Mr. Chen Xuezhi, aged 43, joined the Group in 2009. He is the Chief Financial Officer of the Company. Mr. Chen is a senior accountant and graduated in Fuzhou University with a major in Accountancy. He also received a master's degree in business administration from Capital University of Economics and Business. He is the financial controller of China Power International New Energy Holding Limited. He was the deputy general manager of the department of finance and ownership of China Power International Holding Limited (the holding company of China Power New Energy Limited, a substantial shareholder of the Company) and China Power International Development Limited (a company listed on the Main Board of the Stock Exchange, stock code: 2380).

Mr. Fung Chun Nam, aged 36, joined the Group in 2009. He is the Company Secretary of the Company. Mr. Fung has extensive experience in company secretarial, accounting and audit areas in various industries. He is a Fellow of both the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. Mr. Fung is also a charterholder of Chartered Financial Analyst.

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

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

The "Code on Corporate Governance Practices" (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange will be revised and renamed as the "Corporate Governance Code and Corporate Governance Report" with effect from 1 April 2012. As this Corporate Governance Report covers the year ended 31 December 2011, all the corporate governance principles and code provisions mentioned herein refer to those stated in the CG Code, not the revised Corporate Governance Code.

The Board considers that during the year ended 31 December 2011, the Company has applied the principles and complied with the code provisions set out in the CG Code, except for the code provisions A.4.1, A.4.2 and E.1.2. Key corporate governance principles and practices of the Company as well as the details of the foregoing deviations are summarized below.

A THE BOARD

A1. Responsibilities and Delegation

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

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

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

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

A2. Board Composition

The composition of the Board as at 31 December 2011 is as follows:

Executive directors:

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

Non-executive directors:

Mr. Cheng Chi
Mr. Yin Lian

Independent non-executive directors:

Dr. Li Fang	*(Member of the Audit Committee and the Remuneration Committee)*
Mr. Chu Kar Wing	*(Chairman of the Audit Committee and the Remuneration Committee)*
Mr. Wong Kwok Tai	*(Member of the Audit Committee and the Remuneration Committee)*

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

Throughout the year ended 31 December 2011, except the period as mentioned below, the Board has met the requirements of Rule 3.10 of the Listing Rules of having at least three independent non-executive directors with at least one of them possessing appropriate professional qualifications and accounting and related financial management expertise. However, due to and upon the retirement of Dr. Chow King Wai as an independent non-executive director at the conclusion of the Company's annual general meeting held on 28 April 2011 (the "2011 AGM"), the Company had only two independent non-executive directors, which caused the number of independent non-executive directors falling below the aforesaid minimum number required. Dr. Chow's retirement also led to the insufficiency in the number of the Company's Audit Committee members (the minimum number as required under Rule 3.21 of the Listing Rules is three). The Board has subsequently fully complied with the above Listing Rule provision requirements upon its appointment of Dr. Li Fang as an independent non-executive director and a member of the Audit Committee on 7 July 2011. Details of the above-mentioned changes are set out in the Company's announcements dated 28 April 2011 and 6 July 2011 respectively.

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

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

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

A3. Chairman and Chief Executive Officer

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

A4. Appointment and Re-Election of Directors

The code provision A.4.1 of the CG Code stipulates that non-executive directors should be appointed for a specific term, subject to re-election. During the year ended 31 December 2011, all the non-executive directors of the Company, except Mr. Yin Lian and Dr. Li Fang, are not appointed for a specific term, but they are subject to retirement by rotation and re-election by shareholders at annual general meeting pursuant to the Company's bye-laws (the "Bye-laws"). Accordingly, the Board considers that the Company meets the objective of the code provision A.4.1.

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

At the forthcoming annual general meeting of the Company (the "2012 AGM"), Mr. Zhao Xinyan, Mr. Cheng Chi and Mr. Chu Kar Wing shall retire by rotation and are eligible to offer themselves for re-election pursuant to the Bye-laws. The Board recommended the re-appointment of these three retiring directors standing for re-election at the 2012 AGM. The Company's circular, sent together with this annual report, contains detailed information of these three directors pursuant to the requirements of the Listing Rules.

Throughout the year ended 31 December 2011, the Company has not yet set up a nomination committee and the Board as a whole is responsible for reviewing the Board composition, developing and formulating the relevant procedures for nomination and appointment of directors, monitoring the appointment and succession planning of directors and assessing the independence of independent non-executive directors. To comply with the new code provision of the revised Corporate Governance Code which requires a listed issuer to establish a nomination committee by 1 April 2012, the Board approved the setting up of its Nomination Committee on 21 March 2012.

The Company has adopted "Directors' Nomination Procedures" as a written guideline in providing formal, considered and transparent procedures to the Board for evaluating and selecting candidates for directorships. An external recruitment agency may be engaged to carry out the recruitment and selection process when necessary. Besides, the procedures and process of appointment, re-election and removal of directors are laid down in the Bye-laws. In accordance with the Bye-laws, any new director appointed to fill a casual vacancy or as an addition to the Board shall submit himself/herself for re-election by shareholders at the first general meeting of the Company held after his/her appointment.

During the year ended 31 December 2011, the Board, through its meetings held on 15 March 2011 (with the presence of all the then directors) and 6 July 2011 (with the presence of all the then directors), performed the following work regarding matters relating to the Board composition:

(i) review of the structure, size and composition of the Board; recommendation of the re-election of the retiring directors at the 2011 AGM; and assessment of the independence of the Company's independent non-executive directors; and

(ii) appointment of Mr. Yin Lian and Dr. Li Fang as a non-executive director and an independent non-executive director of the Company, respectively.

A5. Induction and Continuing Development for Directors

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

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

A6. Board Meetings

A6.1 Board Practices and Conduct of Meetings

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

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

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

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

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

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

A6.2 Directors' Attendance Records

During the year ended 31 December 2011, the Board has held a total of 8 Board meetings for the main purposes of reviewing and considering the financial and operating performance, business development and prospects of the Group.

The attendance records of each director at these 8 Board meetings are set out below:

Name of Director	Attendance/Number of Board Meetings
Executive directors	
Ms. Li Xiaolin	8/8
Mr. Zhao Xinyan	8/8
Mr. Wang Hao	7/8
Mr. Liu Genyu	6/8
Non-executive directors	
Mr. Cheng Chi	8/8
Mr. Yin Lian *(Note 1)*	4/4
Independent non-executive directors	
Dr. Li Fang *(Note 1)*	4/4
Mr. Chu Kar Wing	7/8
Mr. Wong Kwok Tai	8/8
Dr. Chow King Wai *(Note 2)*	2/2

Notes:

1. Mr. Yin Lian and Dr. Li Fang were appointed as a non-executive director and an independent non-executive director of the Company, respectively, on 7 July 2011. Subsequent to their appointment, there were a total of 4 Board meetings held during the year ended 31 December 2011.

2. Dr. Chow King Wai retired as an independent non-executive director of the Company at the conclusion of the 2011 AGM. Before his retirement, there were a total of 2 Board meetings held during the year ended 31 December 2011.

A6.3 Model Code for Securities Transactions

The Company has adopted its own code of conduct regarding directors' dealings in the Company's securities (the "Own Code") on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules. Each director has been given a copy of the Own Code. Having made specific enquiry of all the Company's directors, they have complied with the Own Code and the Model Code throughout the year ended 31 December 2011.

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

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

B. BOARD COMMITTEES

Throughout the year ended 31 December 2011, the Board has established three Board committees, namely, the Executive Committee, the Remuneration Committee and the Audit Committee, for overseeing particular aspects of the affairs of the Company. All Board committees have been established with defined written terms of reference, which are posted on the Company's website www.cpne.com.hk and on the Stock Exchange's website www.hkexnews.hk (except for the written terms of reference of the Executive Committee which is available to shareholders upon request). All the Board committees should report to the Board on their decisions or recommendations made.

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

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

B1. Executive Committee

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

B2. Remuneration Committee

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

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

During the year ended 31 December 2011, the Remuneration Committee has met once with all the then committee members (i.e. Mr. Chu Kar Wing, Mr. Wong Kwok Tai and Dr. Chow King Wai) present at the meeting. In this meeting, the members had generally reviewed and discussed the remuneration packages of the directors and the senior staff of the Group.

Details of the remuneration of each director of the Company for the year ended 31 December 2011 are set out in note 15 to the financial statements contained in this annual report.

B3. Audit Committee

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

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

During the year ended 31 December 2011, the Audit Committee has held 2 meetings and performed the following major works:

— Review and discussion of the annual financial statements, results announcement and report for the year ended 31 December 2010, the related accounting principles and practices adopted by the Group and internal controls related matters; and recommendation of the re-appointment of the external auditor; and

— Review and discussion of the interim financial statements, results announcement and report for the six months ended 30 June 2011, and the related accounting principles and practices adopted by the Group.

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

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

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

Notes:

1. Dr. Li Fang was appointed as an independent non-executive director and a member of the Audit Committee of the Company on 7 July 2011. Subsequent to his appointment, there was 1 Audit Committee meeting held during the year ended 31 December 2011.

2. Dr. Chow King Wai retired as an independent non-executive director and a member of the Audit Committee of the Company at the conclusion of the 2011 AGM. Before his retirement, there was 1 Audit Committee meeting held during the year ended 31 December 2011.

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

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

The directors have acknowledged their responsibilities for preparing the financial statements of the Company for the year ended 31 December 2011.

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

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

D. INTERNAL CONTROLS

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

The Board has conducted a review of the effectiveness of the internal control system of the Group for the year ended 31 December 2011. The senior personnel reviews and evaluates the control process and monitors any risk factors on a regular basis and reports to the Board and the Audit Committee on any findings and measures to address the variances and identified risks.

E. EXTERNAL AUDITOR AND AUDITOR'S REMUNERATION

The statement of the external auditor of the Company about their reporting responsibilities on the Company's financial statements for the year ended 31 December 2011 is set out in the section headed "Independent Auditor's Report" in this annual report.

The fees paid/payable to PricewaterhouseCoopers, the Company's auditor, in respect of audit services and non-audit services for the year ended 31 December 2011 are analyzed below:

Type of services provided by the external auditor	Fees paid/payable *HK$'000*
Audit services	
— audit fee for the year ended 31 December 2011	2,500
Non-audit services	
— interim review for the six months ended 30 June 2011	490
— tax advisory fees	30
TOTAL:	3,020

F. COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

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

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

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

Code provision E.1.2 of the CG Code stipulates that the chairman of a listed issuer should attend the issuer's annual general meeting. Ms. Li Xiaolin, the Chairman of the Company, was unable to attend the 2011 AGM due to other business engagement. In view of her absence, Ms. Li had arranged for Mr. Liu Genyu, the Company's Chief Executive Officer who is well versed in all the business activities and operations of the Group, to attend and chair the meeting and communicate with the shareholders. Mr. Wong Kwok Tai, the Company's independent non-executive director and member of both the Audit Committee and the Remuneration Committee, also attended the 2011 AGM to give shareholders an opportunity of having a direct dialogue with the Board members.

G. SHAREHOLDERS' RIGHTS

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

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

Report of the Directors

PRINCIPAL ACTIVITIES

The Group is principally engaged in the development, construction, ownership, operation and management of clean energy power plants in the PRC, including but not limited to the following types of energy generation — wind power generation, hydro power generation, waste-to-energy power generation, natural gas power generation and photovoltaic power generation. The Group is also engaged in investment holding in the clean energy power industry, sale of clean energy power generating equipment and property investments. The principal activities of the Company's subsidiaries are set out in note 20 to the financial statements.

SEGMENT INFORMATION

An analysis of the Group's revenue and contribution to results by principal activities and geographical area of operations for the year ended 31 December 2011 is set out in note 5 to the financial statements.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2011 is set out in the consolidated income statement on page 52.

The directors do not recommend the payment of any dividend for the year ended 31 December 2011.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets and liabilities of the Group for the last five financial years/period is set out on page 130 of this annual report. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Company and of the Group during the year ended 31 December 2011 are set out in note 16 to the financial statements.

CAPITAL STRUCTURE

Details of the movements in the Company's share capital and options during the year ended 31 December 2011, together with the reasons thereof, and details of the share option scheme of the Company are set out in note 29 to the financial statements. Further details are also disclosed under the heading "Share option scheme" below.

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in note 29 to the financial statements.

PRE-EMPTIVE RIGHTS

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

RESERVES

Details of the movements in the reserves of the Company and the Group during the year are set out in note 30 to the financial statements and in the consolidated statement of changes in equity.

DISTRIBUTABLE RESERVES

As at 31 December 2011, the Company had no reserves available for distribution.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2011.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2011, sales to the Group's five largest customers accounted for approximately 79% of the total sales and sales to the largest customer included therein amounted to approximately 47% of the total sales.

Purchases from the Group's five largest suppliers accounted for approximately 98% of the total purchases for the year ended 31 December 2011 and purchases from the largest supplier included therein amounted to approximately 87% of the total purchases.

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

DIRECTORS

The directors of the Company during the year ended 31 December 2011 and up to the date of this report are:

Executive Directors:

Ms. Li Xiaolin *(Chairman)*
Mr. Yin Lian (appointed as a non-executive director on 7 July 2011 and re-designated as an executive director and the Vice Chairman with effect from 21 March 2012)
Mr. Zhao Xinyan
Mr. Wang Hao
Mr. Liu Genyu

Non-Executive Director:

Mr. Cheng Chi

Independent Non-Executive Directors:

Mr. Chu Kar Wing
Mr. Wong Kwok Tai
Dr. Li Fang (appointed on 7 July 2011)
Dr. Chow King Wai (retired on 28 April 2011)

Pursuant to clause 87 of the Bye-laws, Mr. Zhao Xinyan, Mr. Cheng Chi and Mr. Chu Kar Wing shall retire by rotation at the Company's forthcoming annual general meeting. All the above retiring directors, being eligible, will offer themselves for re-election at the said general meeting.

DIRECTORS' SERVICE CONTRACTS

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

EMOLUMENT POLICY FOR DIRECTORS

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

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance to which the Company or any of its subsidiaries was a party and in which any director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the period or at any time during the year ended 31 December 2011.

POST BALANCE SHEET EVENTS

On 9 January 2012, the Company completed the issuance of RMB800,000,000, 6.5% RMB denominated bonds due 2017.

On 31 January 2012, the shareholders of the Company approved the allotment and issue of 3,230,769,231 new ordinary shares with par value of HK$0.10 per share (the "New Shares") in the share capital of the Company pursuant to and in accordance with the terms and conditions of the share purchase agreement dated 10 December 2011 (the "Share Purchase Agreement") entered into between the Company and China Three Gorges Corporation (中國長江三峽集團有限公司). The proceeds from the issuance of the New Shares will be approximately HK$2,100,000,000.

Up to the date of issuance of this report, the issuance of the New Shares is pending for completion of the conditions set out in the Share Purchase Agreement.

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 31 December 2011, the directors of the Company below had the following interests in the underlying shares of the Company which were required, pursuant to Section 352 of the Securities and Futures Ordinance (the "SFO"), to be entered in the register referred to therein.

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

Pursuant to the Company's share option scheme, the Company has granted options to the following directors of the Company to subscribe for shares of the Company, details of which as at 31 December 2011 were as follows:

Name of director	Nature of interest	Number of underlying shares in respect of the share options granted	Percentage of underlying shares over the Company's issued share capital+
Ms. Li Xiaolin	Beneficial owner	43,000,000	0.55%
Mr. Zhao Xinyan	Beneficial owner	26,000,000	0.33%
Mr. Wang Hao	Beneficial owner	38,000,000	0.48%
Mr. Liu Genyu	Beneficial owner	33,000,000	0.42%

\+ *The percentage represents the number of underlying shares interested divided by the number of the Company's issued shares as at 31 December 2011.*

Save as disclosed above, as at 31 December 2011, none of the directors or chief executives of the Company or their associates had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were deemed or taken to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code to be notified to the Company and the Stock Exchange.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from the share option scheme operated by the Company as set out in note 29 to the financial statements and save as disclosed in the section headed "Share option scheme" below, at no time during the year ended 31 December 2011 was the Company or any of its subsidiaries a party to any arrangement to enable the Company's directors, their respective spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants for their contributions to the Group. Further details of the Scheme are disclosed in note 29 to the financial statements.

The following table discloses movements in the Company's share options during the year ended 31 December 2011:

Name or category of participant	Number of share options						Date of grant of share options	Exercise period of share options*	Exercise price of share options**
	Outstanding at 1 January 2011	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period	Outstanding at 31 December 2011			HK$ per share
Directors									
Ms. Li Xiaolin	23,000,000	–	–	–	–	23,000,000	8 June 2007	26 June 2007 to 7 June 2017	0.836
	20,000,000	–	–	–	–	20,000,000	1 November 2010	1 November 2010 to 31 October 2020	0.78
Mr. Zhao Xinyan	18,000,000	–	–	–	–	18,000,000	8 June 2007	15 June 2007 to 7 June 2017	0.836
	8,000,000	–	–	–	–	8,000,000	1 November 2010	1 November 2010 to 31 October 2020	0.78
Mr. Wang Hao	30,000,000	–	–	–	–	30,000,000	9 March 2007	26 March 2007 to 8 March 2017	0.63
	8,000,000	–	–	–	–	8,000,000	1 November 2010	1 November 2010 to 31 October 2020	0.78
Mr. Liu Genyu	18,000,000	–	–	–	–	18,000,000	8 June 2007	15 June 2007 to 7 June 2017	0.836
	15,000,000	–	–	–	–	15,000,000	1 November 2010	1 November 2010 to 31 October 2020	0.78
	140,000,000	–	–	–	–	140,000,000			

Report of the Directors (Continued)

Name or category of participant	Number of share options: Outstanding at 1 January 2011	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period	Outstanding at 31 December 2011	Date of grant of share options	Exercise period of share options*	Exercise price of share options** HK$ per share
Other employees working under continuous employment contracts									
In aggregate	20,000,000	–	–	–	–	20,000,000	9 March 2007	23 March 2007 to 8 March 2017	0.63
	5,000,000	–	–	–	–	5,000,000	8 June 2007	28 June 2007 to 7 June 2017	0.836
	36,000,000	–	–	–	–	36,000,000	1 November 2010	1 November 2010 to 31 October 2020	0.78
	61,000,000	–	–	–	–	61,000,000			
	201,000,000	–	–	–	–	201,000,000			

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

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

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

As at the date of this annual report, a total of 201,000,000 shares (representing approximately 2.5% of the existing issued share capital of the Company) may be issued by the Company if all the outstanding options under the Scheme have been exercised.

Pursuant to the scheme mandate limit granted by the Company's shareholders at the 2011 AGM, the Board is authorized to grant options up to 788,903,910 shares of the Company, being approximately 10% of the existing issued share capital of the Company as at the date of this annual report.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at 31 December 2011, the following parties had interests of 5% or more in the issued share capital of the Company according to the register of interests required to be kept by the Company pursuant to Section 336 of the SFO or as the Company was aware:

Long position in ordinary shares of the Company

Name	Nature of interest	Notes	Number of shares interested or deemed to be interested	Percentage+ holding
China Power New Energy Limited	Beneficial owner	1	2,771,903,508	35.14%
State-owned Assets Supervision and Administration Commission of The State Council, the PRC (中國國務院國有資產監督管理委員會)	Corporate interests	1, 2, 3&4	6,974,992,739	88.41%
China Power Investment Corporation	Corporate interests	1&2	2,844,223,508	36.05%
China Power International Holding Limited	Corporate interests	1	2,771,903,508	35.14%
	Beneficial owner	2	72,320,000	0.91%
			2,844,223,508	36.05%
Tianying Holding Limited	Corporate interests	1	2,771,903,508	35.14%
China National Offshore Oil Corporation	Corporate interests	3	900,000,000	11.41%
China Three Gorges Corporation (中國長江三峽集團有限公司)	Beneficial owner	4	3,230,769,231	40.95%

Report of the Directors (Continued)

Notes:

1. These 2,771,903,508 shares were held by China Power New Energy Limited, a wholly-owned subsidiary of Tianying Holding Limited, which in turn was a wholly-owned subsidiary of China Power International Holding Limited. China Power International Holding Limited was a wholly-owned subsidiary of China Power Investment Corporation which in turn was wholly owned by State-owned Assets Supervision and Administration Commission of The State Council, the PRC (中國國務院國有資產監督管理委員會). Accordingly, Tianying Holding Limited, China Power International Holding Limited, China Power Investment Corporation and State-owned Assets Supervision and Administration Commission of The State Council, the PRC (中國國務院國有資產監督管理委員會) were deemed to be interested in these shares pursuant to Part XV of the SFO.

2. These 72,320,000 shares were held by China Power International Holding Limited. Based on the relations set out in note 1 above, China Power Investment Corporation and State-owned Assets Supervision and Administration Commission of The State Council, the PRC (中國國務院國有資產監督管理委員會) were deemed to be interested in these shares pursuant to Part XV of the SFO.

3. These 900,000,000 shares were held by Shining East Investments Limited, a wholly-owned subsidiary of Overseas Oil & Gas Corporation, Ltd., which in turn was a wholly-owned subsidiary of China National Offshore Oil Corporation. China National Offshore Oil Corporation was a wholly-owned subsidiary of State-owned Assets Supervision and Administration Commission of The State Council, the PRC (中國國務院國有資產監督管理委員會). Accordingly, China National Offshore Oil Corporation and State-owned Assets Supervision and Administration Commission of The State Council, the PRC (中國國務院國有資產監督管理委員會) were deemed to be interested in these shares pursuant to Part XV of the SFO.

4. Pursuant to the Share Purchase Agreement, these 3,230,769,231 shares shall be issued to China Three Gorges Corporation (中國長江三峽集團有限公司) upon fulfilment of certain conditions as detailed in the Company's circular dated 6 January 2012. China Three Gorges Corporation (中國長江三峽集團有限公司) was a wholly-owned subsidiary of State-owned Assets Supervision and Administration Commission of The State Council, the PRC (中國國務院國有資產監督管理委員會). Accordingly, State-owned Assets Supervision and Administration Commission of The State Council, the PRC (中國國務院國有資產監督管理委員會) were deemed to be interested in these shares pursuant to Part XV of the SFO. As at the date of this report, these shares have not been issued.

† *The percentage represents the number of shares interested divided by the number of the Company's issued shares as at 31 December 2011.*

Save as disclosed above, as at 31 December 2011, no person, other than the directors of the Company whose interests were set out in the section headed "Directors' interests in shares and underlying shares" above, had registered an interest or a short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

CORPORATE GOVERNANCE

The Company's corporate governance principles and practices are set out in the Corporate Governance Report on pages 30 to 40 in this annual report.

PUBLIC FLOAT

Based on information that is publicly available to the Company and to the best knowledge of the directors of the Company, there was sufficient public float of not less than 25% of the Company's issued shares as required under the Listing Rules throughout the year ended 31 December 2011.

CONNECTED TRANSACTION

On 15 July 2011, Sky Excel Group Limited ("Sky Excel"), an indirect wholly-owned subsidiary of the Company entered into the Sale and Purchase Agreement with Ample Forest Limited ("Ample Forest") and Power Will Investment Limited ("Power Will"), pursuant to which Sky Excel has agreed to sell, and Ample Forest has agreed to buy, the entire issued share capital in Worldtron Limited (together the shareholder's loan) for RMB192,000,000 and Ample Forest has agreed to sell, and Sky Excel has agreed to buy, the entire issued share capital in Fortune Jade Investment Limited for RMB192,000,000.

AUDITOR

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

ANNUAL REPORT

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

On behalf of the Board

Li Xiaolin
Chairman

Hong Kong
21 March 2012

Independent Auditor's Report

pwc

羅兵咸永道

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

We have audited the consolidated financial statements of China Power New Energy Development Company Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 52 to 129, which comprise the consolidated and company balance sheets as at 31 December 2011, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

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

PricewaterhouseCoopers, 22/F, Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2011 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 21 March 2012

Consolidated Income Statement

FOR THE YEAR ENDED 31 DECEMBER 2011

	Note	2011 RMB'000	2010 RMB'000
Revenue	5	**1,518,795**	1,277,778
Tariff adjustment	5	**342,477**	313,648
		1,861,272	1,591,426
Other income	6	**43,113**	70,261
Other gains	7	**48,040**	38,112
Fuel costs		**(799,264)**	(794,983)
Staff costs	11	**(130,787)**	(123,691)
Depreciation and amortisation		**(342,599)**	(176,497)
Repairs and maintenance		**(40,114)**	(37,759)
Fair value losses on financial assets at fair value through profit or loss		**(6,974)**	(9,381)
Impairment of goodwill		**(18,522)**	—
Discount on acquisition of a jointly controlled entity		**—**	1,894
Other operating expenses		**(181,859)**	(178,465)
Operating profit	8	**432,306**	380,917
Finance costs, net	9	**(215,060)**	(72,231)
Share of profit of an associated company		**8,924**	15,731
Share of profits of jointly controlled entities		**833**	21,330
Profit before tax		**227,003**	345,747
Income tax expense	10	**(30,454)**	(64,752)
Profit for the year		**196,549**	280,995
Attributable to:			
Equity holders of the Company	12	**180,526**	234,224
Non-controlling interests		**16,023**	46,771
		196,549	280,995
Earnings per share for profit attributable to equity holders of the Company during the year (expressed in RMB per share)			
— basic	13	**0.023**	0.032
— diluted	13	**0.023**	0.032

The notes on pages 59 to 129 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2011

	2011 RMB'000	2010 RMB'000
Profit for the year	**196,549**	280,995
Other comprehensive income		
Currency translation differences	**(1,845)**	—
Total comprehensive income for the year	**194,704**	280,995
Attributable to:		
Equity holders of the Company	**178,681**	234,224
Non-controlling interests	**16,023**	46,771
	194,704	280,995

The notes on pages 59 to 129 are an integral part of these consolidated financial statements.

Consolidated Balance Sheet

AS AT 31 DECEMBER 2011

	Note	2011 RMB'000	2010 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	16	**7,946,596**	7,520,548
Lease prepayments	17	**108,810**	143,785
Investment properties	18	**300,477**	280,378
Intangible assets	19	**1,061,399**	1,202,870
Interest in an associated company	21	**124,017**	129,250
Interests in jointly controlled entities	22	**209,356**	195,064
Other long-term deposits and prepayments	23	**158,576**	123,937
Deferred income tax assets	33	**30,726**	27,453
		9,939,957	9,623,285
Current assets			
Inventories	24	**92,004**	156,128
Accounts receivable	25	**360,361**	371,568
Prepayments, deposits and other receivables	26	**525,499**	548,050
Financial assets at fair value through profit or loss	27	**6,889**	14,915
Pledged deposits	28	**54,887**	28,111
Cash and cash equivalents	28	**645,150**	368,013
		1,684,790	1,486,785
Total assets		**11,624,747**	11,110,070
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	29	**754,065**	754,065
Share premium	29	**3,944,546**	3,944,546
Reserves	30	**256,289**	273,679
		4,954,900	4,972,290
Non-controlling interests		**157,101**	267,384
Total equity		**5,112,001**	5,239,674

Consolidated Balance Sheet (Continued)

AS AT 31 DECEMBER 2011

	Note	2011 RMB'000	2010 RMB'000
LIABILITIES			
Non-current liabilities			
Long-term bank and other borrowings	31	**4,288,635**	4,352,309
Corporate bond	32	**496,935**	—
Construction cost payable	35	**159,402**	97,485
Deferred income tax liabilities	33	**26,950**	21,051
		4,971,922	4,470,845
Current liabilities			
Accounts payable	34	**13,002**	61,571
Construction cost payable	35	**979,967**	617,383
Other payables and accrued charges	35	**118,594**	114,264
Short-term bank borrowings	31	**63,000**	361,510
Current portion of long-term bank and other borrowings	31	**339,795**	213,354
Income tax payable		**26,466**	31,469
		1,540,824	1,399,551
Total liabilities		**6,512,746**	5,870,396
Total equity and liabilities		**11,624,747**	11,110,070
Net current assets		**143,966**	87,234
Total assets less current liabilities		**10,083,923**	9,710,519

Li Xiaolin
Director

Zhao Xinyan
Director

The notes on pages 59 to 129 are an integral part of these consolidated financial statements.

Balance Sheet

AS AT 31 DECEMBER 2011

	Note	2011 RMB'000	2010 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	16	–	23
Interests in subsidiaries	20	4,562,475	4,135,199
		4,562,475	4,135,222
Current assets			
Prepayments, deposits and other receivables	26	1,609	173
Financial assets at fair value through profit or loss	27	6,731	14,486
Cash and cash equivalents	28	44,282	15,640
		52,622	30,299
Total assets		4,615,097	4,165,521
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	29	754,065	754,065
Share premium	29	3,944,546	3,944,546
Reserves	30	(603,356)	(553,190)
Total equity		4,095,255	4,145,421
LIABILITIES			
Non-current liability			
Corporate bond	32	496,935	–
Current liabilities			
Other payables and accrued charges	35	22,907	20,100
Total liabilities		519,842	20,100
Total equity and liabilities		4,615,097	4,165,521
Net current assets		29,715	10,199
Total assets less current liabilities		4,592,190	4,145,421

Li Xiaolin
Director

Zhao Xinyan
Director

The notes on pages 59 to 129 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2011

	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	Retained earnings *(Note 30)* RMB'000	Non-controlling interests RMB'000	Total RMB'000
Balance at 1 January 2011	**754,065**	**3,944,546**	**(62,868)**	**336,547**	**267,384**	**5,239,674**
Profit for the year	**–**	**–**	**–**	**180,526**	**16,023**	**196,549**
Currency translation differences	**–**	**–**	**(1,845)**	**–**	**–**	**(1,845)**
Total comprehensive income for the year	**–**	**–**	**(1,845)**	**180,526**	**16,023**	**194,704**
Acquisition of non-controlling interests	**–**	**–**	**(175,587)**	**–**	**(18,612)**	**(194,199)**
Disposal of subsidiaries *(Note 36(b))*	**–**	**–**	**(20,484)**	**–**	**(107,694)**	**(128,178)**
	–	**–**	**(196,071)**	**–**	**(126,306)**	**(322,377)**
Balance at 31 December 2011	**754,065**	**3,944,546**	**(260,784)**	**517,073**	**157,101**	**5,112,001**
Balance at 1 January 2010	677,635	3,426,360	(57,890)	102,323	301,982	4,450,410
Profit for the year	–	–	–	234,224	46,771	280,995
Total comprehensive income for the year	–	–	–	234,224	46,771	280,995
Issue of shares for acquisition of a subsidiary	67,590	459,613	–	–	–	527,203
Issue of shares upon exercise of share options	8,840	58,573	(12,375)	–	–	55,038
Employee share option benefits	–	–	15,211	–	–	15,211
Acquisitions of non-controlling interests	–	–	(7,814)	–	(95,209)	(103,023)
Disposal of a subsidiary *(Note 36(b))*	–	–	–	–	13,840	13,840
	76,430	518,186	(4,978)	–	(81,369)	508,269
Balance at 31 December 2010	754,065	3,944,546	(62,868)	336,547	267,384	5,239,674

The notes on pages 59 to 129 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2011

	Note	2011 RMB'000	2010 RMB'000
Cash flows from operating activities			
Cash generated from operations	36(a)	**771,504**	223,438
PRC income tax paid		**(33,170)**	(37,865)
Net cash generated from operating activities		**738,334**	185,573
Cash flows from investing activities			
Capital injections to jointly controlled entities		**(18,607)**	(18,607)
Payments for property, plant and equipment		**(388,159)**	(2,095,781)
Payments for intangible assets		**(2,007)**	(229)
Proceeds from disposal of property, plant and equipment		**337**	11,602
Payments for lease prepayments		**(12,460)**	(9,806)
Acquisitions of non-controlling interest		**—**	(80,646)
Acquisition of a subsidiary, net of cash acquired		**—**	33,768
Acquisition of a jointly controlled entity		**—**	(14,946)
Prepayments for acquisition of a subsidiary		**(130,000)**	—
Dividend received from an associated company		**14,157**	—
Dividends received from jointly controlled entities		**5,148**	2,507
Disposal of subsidiaries, net of cash disposed	36(b)	**(19,658)**	—
Interest received		**8,913**	4,655
(Increase)/decrease in pledged deposits		**(27,580)**	29,253
Net cash used in investing activities		**(569,916)**	(2,138,230)
Cash flows from financing activities			
Issue of shares upon exercise of share options		**—**	55,038
New bank and other borrowings		**378,811**	3,595,661
Issue of corporate bond	32	**496,935**	—
Repayment of bank and other borrowings		**(543,054)**	(1,625,776)
Interest paid		**(223,973)**	(179,565)
Net cash generated from financing activities		**108,719**	1,845,358
Net increase/(decrease) in cash and cash equivalents		**277,137**	(107,299)
Cash and cash equivalents at 1 January		**368,013**	475,312
Cash and cash equivalents at 31 December	28	**645,150**	368,013

The notes on pages 59 to 129 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

1 GENERAL INFORMATION

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

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

These consolidated financial statements are presented in Renminbi ("RMB"), and have been approved for issue by the Board of Directors on 21 March 2012.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

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

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

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

The following revised standard, amendments to standards and interpretations are mandatory for the financial year beginning 1 January 2011, but do not have significant impact to the Group:

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

Notes to the Consolidated Financial Statements (Continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(b) New standards and amendments to standards relevant to the Group that have been issued but are not effective

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

		Effective for accounting periods beginning on or after
HKAS 1 (Amendment)	Presentation of Financial Statements	1 July 2012
HKAS 12 (Amendment)	Deferred Tax: Recovery of Underlying Assets	1 January 2012
HKAS 19 (Amendment)	Employee Benefits	1 January 2013
HKAS 27 (Revised 2011)	Separate Financial Statements	1 January 2013
HKAS 28 (Revised 2011)	Investments in Associates and Joint Ventures	1 January 2013
HKAS 32 (Amendment)	Offsetting Financial Assets and Financial Liabilities	1 January 2014
HKFRS 1 (Amendment)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters	1 July 2011
HKFRS 7 (Amendment)	Disclosures — Transfers of Financial Assets	1 July 2011
HKFRS 7 (Amendment)	Disclosures – Offsetting Financial Assets and Financial Liabilities	1 January 2013
HKFRS 9	Financial Instruments	1 January 2015
HKFRS 10	Consolidated Financial Statements	1 January 2013
HKFRS 11	Joint Arrangements	1 January 2013
HKFRS 12	Disclosure of Interests in Other Entities	1 January 2013
HKFRS 13	Fair Value Measurement	1 January 2013
HKFRS 7 and 9 (Amendments)	Disclosures: Mandatory Effective date of HKFRS 9 and Transitional Disclosures	1 January 2015

The Group will apply the above new standards and amendments to standards from 1 January 2012 on later period. The Group has already commenced an assessment of the related impact to the Group. The Group is not yet in a position to state whether any substantial changes to the Group's significant accounting policies and presentation of the financial statements will be resulted.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Consolidation

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

(a) Subsidiaries

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

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

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

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

On the Company's balance sheet, 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Consolidation (Continued)

(b) Associated company

Associated company is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investment in an associated company is accounted for using the equity method of accounting and is initially recognised at cost. The Group's investment in an associated company includes goodwill identified on acquisition, net of any accumulated impairment loss.

The Group's share of its associated company's post-acquisition profit or loss 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 loss in an associated company equals or exceeds its interest in the associated company, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associated company.

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

Dilution gain or loss in investment in an associated company are recognised in the consolidated income statement.

(c) Jointly controlled entities

A jointly controlled entity is a joint venture established as a corporation, partnership or other entity in which the ventures have their respective interests and establish a contractual arrangement among them to define joint control over the economic activity of the entity. The Group accounted for it jointly controlled entities using the equity method of accounting (Note 2.2(b)) in the consolidated financial statements.

(d) Transactions with non-controlling interests Company

The Group treats transactions with non-controlling interests as transactions with equity holders of the Company. 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 of subsidiaries to non-controlling interests are also recorded in equity.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Consolidation (Continued)

(d) Transactions with non-controlling interests Company (Continued)

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 the consolidated income statement. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to the consolidated 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 the consolidated income statement where appropriate.

2.3 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

Translation difference on non-monetary finance assets and liabilities such as equities held at fair value through profit or loss are recognised in the consolidated income statement as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available-for-sale, are included in other comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Foreign currency translation (Continued)

(c) Group companies

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

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

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

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

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

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

2.4 Property, plant and equipment

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Property, plant and equipment (Continued)

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

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

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

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

2.5 Construction in progress

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

2.6 Investment properties

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.7 Lease prepayments

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

2.8 Intangible assets

(a) Goodwill

Goodwill arises on the acquisition of subsidiaries, associated companies and joint ventures and represents the excess of the consideration transferred over the Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(b) Patents, franchise and others

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

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

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are at least tested annually for impairment. Assets that are subject to amortisation 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Impairment of investments in subsidiaries, associated company, jointly controlled entities and non-financial assets (Continued)

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

2.10 Financial assets

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

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

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

(b) Loans and receivables

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

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

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

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. Impairment testing of accounts and other receivables is described in Note 2.12.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Inventories

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

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

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

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

2.13 Cash and cash equivalents

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

2.14 Financial liabilities and equity

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.15 Borrowings

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

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

2.16 Current and deferred income tax

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.17 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.

(c) Share-based compensation

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.18 Provisions

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

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

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

2.19 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 consolidated income statement on a straight-line basis over the period of the lease.

2.20 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in the consolidated income statement in the period in which they are incurred.

2.21 Segment reporting

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

2.22 Financial guarantee contracts

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.23 Revenue and income recognition

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

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

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

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

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

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

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

(f) Sales of quota in related to Voluntary Emission Reductions ("VER") are recognised when it is considered that the receipt of the relevant income is reasonably assured.

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

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

2.24 Government grants

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.25 Contingent asset

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain event not wholly within the control of the Group.

Contingent assets are not recognised but are disclosed in the notes to the consolidated financial statements, when an inflow of economic benefits is probable. When the inflow is virtually certain, an asset is recognised.

2.26 Dividend distribution

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

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

(a) Foreign exchange risk

The Group mainly operates in the PRC with transactions mainly settled in RMB or Hong Kong dollar ("HK$"). 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.

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

As at 31 December 2011, if HK$ had weakened/strengthened by 5% against RMB, with all other variables held constant, post-tax profit for the year would have been RMB3,757,000 (2010: RMB6,063,000) lower/higher, mainly as a result of foreign exchange losses/gains on translation of HK$-denominated cash and cash equivalents and an investment property in Hong Kong.

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 and the Group has no significant interest-bearing assets except for certain interest-bearing receivables, pledged deposits and bank balances, details of which have been disclosed in Notes 26 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 and 32. Borrowings carried at floating rates expose the Group to cash flow interest rate risk whereas borrowings carried at fixed rates expose the Group to fair value interest rate risk. The Group has not used any interest rate swaps to hedge its exposure to interest rate risk.

At 31 December 2011, if the interest rates on bank and other borrowings had been 50 basis points higher/lower than the prevailing rate announced by the People's Bank of China, with all other variables held constant, post-tax profit for the year would have been approximately RMB16,321,000 (2010: RMB8,012,000) lower/higher, mainly as a result of higher/lower interest expense on floating rate bank and other borrowings.

(c) Price risk

The Group is exposed to equity securities price risk in respect of investments held by the Group which are classified as financial assets at fair value through profit or loss. The Group's financial assets at fair value through profit or loss represent equity securities listed in Hong Kong and the volatility of stock market is generally significant recently. At 31 December 2011, 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 post-tax profit for the year would have been approximately RMB689,000 to RMB2,067,000 (2010: RMB1,492,000 to RMB4,475,000) higher/lower, mainly as a result of the changes in fair value of financial assets at fair value through profit or loss.

The Group also exposes to commodity price risk mainly in relation to the natural gas and coal price for its generation of electricity. The Group has not used any forward contracts to hedge its exposure.

(d) Credit risk

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

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

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(d) Credit risk (Continued)

The Group is exposed to significant concentration of credit risk in terms of electricity sales as majority of the Group's sales of electricity were made to provincial power grid companies. The Group normally grants credit terms ranging from 30 to 60 days to these power grid companies. For other debtors, the Group normally exercises a tighter credit control by shortening credit period to 30 days. The Group normally does not require collaterals from trade debtors. Ageing analysis of the Group's trade receivable is disclosed in Note 25. Management makes periodic collective assessment as well as individual assessment on the recoverability of accounts and other receivables based on historical payment records, the length of the overdue period, the financial strength of the debtors and whether there are any disputes with the relevant debtors. The Group's historical experience in collection of accounts and other receivables falls within the recorded allowances and the directors are of the opinion that adequate provision for uncollectible receivables has been made.

(e) Liquidity risk

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

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

The table below analyses the Group's and the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates at the balance sheet date).

Notes to the Consolidated Financial Statements (Continued)

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(e) Liquidity risk (Continued)

	Within 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000
Group				
At 31 December 2011				
Bank and other borrowings	**690,641**	**874,941**	**2,303,818**	**4,068,386**
Corporate bond	**18,750**	**18,750**	**518,750**	**—**
Accounts payable	**13,002**	**—**	**—**	**—**
Other payables and accrued charges	**1,098,561**	**159,402**	**—**	**—**
At 31 December 2010				
Bank and other borrowings	759,322	467,110	1,453,122	4,289,530
Accounts payable	61,571	—	—	—
Other payables and accrued charges	732,193	108,107	—	—
Company				
At 31 December 2011				
Corporate bond	**18,750**	**18,750**	**518,750**	**—**
Other payables and accrued charges	**22,907**	**—**	**—**	**—**
At 31 December 2010				
Other payables and accrued charges	20,100	—	—	—

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 borrowings.

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

During the year, the Group's strategy, which was unchanged from last year, was to maintain gearing ratio at a stable level. The table below analyses the Group's capital structure as at 31 December 2011 and 2010.

	2011 ***RMB'000***	2010 *RMB'000*
Total bank and other borrowings *(Notes 31 and 32)*	**5,188,365**	4,927,173
Less: Cash and cash equivalents and pledged deposits *(Note 28)*	**(700,037)**	(396,124)
Net debt	**4,488,328**	4,531,049
Total equity	**5,112,001**	5,239,674
Total capital	**9,600,329**	9,770,723
Gearing ratio	**47%**	46%

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation

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

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

The following table presents the Group's financial assets and liabilities that are measured at fair value at 31 December 2011 and 2010.

	Level 1 *RMB'000*	Level 2 *RMB'000*	Level 3 *RMB'000*	Total *RMB'000*
At 31 December 2011				
Assets				
Financial assets at fair value through profit or loss	**6,889**	**—**	**—**	**6,889**
At 31 December 2010				
Assets				
Financial assets at fair value through profit or loss	14,915	—	—	14,915

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

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

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

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

(b) Impairment of non-financial assets

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

Management's judgement is required in the area of asset impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related asset values may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs to sell and net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test and as a result affect the Group's financial condition and results of operations. If there is a significant adverse change in the projected performance and resulting future cash flow projections, it may be necessary to take an impairment charge to the consolidated income statement. Specific assumptions and estimates involved in the cash flow projections are set out in Note 19.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(c) Tariff adjustment

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

(d) Current and deferred income tax

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

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

(e) Fair value of investment properties

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

5 REVENUE, TARIFF ADJUSTMENT AND SEGMENT INFORMATION

(a) Revenue and tariff adjustment

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

	2011	2010
	RMB'000	*RMB'000*
Sales of electricity to provincial power grid companies *(note (i))*	**1,335,629**	1,123,767
Heat supply by thermal power plants to other companies	**75,781**	73,749
Rubbish handling income	**99,513**	59,931
Revenue from the provision of installation services	**—**	13,339
Rental income from investment properties	**7,872**	6,992
Total revenue	**1,518,795**	1,277,778
Tariff adjustment *(note (ii))*	**342,477**	313,648
	1,861,272	1,591,426

Notes:

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

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

(b) Segment information

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

The CODM assesses the performance of the operating segments based on each segment's profit/(loss) before tax and share of profits of an associated company and jointly controlled entities ("segment results").

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

5 REVENUE, TARIFF ADJUSTMENT AND SEGMENT INFORMATION (Continued)

(b) Segment information (Continued)

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

The property investments segment is engaged in the leasing of properties to generate rental income.

The securities investments segment is engaged in securities trading.

No sales between operating segments are undertaken.

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

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

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

5 REVENUE, TARIFF ADJUSTMENT AND SEGMENT INFORMATION (Continued)

(b) Segment information (Continued)

The segment information provided to the CODM for the reportable segments for the year ended 31 December 2011 and 2010 is as follows:

	Natural gas power generation business RMB'000	Wind power generation and related business RMB'000	Hydro power generation business RMB'000	Waste-to-energy power generation business RMB'000	Other power generation business RMB'000	Property investments RMB'000	Securities investments RMB'000	Unallocated RMB'000	Total RMB'000
For the year ended 31 December 2011									
Segment revenue	554,149	461,457	115,068	303,658	76,591	7,872	–	–	1,518,795
Tariff adjustment	342,477	–	–	–	–	–	–	–	342,477
	896,626	461,457	115,068	303,658	76,591	7,872	–	–	1,861,272
Results of reportable segments	211,439	95,270	2,617	21,203	(45,189)	16,530	(6,915)	–	294,955
A reconciliation of results of reportable segments to profit for the year is as follows:									
Results of reportable segments									294,955
Unallocated income									2,383
Unallocated expenses									(80,092)
Share of profit of an associated company									8,924
Share of profits of jointly controlled entities									833
Profit before tax									227,003
Income tax expense									(30,454)
Profit for the year									196,549
Segment results included:									
Depreciation and amortisation	(33,320)	(205,011)	(41,336)	(39,603)	(13,496)	(5,346)	(21)	(4,466)	(342,599)
Impairment of goodwill	–	–	–	–	(18,522)	–	–	–	(18,522)
Interest income	2,486	1,832	1,987	180	25	–	20	2,383	8,913
Interest expense	(20,951)	(152,979)	(1,413)	(27,521)	(8,404)	(1,207)	–	(11,498)	(223,973)

Notes to the Consolidated Financial Statements (Continued)

5 REVENUE, TARIFF ADJUSTMENT AND SEGMENT INFORMATION (Continued)

(b) Segment information (Continued)

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

5 REVENUE, TARIFF ADJUSTMENT AND SEGMENT INFORMATION (Continued)

(b) Segment information (Continued)

	Natural gas power generation business RMB'000	Wind power generation and related business RMB'000	Hydro power generation business RMB'000	Waste-to-energy power generation business RMB'000	Other power generation business RMB'000	Property investments RMB'000	Securities investments RMB'000	Unallocated RMB'000	Total RMB'000
As at 31 December 2011									
Segment assets	1,762,533	6,229,817	1,502,243	939,600	225,668	408,819	78,989	–	11,147,669
Interest in an associated company								124,017	124,017
Interests in jointly controlled entities								209,356	209,356
Deferred income tax assets								30,726	30,726
Other unallocated assets								112,979	112,979
Total assets per consolidated balance sheet									11,624,747
Additions to non-current assets	11,259	617,138	177,140	148,549	3,835	1,853	–	1,197	960,971

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

5 REVENUE, TARIFF ADJUSTMENT AND SEGMENT INFORMATION (Continued)

(b) Segment information (Continued)

Substantially all of the Group's revenue and assets are generated or located in the PRC except that cash and cash equivalents held at corporate level in the amount of RMB69,422,000 (2010: RMB77,007,000) were deposited in Hong Kong, investment properties of RMB26,477,000 (2010: RMB24,628,000) are situated in Hong Kong and the financial assets at fair value through profit or loss of RMB6,889,000 (2010: RMB14,915,000) are relating to equity securities listed in Hong Kong.

For the year ended 31 December 2011, external revenue of approximately RMB823,365,000 (2010: RMB811,043,000) is generated from 2 (2010: 2) major customers, each of which accounts for 10% or more of the Group's external revenue. The revenue is attributable to the power generation segment.

6 OTHER INCOME

	2011	2010
	RMB'000	*RMB'000*
Government grants *(note (i))*	**28,837**	43,264
Income from VER projects *(note (ii))*	**—**	12,447
Repairs and maintenance management fee income	**8,619**	8,695
Others	**5,657**	5,855
	43,113	70,261

Notes:

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

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

7 OTHER GAINS

	2011	2010
	RMB'000	*RMB'000*
Fair value gain on investment properties *(Note 18)*	**21,487**	31,236
Gain on disposals of subsidiaries, net *(notes (i) to (iii))*	**26,131**	6,614
Others	**422**	262
	48,040	38,112

Notes:

(i) On 15 July 2011, the Group entered into a sale and purchase agreement with a non-controlling interest to dispose of its entire 40% equity interest in a subsidiary engaging in the provision of waste-to-power energy generation in the PRC for a consideration of RMB192,000,000 (Note 37), resulting in a gain on disposal of RMB25,520,000 recognised in profit or loss during the year ended 31 December 2011.

(ii) On 15 March 2011, the Group entered into a sale and purchase agreement with a third party to dispose of its entire 51% equity interest in a subsidiary engaging in the provision of wind turbine installation services in the PRC for a cash consideration of RMB7,210,000, resulting in a gain on disposal of RMB611,000 recognised in profit or loss during the year ended 31 December 2011.

(iii) On 23 June 2010, the Group entered into a sale and purchase agreement with a third party to dispose of its entire 51% equity interest in a subsidiary engaging in the provision of bakery and food business in Hong Kong at nil consideration resulting in a gain on disposal of RMB6,614,000 recognised in profit or loss during the year ended 31 December 2010.

8 OPERATING PROFIT

Operating profit is stated after charging the following:

	2011	2010
	RMB'000	*RMB'000*
Amortisation of lease prepayments	**3,381**	3,806
Amortisation of intangible assets	**276**	738
Auditor's remuneration	**2,482**	2,340
Depreciation of property, plant and equipment	**338,942**	171,953
Impairment of goodwill	**18,522**	—
Loss on disposal of property, plant and equipment	**42**	582
Operating lease rental in respect of leasehold land and buildings	**9,435**	11,944
Staff costs including directors' emoluments	**130,787**	123,691

9 FINANCE COSTS, NET

	2011 RMB'000	2010 RMB'000
Interest income from		
— bank deposits	**7,525**	3,272
— loan to a jointly controlled entity *(Note 39)*	**1,388**	1,383
	8,913	4,655
Interest expense on		
— bank borrowings wholly repayable within five years	**(49,790)**	(31,640)
— bank borrowings not wholly repayable within five years	**(233,067)**	(140,601)
— other borrowings wholly repayable within five years	**(1,805)**	(7,324)
— corporate bond wholly repayable within five years	**(13,559)**	—
	(298,221)	(179,565)
Less: Amounts capitalised in property, plant and equipment	**74,248**	102,679
	(223,973)	(76,886)
Finance costs, net	**(215,060)**	(72,231)

The weighted average interest rate on capitalised borrowing costs is approximately 6.29% (2010: 5.09%) per annum.

10 INCOME TAX EXPENSE

No Hong Kong profits tax has been provided for as the Group did not have any assessable profit in Hong Kong for the year (2010: Nil).

The provision for PRC current income tax is calculated based on the statutory tax rate of 25% (2010: 25%) on the estimated assessable income for the year.

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

10 INCOME TAX EXPENSE (Continued)

There is no tax impact relating to components of other comprehensive income for the year ended 31 December 2011 (2010: Nil).

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

	2011	2010
	RMB'000	*RMB'000*
PRC current income tax	**34,550**	59,731
Deferred income tax *(Note 33)*	**(4,096)**	5,021
	30,454	64,752

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

	2011	2010
	RMB'000	*RMB'000*
Profit before tax	**227,003**	345,747
Less: Share of profit of an associated company	**(8,924)**	(15,731)
Less: Share of profits of jointly controlled entities	**(833)**	(21,330)
	217,246	308,686
Tax calculated at domestic tax rates applicable to profits in respective jurisdictions	**53,877**	75,872
Effect of lower tax rate for companies under tax holiday	**(44,432)**	(37,124)
Income not subject to taxation	**(1,422)**	(7,373)
Expenses not deductible for taxation purposes	**3,558**	3,051
Tax loss not recognised	**18,873**	30,326
Income tax expense	**30,454**	64,752

10 INCOME TAX EXPENSE (Continued)

The weighted average applicable tax rate for the year ended 31 December 2011 is 24.8% (2010: 24.6%). The fluctuation in the weighted average applicable tax rate arose mainly because of the change in the relative profitability of the companies within the Group.

Share of taxation attributable to an associated company and jointly controlled entities for the year ended 31 December 2011 of RMB1,322,000 (2010: RMB7,019,000) are included in the Group's share of profits of an associated company and jointly controlled entities for the year.

11 STAFF COSTS

	2011 *RMB'000*	2010 *RMB'000*
Wages, salaries and bonuses	**96,761**	81,261
Pension costs — defined contribution plans	**10,855**	6,788
Staff welfare	**23,171**	20,431
Share-based compensation expenses *(Note 30)*	**—**	15,211
	130,787	123,691

12 LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The loss attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of RMB50,166,000 (2010: RMB49,648,000).

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.

	2011	2010
Profit attributable to equity holders of the Company (RMB'000)	**180,526**	234,224
Weighted average number of shares in issue (shares in thousands)	**7,889,039**	7,207,601
Basic earnings per share (RMB)	**0.023**	0.032

13 EARNINGS PER SHARE (Continued)

(b) Diluted

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

	2011	2010
Profit attributable to equity holders of the Company (RMB'000)	**180,526**	234,224
Weighted average number of shares in issue (shares in thousands)	**7,889,039**	7,207,601
Adjustment for share options (shares in thousands)	**—**	10,818
Adjusted weighted average number of shares (shares in thousands)	**7,889,039**	7,218,419
Diluted earnings per share (RMB)	**0.023**	0.032

14 DIVIDEND

The Board does not recommend the payment of a dividend for the year ended 31 December 2011 (2010: Nil).

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 2011 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 expenses RMB'000	Discretionary bonuses RMB'000	Employer's contribution to pension scheme RMB'000	Total RMB'000
Chairman						
Ms. Li Xiaolin	–	–	–	–	–	–
Executive directors						
Mr. Wang Hao	–	755	–	–	10	765
Mr. Zhao Xinyan	–	–	–	–	–	–
Mr. Liu Genyu	–	863	–	–	10	873
Non-executive director						
Mr. Cheng Chi	–	–	–	–	–	–
Mr. Yin Lian*	–	–	–	–	–	–
Independent non-executive directors						
Dr. Chow King Wai	17	–	–	–	–	17
Mr. Chu Kar Wing	50	–	–	–	–	50
Mr. Wong Kwok Tai	50	–	–	–	–	50
Dr. Li Fang	25	–	–	–	–	25
Total	142	1,618	–	–	20	1,780

* Mr Yin Lian is re-designated as an executive director of the Company with effect from 21 March 2012.

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 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 expenses RMB'000	Discretionary bonuses RMB'000	Employer's contribution to pension scheme RMB'000	Total RMB'000
Chairman						
Ms. Li Xiaolin	–	–	3,497	–	–	3,497
Executive directors						
Mr. Oxley Clive William *(note)*	–	352	–	–	–	352
Mr. Wang Hao	–	800	1,399	–	11	2,210
Mr. Zhao Xinyan	–	–	1,399	–	–	1,399
Mr. Liu Genyu	–	915	2,623	–	11	3,549
Non-executive director						
Mr. Cheng Chi	–	–	–	–	–	–
Independent non-executive directors						
Dr. Chow King Wai	53	–	–	–	–	53
Mr. Chu Kar Wing	53	–	–	–	–	53
Mr. Wong Kwok Tai	53	–	–	–	–	53
Total	159	2,067	8,918	–	22	11,166

Notes:

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

(ii) None of the directors of the Company waived any emoluments during the year ended 31 December 2011 and 2010.

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 (2010: 4) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining 3 (2010: 1) individuals during the year are as follows:

	2011 *RMB'000*	2010 *RMB'000*
Basic salaries, housing allowance, other allowances, and benefits in kind	**1,899**	945
Employers' contributions to pension schemes	**30**	11
Share based compensation expenses	**–**	874
	1,929	1,830

The emoluments fell within the following bands:

	Number of individuals 2011	 2010
Below RMB1,000,001	**3**	–
RMB1,000,001 to RMB2,000,000	**–**	1

(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 (2010: Nil).

16 PROPERTY, PLANT AND EQUIPMENT

	Group						Company
	Buildings RMB'000	Dam RMB'000	Power generators and equipment RMB'000	Others RMB'000	Construction in progress RMB'000	Total RMB'000	Others RMB'000
Cost							
At 1 January 2011	755,336	530,925	3,584,464	257,909	2,917,410	8,046,044	801
Exchange differences	–	–	–	(870)	–	(870)	(45)
Additions	3,249	–	22,219	9,352	873,201	908,021	–
Disposals	–	–	(181)	(264)	–	(445)	–
Disposals of subsidiaries *(Note 36(b))*	(76,682)	–	(165,921)	(4,018)	(575)	(247,196)	–
Transfer	371,557	192,150	2,956,940	(99,612)	(3,421,035)	–	–
At 31 December 2011	1,053,460	723,075	6,397,521	162,497	369,001	8,705,554	756
Accumulated depreciation and impairment losses							
At 1 January 2011	74,935	39,070	344,957	66,534	–	525,496	778
Exchange differences	–	–	–	(533)	–	(533)	(44)
Depreciation charge for the year	41,867	9,924	267,404	19,747	–	338,942	22
Written back on disposal	–	–	(10)	(56)	–	(66)	–
Disposals of subsidiaries *(Note 36(b))*	(20,235)	–	(82,155)	(2,491)	–	(104,881)	–
Transfer	2,246	–	49,569	(51,815)	–	–	–
At 31 December 2011	98,813	48,994	579,765	31,386	–	758,958	756
Net book value							
At 1 January 2011	680,401	491,855	3,239,507	191,375	2,917,410	7,520,548	23
At 31 December 2011	954,647	674,081	5,817,756	131,111	369,001	7,946,596	–

Notes to the Consolidated Financial Statements (Continued)

16 PROPERTY, PLANT AND EQUIPMENT (Continued)

	Group						Company
	Buildings RMB'000	Dam RMB'000	Power generators and equipment RMB'000	Others RMB'000	Construction in progress RMB'000	Total RMB'000	Others RMB'000
Cost							
At 1 January 2010	550,558	530,925	2,083,944	378,000	663,650	4,207,077	801
Additions	853	–	6,175	10,580	2,274,755	2,292,363	–
Acquisition of a subsidiary *(Note 37)*	203,230	–	1,357,952	2,210	7,147	1,570,539	–
Disposals	–	–	(8,804)	(4,056)	(440)	(13,300)	–
Disposal of a subsidiary *(Note 36(b))*	–	–	–	(10,635)	–	(10,635)	–
Transfer	695	–	145,197	(118,190)	(27,702)	–	–
At 31 December 2010	755,336	530,925	3,584,464	257,909	2,917,410	8,046,044	801
Accumulated depreciation and impairment losses							
At 1 January 2010	48,814	27,105	234,933	54,442	–	365,294	628
Depreciation charge for the year	26,121	11,965	110,024	23,843	–	171,953	150
Written back on disposal	–	–	–	(1,116)	–	(1,116)	–
Disposal of a subsidiary *(Note 36(b))*	–	–	–	(10,635)	–	(10,635)	–
At 31 December 2010	74,935	39,070	344,957	66,534	–	525,496	778
Net book value							
At 1 January 2010	501,744	503,820	1,849,011	323,558	663,650	3,841,783	173
At 31 December 2010	680,401	491,855	3,239,507	191,375	2,917,410	7,520,548	23

Notes:

(i) As at 31 December 2010, certain of the Group's property, plant and equipment with carrying value of RMB944,132,000 (2010: RMB1,052,489,000) were situated on leasehold land in the PRC leased from China Power Investment Corporation (中國電力投資集團公司) ("CPI Group") which held the rights on the leasehold land under long-term leases. The remaining period of the Group's rights on the leasehold land as at 31 December 2011 was 44 years (2010: 45 years).

(ii) As at 31 December 2011, the legal title of certain of the Group's buildings and construction in progress with carrying amount of RMB367,184,000 (2010: RMB139,806,000) had not been transferred to the Group due to certain administrative procedures to be completed by the relevant local government authorities. However, the Directors are of the opinion that the risks and rewards of using these assets have been transferred to the Group.

(iii) As at 31 December 2011, property, plant and equipment amounting to RMB2,102,843,000 (2010: RMB1,180,416,000) were pledged as securities for certain bank and other borrowings of the Group (Note 31).

17 LEASE PREPAYMENTS

	Group	
	2011	2010
	RMB'000	*RMB'000*
Cost		
At 1 January	**155,256**	**141,088**
Acquisition of a subsidiary	**—**	**4,362**
Additions	**12,460**	**9,806**
Disposals of subsidiaries *(Note 36(b))*	**(51,239)**	**—**
At 31 December	**116,477**	**155,256**
Accumulated amortisation and impairment losses		
At 1 January	**11,471**	**7,665**
Amortisation for the year	**3,381**	**3,806**
Disposals of subsidiaries *(Note 36(b))*	**(7,185)**	**—**
At 31 December	**7,667**	**11,471**
Net book value		
At 31 December	**108,810**	**143,785**

Notes:

(i) Lease prepayments represent costs of the land use rights, coast use rights and other lease prepayments in respect of land and coast located in the PRC where certain of the Group's property, plant and equipment are built on. As at 31 December 2011, the remaining period of the land use rights ranged between 20 to 49 years (2010: 21 to 46 years).

(ii) As at 31 December 2011, certain lease prepayments with carrying amount of RMB10,278,000 (2010: RMB10,902,000) were pledged as security for certain bank borrowings of the Group (Note 31).

18 INVESTMENT PROPERTIES

	Group	
	2011	2010
	RMB'000	*RMB'000*
At 1 January	**280,378**	249,142
Fair value gain *(Note 7)*	**21,487**	31,236
Exchange differences	**(1,388)**	—
At 31 December	**300,477**	280,378

The investment properties are revalued at 31 December 2011 by Roma Appraisals Limited, an independent qualified professional firm of valuers, based on current prices in an active market.

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

	Group	
	2011	2010
	RMB'000	*RMB'000*
In Hong Kong, held on leases of over 50 years	**26,477**	24,628
In the PRC, held on leases of over 50 years	**274,000**	255,750
	300,477	280,378

As at 31 December 2011, the investment properties amounting to RMB300,477,000 (2010: RMB280,378,000) were pledged as security for certain bank borrowings of the Group (Note 31(a)).

19 INTANGIBLE ASSETS

Group	Goodwill RMB'000	Patents, franchise and others RMB'000	Total RMB'000
Cost			
At 1 January 2011	**1,177,026**	**52,080**	**1,229,106**
Additions	**—**	**2,007**	**2,007**
Disposals of subsidiaries *(Note 36(b))*	**(124,680)**	**—**	**(124,680)**
At 31 December 2011	**1,052,346**	**54,087**	**1,106,433**
Accumulated amortisation and impairment losses			
At 1 January 2011	**—**	**26,236**	**26,236**
Amortisation charge for the year	**—**	**276**	**276**
Provision for impairment (note)	**18,522**	**—**	**18,522**
At 31 December 2011	**18,522**	**26,512**	**45,034**
Net book amount			
At 31 December 2011	**1,033,824**	**27,575**	**1,061,399**
Cost			
At 1 January 2010	1,022,324	51,851	1,074,175
Additions	—	229	229
Acquisition of a subsidiary	154,702	—	154,702
At 31 December 2010	1,177,026	52,080	1,229,106
Accumulated amortisation and impairment losses			
At 1 January 2010	—	25,498	25,498
Amortisation charge for the year	—	738	738
At 31 December 2010	—	26,236	26,236
Net book amount			
At 31 December 2010	1,177,026	25,844	1,202,870

Note:

In 2011, the Group assessed the recoverable amount of goodwill and determined that the goodwill associated with a subsidiary operating in other power generation segment to be fully impaired resulting in a recognition of impairment loss amounting to RMB18,522,000.

19 INTANGIBLE ASSETS (Continued)

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

	Group	
	2011	2010
	RMB'000	*RMB'000*
Natural gas power generation	**521,399**	521,399
Wind power generation	**502,294**	502,294
Waste-to-energy power generation	**—**	124,680
Other power generation	**10,131**	28,653
	1,033,824	1,177,026

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.

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 growth rate in electricity output and pre-tax discount rate used for value-in-use calculations for goodwill is of 3% (2010: 3%) and 9% (2010: 9%) respectively.

Management estimates the growth rate in electricity output by reference to the expected demand for electricity in the region where the power plants are located. Management estimates the discount rate using pre-tax rates that reflect market assessments of the time value of money and the specific risks relating to the cash-generating unit. Other key assumptions applied in the impairment tests include the expected rates on tariff, heat supplies, tariff adjustments and fuel costs.

At 31 December 2011, if the budgeted growth rate in electricity output applied to the discounted cash flows had been 2% lower, with all other variables held constant, goodwill will be impaired by approximately RMB18,119,000 (2010: RMB168,119,000) or otherwise no additional impairment charge will be required.

At 31 December 2011, if the pre-tax discount rate applied to the discounted cash flows had been 1% higher, with all other variables held constant, goodwill will be impaired by approximately RMB27,532,000 (2010: RMB11,046,000) or otherwise no additional impairment charge will be required.

At 31 December 2011, if the budgeted fuel costs applied to the discounted cash flows had been 8% higher, with all other variables held constant, goodwill will be impaired by approximately RMB10,132,000 (2010: RMB32,949,000) or otherwise no additional impairment charge will be required.

20 INTERESTS IN SUBSIDIARIES

	Company	
	2011	2010
	RMB'000	*RMB'000*
Unlisted investments, at cost	**129**	137
Less: Impairment losses *(note (i))*	**(129)**	(137)
	—	—
Amounts due from subsidiaries *(note (ii))*	**4,630,756**	4,181,593
Less: Impairment losses *(note (i))*	**(68,281)**	(46,394)
	4,562,475	4,135,199
	4,562,475	4,135,199

Notes:

(i) Movements in the impairment losses:

	Company	
	2011	2010
	RMB'000	*RMB'000*
At 1 January	**46,531**	39,357
Provision for impairment during the year	**21,879**	7,174
At 31 December	**68,410**	46,531

(ii) The amounts due from subsidiaries are unsecured and interest-free. Except for an amount totalling RMB9,557,000 (2010: RMB24,391,000) which is repayable on demand, the amounts due from subsidiaries are considered as capital in nature.

Notes to the Consolidated Financial Statements (Continued)

20 INTERESTS IN SUBSIDIARIES (Continued)

Notes: (Continued)

(iii) The following is a list of principal subsidiaries as at 31 December 2011:

Name of companies	Place of establishment and operation	Paid up/ issued capital	Equity interest attributable to the Group	Type of legal entity	Principal activities
Interests held directly:					
Lucky Talent Limited	British Virgin Islands/ Hong Kong	1 share of US$1	100%	Limited liability company	Securities trading
Interests held indirectly:					
Delux Vantage Limited	British Virgin Islands/ Hong Kong	1 share of US$1	100%	Limited liability company	Property holdings
上海龍圖實業發展有限公司	PRC	RMB60,000,000	100%	Wholly-owned foreign enterprise	Property holdings
China Power (New Energy) Holdings Limited	Hong Kong	1 share of RMB1	100%	Limited liability company	Investment holdings
中電國際新能源控股有限公司	PRC	US$56,250,000	100%	Wholly-owned foreign enterprise	Investment holdings
中電（洪澤）熱電有限公司	PRC	RMB30,000,000	60%	Sino-foreign equity joint venture	Generation and sales of electricity
中電（洪澤）生物質熱電有限公司	PRC	RMB26,000,000	100%	Wholly-owned foreign enterprise	Generation and sales of electricity
中電（福建）電力開發有限公司	PRC	RMB632,750,000	100%	Wholly-owned foreign enterprise	Generation and sales of electricity
甘肅中電酒泉風力發電有限公司	PRC	RMB154,450,000	100%	Wholly-owned foreign enterprise	Generation and sales of electricity
甘肅中電酒泉第二風力發電有限公司	PRC	RMB147,160,000	100%	Wholly-owned foreign enterprise	Generation and sales of electricity
東莞中電新能源熱電有限公司	PRC	US$43,435,965	90.1%	Foreign enterprise	Generation and sales of electricity
China Power Dafeng Wind Power Company Limited ("Dafeng")	PRC	RMB361,618,000	100%	Wholly-owned foreign enterprise	Generation and sales of electricity
浙江德清縣佳能垃圾焚燒發電有限公司	PRC	RMB54,900,000	100%	Wholly-owned foreign enterprise	Generation and sales of electricity
昆明中電環保電力有限公司	PRC	RMB116,800,000	100%	Wholly-owned foreign enterprise	Generation and sales of electricity

20 INTERESTS IN SUBSIDIARIES (Continued)

Notes: (Continued)

(iii) The following is a list of principal subsidiaries as at 31 December 2011: (Continued)

Name of companies	Place of establishment and operation	Paid up/ issued capital	Equity interest attributable to the Group	Type of legal entity	Principal activities
Interests held indirectly: (Continued)					
漳平市華口水電有限公司	PRC	RMB80,000,000	100%	Wholly-owned foreign enterprise	Generation and sales of electricity
甘肅中電酒泉第三風力發電有限公司	PRC	RMB244,475,369	100%	Wholly-owned foreign enterprise	Generation and sales of electricity
甘肅中電酒泉第四風力發電有限公司	PRC	RMB139,764,464	100%	Wholly-owned foreign enterprise	Generation and sales of electricity
海林中電海浪風力發電有限公司	PRC	US$12,612,000	100%	Wholly-owned foreign enterprise	Development of power plant
海林中電紅旗風力發電有限公司	PRC	US$14,254,000	100%	Wholly-owned foreign enterprise	Generation and sales of electricity
海口中電新能源環保電力有限公司	PRC	RMB120,001,456	100%	Wholly-owned foreign enterprise	Generation and sales of electricity

21 INTEREST IN AN ASSOCIATED COMPANY

	Group	
	2011	2010
	RMB'000	*RMB'000*
Share of net assets	**124,017**	129,250

Notes:

(i) The following are the details of the associated company as at 31 December 2011:

Name of companies	Place of establishment and operation	Paid up capital	Equity interest attributable to the Group	Type of legal entity	Principal activities
Interests held indirectly:					
上海東海風力發電有限公司	PRC	RMB473,000,000	24%	Sino-foreign equity joint venture	Generation and sales of electricity

21 INTEREST IN AN ASSOCIATED COMPANY (Continued)

Notes: (Continued)

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

	2011 RMB'000	2010 RMB'000
Operating results		
Revenue	**189,735**	63,242
Profit before tax	**48,598**	65,546
Profit after tax	**48,598**	65,546
Financial position		
Non-current assets	**1,995,495**	2,084,830
Current assets	**322,230**	183,173
Current liabilities	**(91,125)**	(184,263)
Non-current liabilities	**(1,693,587)**	(1,545,197)
Net assets	**533,013**	538,543

(iii) Dividend income of RMB14,157,000 was received from the associated company for the year (2010: Nil).

22 INTERESTS IN JOINTLY CONTROLLED ENTITIES

	Group	
	2011 RMB'000	2010 RMB'000
Share of net assets	**208,878**	194,586
Goodwill	**478**	478
	209,356	195,064

22 INTERESTS IN JOINTLY CONTROLLED ENTITIES (Continued)

Notes:

(i) The following are the details of the jointly controlled entities as at 31 December 2011:

Name of companies	Place of establishment and operation	Paid up capital	Equity interest attributable to the Group	Type of legal entity	Principal activities
福建壽寧牛頭山水電有限公司 ("Niu Tou Shan")	PRC	RMB130,000,000	52%	Sino-foreign equity joint venture	Generation and sales of electricity
上海崇明北沿風力發電有限公司	PRC	RMB186,074,000	20%	Sino-foreign equity joint venture	Development of power plant
北京龍源冷卻技術有限公司	PRC	RMB50,000,000	15%	Sino-foreign equity joint venture	Manufacturing of equipment

In accordance with the relevant terms as stipulated in the shareholders' agreement, the Group has attained joint control over on the financial and operating policies of the above companies. Consequently, these companies are accounted for as jointly controlled entities of the Group.

(ii) The following is an extract of the aggregate operating results and financial position of the jointly controlled entities, based on the 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.

	2011 **RMB'000**	2010 RMB'000
Operating results		
Revenue	**856,505**	525,167
Profit before tax	**61,868**	74,512
Profit after tax	**56,011**	60,970
Financial position		
Non-current assets	**1,101,300**	854,382
Current assets	**1,063,141**	935,785
Current liabilities	**(1,029,346)**	(937,501)
Non-current liabilities	**(646,644)**	(477,940)
Net assets	**488,451**	374,726

(iii) Dividend income of RMB5,148,000 was received from the jointly controlled entities for the year (2010: RMB2,507,000).

23 OTHER LONG-TERM DEPOSITS AND PREPAYMENTS

	Group	
	2011	2010
	RMB'000	*RMB'000*
Prepayment for construction of power plants	**28,576**	123,937
Prepayments for acquisition of a subsidiary *(note)*	**130,000**	—
	158,576	123,937

Note: On 15 December 2011, the Group entered into a sale and purchase agreement with a third party to acquire 100% equity interest in Chongqing Meixi River Hydropower Company Limited for cash consideration of RMB348,000,000. Pursuant to the agreement, the Group prepaid amounts of RMB130,000,000 as at 31 December 2011. Up to the date of issuance of these consolidated financial statements, the acquisition has not been completed.

24 INVENTORIES

	Group	
	2011	2010
	RMB'000	*RMB'000*
Raw materials	**16,568**	49,530
Spare parts and consumables	**75,436**	75,649
Work in progress	**—**	30,949
	92,004	156,128

25 ACCOUNTS RECEIVABLE

	Group	
	2011	2010
	RMB'000	*RMB'000*
Accounts receivable from provincial power grid companies	**273,499**	177,332
Accounts receivable from other companies	**32,217**	31,979
	305,716	209,311
Tariff adjustment receivable from the relevant government authorities	**43,739**	155,400
Notes receivable *(note (i))*	**10,906**	6,857
	360,361	371,568

25 ACCOUNTS RECEIVABLE (Continued)

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

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

As at 31 December 2011, the accounts receivable amounting to RMB118,810,000 (2010: RMB171,875,000) are pledged as security for certain bank borrowings of the Group (Notes 31(a) and (d)).

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

	Group	
	2011	2010
	RMB'000	*RMB'000*
Less than 3 months	**194,156**	156,897
4 to 6 months	**79,537**	47,545
7 to 12 months	**31,123**	1,122
Over 1 year	**900**	3,747
	305,716	209,311

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

As of 31 December 2011, receivables of RMB131,018,000 (2010: RMB63,451,000) were past due but not considered to be impaired because the relevant debtors have no recent history of default. The ageing analysis of these receivables is as follows:

	Group	
	2011	2010
	RMB'000	*RMB'000*
Over due		
Less than 1 month	**—**	—
1 to 3 months	**75,221**	13,794
4 to 6 months	**42,838**	47,545
7 to 12 months	**12,059**	1,122
Over 1 year	**900**	990
	131,018	63,451

25 ACCOUNTS RECEIVABLE (Continued)

Notes:

(i) As at 31 December 2010 and 31 December 2011, notes receivable represent commercial acceptance notes and are with maturity period of 180 to 360 days.

(ii) During the year, no provision for impairment of accounts receivable was made by the Group (2010: Nil) and there was no write-off of accounts receivable during the year (2010: Nil).

26 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2011	2010	**2011**	2010
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Prepayments and deposits	**107,503**	210,042	**78**	—
Value added tax receivable	**371,394**	265,643	**—**	—
Amounts due from a shareholder *(note (i))*	**7,381**	6,056	**1,328**	—
Amounts due from minority shareholders of subsidiaries *(note (i))*	**—**	18,850	**—**	—
Dividend receivable from a joint controlled entity	**3,087**	—	**—**	—
Loan to Niu Tou Shan *(note (ii))*	**—**	25,206	**—**	—
Amount due from CPI Finance Company ("CPIF") *(note (iii))*	**133**	77	**—**	—
Other receivables	**36,001**	22,176	**203**	173
	525,499	548,050	**1,609**	173
Denominated in:				
RMB	**522,045**	542,179	**—**	—
HK$	**3,454**	5,871	**1,609**	173
	525,499	548,050	**1,609**	173

Notes:

(i) The amounts due from a shareholder and minority shareholders of subsidiaries are unsecured, interest-free and are repayable on demand.

(ii) The loan to Niu Tou Shan was unsecured, carried interest at 6.12% (2010: 6.12%) per annum and was fully repaid on 16 December 2011.

(iii) The amount due from CPIF, a subsidiary of a shareholder, is unsecured, carries interest at 0.36% (2010: 0.36%) per annum and is repayable on demand.

27 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group		Company	
	2011	2010	**2011**	2010
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Listed equity securities in Hong Kong	**6,889**	14,915	**6,731**	14,486

28 PLEDGED DEPOSITS AND CASH AND CASH EQUIVALENTS

	Group		Company	
	2011	2010	**2011**	2010
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Cash at bank and in hand	**698,983**	306,557	**44,282**	15,640
Time deposits with initial terms of less than three months	**1,054**	89,567	**—**	—
	700,037	396,124	**44,282**	15,640
Less: Pledged deposits	**(54,887)**	(28,111)	**—**	—
Cash and cash equivalents	**645,150**	368,013	**44,282**	15,640
Denominated in:				
RMB	**660,622**	318,963	**30,007**	—
HK$	**38,310**	75,837	**14,274**	15,638
US$	**1,105**	1,324	**1**	2
	700,037	396,124	**44,282**	15,640

Notes:

(i) The weighted average effective interest rate on time deposits, with maturity ranging from 1 to 3 months, was 0.01% (2010: 1.35%) per annum. Cash at bank earns interest at floating rates based on daily bank deposit rates.

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

(iii) As at 31 December 2011, the pledged deposits of the Group with carrying amount of approximately RMB54,887,000 (2010: RMB28,111,000) were pledged as security for certain notes payable facilities (Note 34) of the Group.

Notes to the Consolidated Financial Statements (Continued)

29 SHARE CAPITAL

(a) Authorised and issued capital

	Company	
	Number of shares (of HK$0.10 each)	Nominal amount
		RMB'000
Authorised:		
31 December 2010 and 31 December 2011	10,000,000,000	879,577
Issued and fully paid:		
1 January 2010	7,020,100,000	677,635
Issue of shares for acquisition of a subsidiary *(note (i))*	768,439,108	67,590
Exercise of share options *(note (ii))*	100,500,000	8,840
31 December 2010 and 31 December 2011	7,889,039,108	754,065

Notes:

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

(ii) As at 31 December 2010, 100,500,000 shares of HK$0.1 each were issued to certain employees of the Group at the price ranged from HK$0.630 to HK$0.836 each for cash upon the exercise of the relevant options to subscribe for 100,500,000 shares of the Company under the share option scheme of the Company (also see Note 29(c) below). These new shares rank pari passu in all respects with the existing shares.

(b) Share premium

	Company	
	2011	2010
	RMB'000	*RMB'000*
At 1 January	**3,944,546**	3,426,360
Issue of shares for acquisition of a subsidiary	**–**	459,613
Issue of shares upon exercise of share options	**–**	58,573
At 31 December	**3,944,546**	3,944,546

29 SHARE CAPITAL (Continued)

(c) Share option scheme

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

Pursuant to the Scheme, the total number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme shall not exceed 30% of the issued share capital of the Company from time to time. The maximum number of shares issued and to be issued upon exercise of the options granted to each participant in any 12-month period must not exceed 1% of the issued share capital of the Company at any time. The offer of a grant of options may be accepted within 21 days from the date of the offer with signed acceptance letter comprising consideration of HK$1.00 received by the Company. The exercise period of the share options granted is determinable by the directors, but no later than 10 years from the date of the offer. The subscription price for the shares in respect of which options are granted is determinable by the directors, but in any case must be at the highest of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the date of the grant; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's shares.

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

29 SHARE CAPITAL (Continued)

(c) Share option scheme (Continued)

Details of the options granted under the option scheme outstanding as at 31 December 2011 and 2010 are as follows:

Date of grant	Expiry date	Exercise price in HK$ per share	Number of shares subject to the options at 31 December 2011	Number of shares subject to the options at 31 December 2010
Directors				
9 March 2007	8 March 2017	0.630	**30,000,000**	30,000,000
8 June 2007	7 June 2017	0.836	**59,000,000**	59,000,000
1 November 2010	31 October 2020	0.780	**51,000,000**	51,000,000
			140,000,000	140,000,000
Senior management and other employees				
9 March 2007	8 March 2017	0.630	**20,000,000**	20,000,000
8 June 2007	7 June 2017	0.836	**5,000,000**	5,000,000
1 November 2010	31 October 2020	0.780	**36,000,000**	36,000,000
			61,000,000	61,000,000
			201,000,000	201,000,000

29 SHARE CAPITAL (Continued)

(c) Share option scheme (Continued)

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

	For the year ended 31 December 2011 Average exercise price in HK$ per share	For the year ended 31 December 2011 Number of options	For the year ended 31 December 2010 Average exercise price in HK$ per share	For the year ended 31 December 2010 Number of options
Granted at 1 January	**0.760**	**201,000,000**	0.692	214,500,000
Granted	**–**	**–**	0.780	87,000,000
Exercised	**–**	**–**	0.632	(100,500,000)
At 31 December	**0.760**	**201,000,000**	0.760	201,000,000

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

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

	Date of grant of share options: 1 November 2010	8 June 2007	9 March 2007
Option value	**HK$0.199**	HK$0.116	HK$0.125
Significant inputs into the valuation model:			
Exercise price	**HK$0.780**	HK$0.836	HK$0.630
Share price at grant date	**HK$0.770**	HK$0.820	HK$0.63
Expected volatility *(Note)*	**78.28%**	82.86%	86.47%
Risk-free interest rate	**2.134%**	3.968%	3.751%
Expected life of options	**10 years**	10 years	10 years
Expected dividend yield	**1.35%**	0%	0%

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

30 RESERVES

Group

	Capital redemption reserve RMB'000	Statutory reserves (note (i)) RMB'000	Contributed surplus RMB'000	Other reserve (note (ii)) RMB'000	Share-based compensation reserve RMB'000	Exchange reserve RMB'000	Retained earnings RMB'000	Total RMB'000
At 1 January 2011	**3,121**	**3,949**	**7,155**	**(7,814)**	**30,616**	**(99,895)**	**336,547**	**273,679**
Currency translation differences	**–**	**–**	**–**	**–**	**–**	**(1,845)**	**–**	**(1,845)**
Acquisition of non-controlling interests	**–**	**–**	**–**	**(173,388)**	**–**	**(2,199)**	**–**	**(175,587)**
Disposals of subsidiaries	**–**	**(3,503)**	**–**	**–**	**–**	**(16,981)**	**–**	**(20,484)**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**180,526**	**180,526**
At 31 December 2011	**3,121**	**446**	**7,155**	**(181,202)**	**30,616**	**(120,920)**	**517,073**	**256,289**
At 1 January 2010	3,121	3,949	7,155	–	27,780	(99,895)	102,323	44,433
Issue of shares upon exercise of share options	–	–	–	–	(12,375)	–	–	(12,375)
Acquisition of non-controlling interests	–	–	–	(7,814)	–	–	–	(7,814)
Employee share option benefits *(Note 11)*	–	–	–	–	15,211	–	–	15,211
Profit for the year	–	–	–	–	–	–	234,224	234,224
At 31 December 2010	3,121	3,949	7,155	(7,814)	30,616	(99,895)	336,547	273,679

Company

	Capital redemption reserve RMB'000	Share-based compensation reserve RMB'000	Exchange reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2011	**3,121**	**30,616**	**(286,051)**	**(300,876)**	**(553,190)**
Loss for the year	**–**	**–**	**–**	**(50,166)**	**(50,166)**
At 31 December 2011	**3,121**	**30,616**	**(286,051)**	**(351,042)**	**(603,356)**
At 1 January 2010	3,121	27,780	(286,051)	(251,228)	(506,378)
Issue of shares upon exercise of share options	–	(12,375)	–	–	(12,375)
Employee share options benefits *(Note 11)*	–	15,211	–	–	15,211
Loss for the year	–	–	–	(49,648)	(49,648)
At 31 December 2010	3,121	30,616	(286,051)	(300,876)	(553,190)

Notes:

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

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

31 BANK AND OTHER BORROWINGS

Bank and other borrowings are analysed as follows:

	Group 2011 RMB'000	Group 2010 RMB'000
Non-current borrowings		
Long-term bank borrowings, secured *(note (a))*	**1,771,299**	1,342,143
Long-term bank borrowings, unsecured *(note (b))*	**2,691,521**	3,223,520
Long-term other borrowings, unsecured *(note (c))*	**165,610**	—
	4,628,430	4,565,663
Less: current portion of long-term bank borrowings		
— secured	**(175,835)**	(103,394)
— unsecured	**(163,960)**	(109,960)
	(339,795)	(213,354)
Non-current portion	**4,288,635**	4,352,309
Current		
Short-term bank borrowings, secured *(note (d))*	**—**	20,000
Short-term bank borrowings, unsecured	**48,000**	295,000
Short-term other borrowings, secured *(note (e))*	**15,000**	15,000
Short-term other borrowings, unsecured	**—**	31,510
	63,000	361,510
Current portion of long-term borrowings	**339,795**	213,354
Current portion	**402,795**	574,864
Total borrowings	**4,691,430**	4,927,173

31 BANK AND OTHER BORROWINGS (Continued)

Movements in bank and other borrowings are analysed as follows:

	Group	
	2011	2010
	RMB'000	*RMB'000*
Balance at 1 January	**4,927,173**	1,965,288
Acquisition of a subsidiary	**—**	992,000
Disposal of a subsidiary *(Note 36(b))*	**(71,500)**	—
Additions	**378,811**	3,595,661
Repayments	**(543,054)**	(1,625,776)
Balance at 31 December	**4,691,430**	4,927,173

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

	Group	
	2011	2010
	RMB'000	*RMB'000*
Wholly repayable within five years	**808,811**	658,000
Not wholly repayable within five years	**3,819,619**	3,907,663
	4,628,430	4,565,663

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

	Group	
	2011	2010
	RMB'000	*RMB'000*
Within one year	**339,795**	213,354
In the second year	**591,406**	299,954
In the third to fifth year	**1,448,588**	971,961
After the fifth year	**2,248,641**	3,080,394
	4,628,430	4,565,663

31 BANK AND OTHER BORROWINGS (Continued)

Except for the long-term bank borrowings of RMB7,829,000 (2010: RMB8,673,000) which are denominated in HK$, all borrowings are denominated in RMB.

All of the bank and other borrowings are interest bearing at floating rates. The effective interest rate of the Group's HK$-denominated long-term bank borrowing is 0.73% (2010: 1.30%) per annum. The effective interest rates of the Group's RMB-denominated bank and other borrowings are as follows:

	2011	2010
Long-term bank borrowings	**6.14%**	5.15%
Long-term other borrowings	**6.56%**	—
Short-term bank borrowings	**6.76%**	5.22%
Short-term other borrowings	**7.43%**	5.36%

Notes:

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

— all investment properties of the Group with a carrying amount of RMB300,477,000 (2010: RMB280,378,000);

— certain lease prepayments and property, plant and equipment of the Group with a carrying amount of RMB2,103,697,000 (2010: RMB1,180,713,000);

— accounts receivable with a carrying amount of RMB118,810,000 (2010: RMB16,475,000);

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

— corporate guarantee given by a shareholder, CPIH.

(b) Unsecured long-term bank borrowings amounting to the extent of RMB1,041,000,000 (2010: RMB1,101,000,000) are guaranteed by CPIH.

(c) Long-term other borrowings represents an entrusted loan amounting to RMB165,610,000 borrowed from a subsidiary of CPI Group which is originally repayable within one year from the date of balance sheet in accordance with the terms of the loan agreement. The Group has obtained the unconditional right from the lender to defer the repayment of the loan for one year upon the original maturity date. Thus, the Group has classified such borrowing as non-current liabilities as at 31 December 2011.

(d) As at 31 December 2011, all secured short-term bank borrowings have been fully repaid.

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

(e) As at 31 December 2011, short-term other borrowings to the extent of RMB15,000,000 were secured by certain lease prepayments and property, plant and equipment of the Group with carrying amounts of RMB9,424,000 (2010: RMB10,605,000).

32 CORPORATE BOND

	Group and Company	
	2011	2010
	RMB'000	*RMB'000*
RMB denominated corporate bond — unsecured	**496,935**	—

On 22 April 2011, the Company issued RMB500,000,000 corporate bond, due in April 2014. The bond is unsecured and carries an effective interest rate of 4.06% per annum, with the interest being payable semi-annually.

As at 31 December 2011, the fair value of the corporate bond amounted to approximately RMB500,060,000 (2010: Nil).

33 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 tax authority. The following amounts, determined after appropriate offsetting, are shown in the balance sheet:

	Group	
	2011	2010
	RMB'000	*RMB'000*
Deferred income tax assets	**30,726**	27,453
Deferred income tax liabilities	**(26,950)**	(21,051)
Net deferred income tax assets	**3,776**	6,402

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

	Group	
	2011	2010
	RMB'000	*RMB'000*
At 1 January	**6,402**	11,423
Disposal of subsidiaries *(Note 36(b))*	**(6,722)**	—
Charged to the consolidated income statement *(Note 10)*	**4,096**	(5,021)
At 31 December	**3,776**	6,402

33 DEFERRED INCOME TAX (Continued)

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

Deferred tax assets:

	Group			
	Depreciation allowances	Tax losses	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2011	**25,619**	**—**	**1,834**	**27,453**
Credited to the consolidated income statement	**112**	**9,463**	**420**	**9,995**
Disposals of subsidiaries *(Note 36(b))*	**(6,722)**	**—**	**—**	**(6,722)**
At 31 December 2011	**19,009**	**9,463**	**2,254**	**30,726**
At 1 January 2010	25,289	—	726	26,015
Credited to the consolidated income statement	330	—	1,108	1,438
At 31 December 2010	25,619	—	1,834	27,453

Deferred tax liabilities:

	Group		
	Depreciation allowances	Others	Total
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2011	**(13,911)**	**(7,140)**	**(21,051)**
Charged to the consolidated income statement	**(736)**	**(5,163)**	**(5,899)**
At 31 December 2011	**(14,647)**	**(12,303)**	**(26,950)**
At 1 January 2010	(14,140)	(452)	(14,592)
Credited/(charged) to the consolidated income statement	229	(6,688)	(6,459)
At 31 December 2010	(13,911)	(7,140)	(21,051)

33 DEFERRED INCOME TAX (Continued)

Deferred income tax assets are recognised for tax losses carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. As at 31 December 2011, the Group had unrecognised tax losses of RMB107,206,000 (2010: RMB107,206,000) for Hong Kong profits tax purposes with no expiry date and unrecognised tax losses of RMB122,038,000 (2010: RMB148,650,000) for the PRC corporate income tax that will expire within five years.

Deferred income tax liabilities to the extent of RMB85,080,000 (2010: RMB62,375,000) have not been recognised for the withholding tax and other taxes that would be payable on the unremitted earnings of certain subsidiaries because the directors consider that the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Unremitted earnings totalled RMB756,335,000 (2010: RMB605,002,000) as at 31 December 2011.

34 ACCOUNTS PAYABLE

	Group	
	2011	2010
	RMB'000	*RMB'000*
Accounts payable *(note (i))*	**13,002**	28,116
Notes payable *(note (ii))*	**—**	33,455
	13,002	61,571

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

Notes:

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

	Group	
	2011	2010
	RMB'000	*RMB'000*
Current to 3 months	**2,929**	24,197
4 to 6 months	**207**	1,101
7 to 12 months	**8,229**	1,535
Over 1 year	**1,637**	1,283
	13,002	28,116

(ii) As at 31 December 2010, note payables are normally with maturity period of 90 to 180 days. Notes payables of RMB33,455,000 were drawn under the banking facilities which were secured by a bank deposit of the Group (Note 28).

35 CONSTRUCTION COST PAYABLE, OTHER PAYABLES AND ACCRUED CHARGES

	Group		Company	
	2011	2010	**2011**	2010
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Construction cost payable	**1,139,369**	714,868	**—**	—
Salaries and staff welfare payable	**5,200**	9,123	**—**	—
Value added tax payable	**448**	5,171	**—**	—
Repairs and maintenance expenses payable	**45,759**	30,359	**—**	—
Consideration payables	**17,027**	22,377	**—**	—
Other payables and accrued operating expenses	**35,988**	38,374	**8,594**	8,240
Amounts due to a shareholder and its subsidiaries *(note (i))*	**13,629**	4,960	**3,125**	—
Amounts due to subsidiaries *(note (i))*	**—**	—	**11,188**	11,860
Amounts due to non-controlling interests *(note (i))*	**543**	3,900	**—**	—
	1,257,963	829,132	**22,907**	20,100
Less: non-current portions *(note (ii))*	**(159,402)**	(97,485)	**—**	—
Current portions	**1,098,561**	731,647	**22,907**	20,100
Denominated in:				
RMB	**1,243,284**	807,807	**—**	—
HK$	**14,679**	21,325	**22,907**	20,100
	1,257,963	829,132	**22,907**	20,100

Notes:

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

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

36 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

	2011 RMB'000	2010 RMB'000
Profit before tax	**227,003**	345,747
Adjustments for:		
Interest income	**(8,913)**	(4,655)
Finance costs	**223,973**	76,886
Depreciation and amortisation	**342,599**	176,497
Loss on disposals of property, plant and equipment	**—**	582
Fair value gain on investment properties	**(21,487)**	(31,236)
Gain on disposals of subsidiaries	**(26,131)**	(6,614)
Impairment of goodwill	**18,522**	—
Share of profit of an associated company	**(8,924)**	(15,731)
Share of profits of jointly controlled entities	**(833)**	(21,330)
Share-based compensation expenses	**—**	15,211
Fair value losses on financial assets at fair value through profit or loss	**6,974**	9,381
Discount on acquisition of a jointly controlled entity	**—**	(1,894)
Operating profit before working capital changes	**752,783**	542,844
Decrease/(increase) in inventories	**50,368**	(56,442)
Increase in accounts receivable	**(51,311)**	(37,499)
Increase in prepayments, deposits and other receivables	**(53,992)**	(33,158)
Decrease in accounts payable	**(28,321)**	(159,390)
Increase/(decrease) in other payables and accrued charges	**101,977**	(32,917)
Cash generated from operations	**771,504**	223,438

36 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

(b) Disposals of subsidiaries

	2011 RMB'000	2010 RMB'000
Net assets/(liabilities) disposed of:		
Property, plant and equipment *(Note 16)*	**142,315**	—
Lease prepayments *(Note 17)*	**44,054**	—
Intangible assets *(Note 19)*	**124,680**	—
Deferred income tax assets *(Note 33)*	**6,722**	—
Inventories	**13,756**	—
Accounts receivable	**62,518**	—
Prepayments, deposits and other receivables	**57,033**	—
Pledged deposits	**804**	—
Cash and cash equivalents	**26,868**	—
Long-term bank and other borrowings	**(71,500)**	—
Accounts payable	**(20,248)**	—
Other payables and accrued charges	**(97,647)**	(4,228)
Income tax payable	**(6,383)**	—
Amount due to non-controlling interests	**—**	(16,226)
Non-controlling interests	**(107,694)**	13,840
	175,278	(6,614)
Consideration	**201,409**	—
Gain on disposals of subsidiaries *(Note 7)*	**26,131**	6,614
Satisfied by:		
Cash	**7,210**	—
Equity interest in another subsidiary *(Note 37)*	**194,199**	—
	201,409	—
Cash consideration	**7,210**	—
Less: Cash disposed	**(26,868)**	—
Cash outflow on disposals of subsidiaries	**(19,658)**	—

36 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

(c) Significant non-cash transaction

In 2011, the Group disposed of the entire issued capital of Worldtron Limited ('Worldtron") for RMB192,000,000 and acquired the entire issued capital of Fortune Jade Investments Limited ("Fortune Jade") for RMB192,000,000. Both transactions were with the same non-controlling interest and were settled on a net basis (Note 37).

37 TRANSACTIONS WITH A NON-CONTROLLING INTEREST

(a) On 15 July 2011, the Group entered into a sale and purchase agreement with a common non-controlling interest of two of its subsidiaries, pursuant to which the Group agreed to dispose of and the non-controlling interest agreed to acquire the entire issued capital in Worldtron, for a consideration of RMB192,000,000, subject to a condition that the non-controlling interest agreed to dispose of and the Group agreed to acquire the entire issued capital in Fortune Jade, a then wholly owned subsidiary of the non-controlling interest, for a consideration of the same amount.

In instances where the Group enters into an exchange transaction with the non-controlling interests to purchase/dispose of the equity interests in subsidiaries in return for non-monetary assets (or mix of monetary and non-monetary assets), the Company accounts for the linked transactions separately according to the nature of the transactions. Accordingly, the disposal of the entire issued capital in Worldton, which holds 40% equity interest in 東莞市科偉環保電力有限公司, resulted in a loss of control in subsidiaries. The gain on disposals was recognised in profit or loss. The acquisition of the entire issued capital in Fortune Jade, which holds 10.1% equity interest in 東莞中電新能源熱電有限公司, represents an acquisition of additional equity interest in an existing subsidiary of the Group. The difference between consideration paid and the relevant share of the carrying value of net assets of the subsidiary acquired is recognised in equity.

The fair values of both transactions are determined to be RMB192,000,000 based on independent valuations and as agreed by both parties.

(b) Disposal of Worldtron

The effect of disposal of Worldtron is summarised as below:

	RMB'000
Consideration received from non-controlling interest	192,000
Add: Exchange difference	2,199
Less: Net assets disposed of	(168,679)
Gain on disposal recognised in the consolidated income statement	25,520

37 TRANSACTIONS WITH A NON-CONTROLLING INTEREST (Continued)

(c) Acquisition of Fortune Jade

	RMB'000
Consideration paid to non-controlling interest	192,000
Add: Exchange difference	2,199
Less: Carrying amount of non-controlling interest acquired	(18,612)
Excess of consideration paid recognised within equity	175,587

(d) Effects of transactions with the non-controlling interest on the equity attributable to equity holders of the Company for the year ended 31 December 2011:

	RMB'000
Total comprehensive income for the year attributable to the equity holders of the Company	178,681
Changes in equity attributable to the equity holders of the Company arising from acquisition of Fortune Jade *(note (c))*	(175,587)
	3,094

38 COMMITMENTS

(a) Capital commitments

	Group		Company	
	2011	2010	**2011**	2010
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Contracted but not provided for in respect of				
— property, plant and equipment	**1,948,608**	1,228,191	**—**	—
— investment in a subsidiary	**218,000**	—	**—**	—
—investment in a jointly controlled entity	**—**	18,608	**—**	—
	2,166,608	1,246,799	**—**	—

38 COMMITMENTS (Continued)

(b) Commitments under operating leases

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

	Group		Company	
	2011	2010	**2011**	2010
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Land and buildings				
Not later than one year	**5,847**	4,656	**—**	—
Later than one year and not later than five years	**5,229**	2,902	**—**	—
	11,076	7,558	**—**	—

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

(c) Future operating lease agreements

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

	Group		Company	
	2011	2010	**2011**	2010
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Land and buildings				
Not later than one year	**7,806**	6,709	**—**	—
Later than one year and not later than five years	**22,421**	17,347	**—**	—
Later than five years	**3,624**	3,725	**—**	—
	33,851	27,781	**—**	—

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

39 RELATED PARTY TRANSACTIONS

As at 31 December 2011, CPI Group had a 35.14% (2010: 35.14%) equity interests in the Company and is the single largest shareholder of the Company. The remaining shares are widely held. Accordingly, the directors are of the opinion that CPI Group is able to exercise control over the Company.

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

39 RELATED PARTY TRANSACTIONS (Continued)

The Group is a state-owned enterprise. In accordance with the revised HKAS 24 "Related Party Disclosures", government-related enterprises, other than entities under the Group, which the PRC government has control, joint control or significant influence over are also considered as related parties of the Group ("other government-related enterprises").

The majority of the business activities of the Group were conducted with other government-related enterprises. For the purpose of the related party transactions and balances disclosure, the Group has established procedures to determine, to the extent possible, the identification of the ownership structure of its customers and suppliers as to whether they are government-related enterprises. However, many government-related enterprises have a multi-layered corporate structure and the ownership structures change over time as a result of transfers and privatisation programs. Nevertheless, the directors believe that all material related party transactions and balances have been adequately disclosed.

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

(i) Transactions with related parties

(a) Income

	Note	**2011** ***RMB'000***	2010 *RMB'000*
Interest income from a jointly controlled entity	(i)	**1,388**	1,383
Service income from a jointly controlled entity	(ii)	**3,873**	3,550
Revenue from the provision of installation services to non-controlling interests	(iii)	**—**	2,216

Notes:

(i) Interest income from a jointly controlled entity was charged on outstanding loan balance at 6.12% (2010: 5.84%) per annum.

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

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

Notes to the Consolidated Financial Statements (Continued)

39 RELATED PARTY TRANSACTIONS (Continued)

(i) Transactions with related parties (Continued)

(b) Expenses

	Note	2011 RMB'000	2010 RMB'000
Repair and maintenance expenses to a subsidiary of a shareholder	(i)	**26,560**	26,398
Interest expense to a subsidiary of a shareholder	(ii)	**1,358**	—

Notes:

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

(ii) The Group has entered into an entrusted loan agreement with a subsidiary of CPI Group (Note 31(c)), the terms of which were mutually agreed between the parties.

(ii) Period-end balances with related parties

	Note	2011 RMB'000	2010 RMB'000
Included in:			
Other receivables			
Amount due from a shareholder	(i)	**7,381**	6,056
Amounts due from non-controlling interests	(i)	**—**	18,850
Loan to Niu Tou Shan	(ii)	**—**	25,206
Dividend receivable from a joint controlled entity	(ii)	**3,087**	—
Amount due from CPIF	(ii)	**133**	77
Other payables			
Amounts due to a shareholder and certain of its subsidiaries	(i)	**13,961**	4,960
Amounts due to non-controlling interests	(i)	**543**	3,900
Bank and other borrowings			
Loan from a subsidiary of a shareholder	(i)	**165,610**	—

Notes:

(i) With the exception of the RMB165,610,000 entrusted loan borrowed from a subsidiary of CPI Group (Note 31(c)) which carries interest at 6.56% per annum, the balances with these related parties are unsecured, interest-free and repayable on demand.

(ii) Details of terms of the balances are set out in Note 26.

39 RELATED PARTY TRANSACTIONS (Continued)

(iii) Transactions with government-related enterprises

For the years ended 31 December 2011 and 2010, the Group sold substantially all their products to local government-related power grid companies. Please refer to Note 5 for details of sales information to provincial power grid companies. The Group also maintained most of its bank deposits in government-related financial institutions while lenders of most of the Group's borrowings are also government-related financial institutions, associated with the respective interest income or interest expense incurred.

(iv) Key management compensation

	2011 ***RMB'000***	2010 *RMB'000*
Basic salaries, housing allowance, other allowances, discretionary bonus and benefits in kind	**2,731**	3,731
Employer's contributions to pension schemes	**30**	29
Share-based compensation	**–**	8,918
	2,761	12,678

40 Subsequent events

(a) On 9 January 2012, the Company issued RMB800,000,000 corporate bond, due in January 2017. The bond is unsecured and carries interest at 6.50% per annum, with the interest being payable semi-annually.

(b) On 31 January 2012, the shareholders of the Company approved the allotment and issue of 3,230,769,231 new ordinary shares with par value of HK$0.10 per share (the "New Shares") in the share capital of the Company pursuant to and in accordance with the terms and conditions of the share purchase agreement dated 10 December 2011 entered into between the Company and China Three Gorges Corporation (the "Share Purchase Agreement"). The proceeds from the issuance of the New Shares will be approximately HK$2,100,000,000.

Up to the date of issuance of these consolidated financial statements, the issuance of the New Shares is pending for completion of the conditions set out in the Share Purchase Agreement.

41 APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors on 21 March 2012.

Financial Summary

RESULTS

	Year ended 31 December 2011 RMB'000	Year ended 31 December 2010 RMB'000	Year ended 31 December 2009 RMB'000	Eight months period ended 31 December 2008 RMB'000	Year ended 30 April 2008 RMB'000
Revenue and tariff adjustment	**1,861,272**	1,591,426	1,389,669	1,118,287	913,534
Operating profit	**432,306**	380,917	290,100	115,790	133,147
Profit before tax	**227,003**	345,747	211,022	49,514	70,039
Income tax expense	**(30,454)**	(64,752)	(20,229)	(11,755)	(29,398)
Profit for the year/period	**196,549**	280,995	190,793	37,759	40,641
Attributable to:					
Equity holders of the Company	**180,526**	234,224	134,297	9,727	6,598
Non-controlling interests	**16,023**	46,771	56,496	28,032	34,043
Earnings per share for profit attributable to equity holders of the Company (RMB)	**0.023**	0.032	0.019	0.001	0.001

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December 2011 RMB'000	As at 31 December 2010 RMB'000	As at 31 December 2009 RMB'000	As at 31 December 2008 RMB'000	As at 30 April 2008 RMB'000
Non-current assets	**9,939,957**	9,623,285	5,794,778	4,990,181	4,389,654
Current assets	**1,684,790**	1,486,785	1,194,706	1,153,563	1,895,362
Total assets	**11,624,747**	11,110,070	6,989,484	6,143,744	6,285,016
Current liabilities	**(1,540,824)**	(1,399,551)	(1,021,909)	(1,098,823)	(1,197,386)
Non-current liabilities	**(4,971,922)**	(4,470,845)	(1,517,165)	(835,439)	(959,114)
Net assets	**5,112,001**	5,239,674	4,450,410	4,209,482	4,128,516
Non-controlling interests	**157,101**	267,384	301,982	195,413	160,399