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

(incorporated in Hong Kong with limited liability under the Companies Ordinance)
(Stock Code : 2380)

ANNUAL REPORT
2011

CONTENTS

2011 Financial Highlights

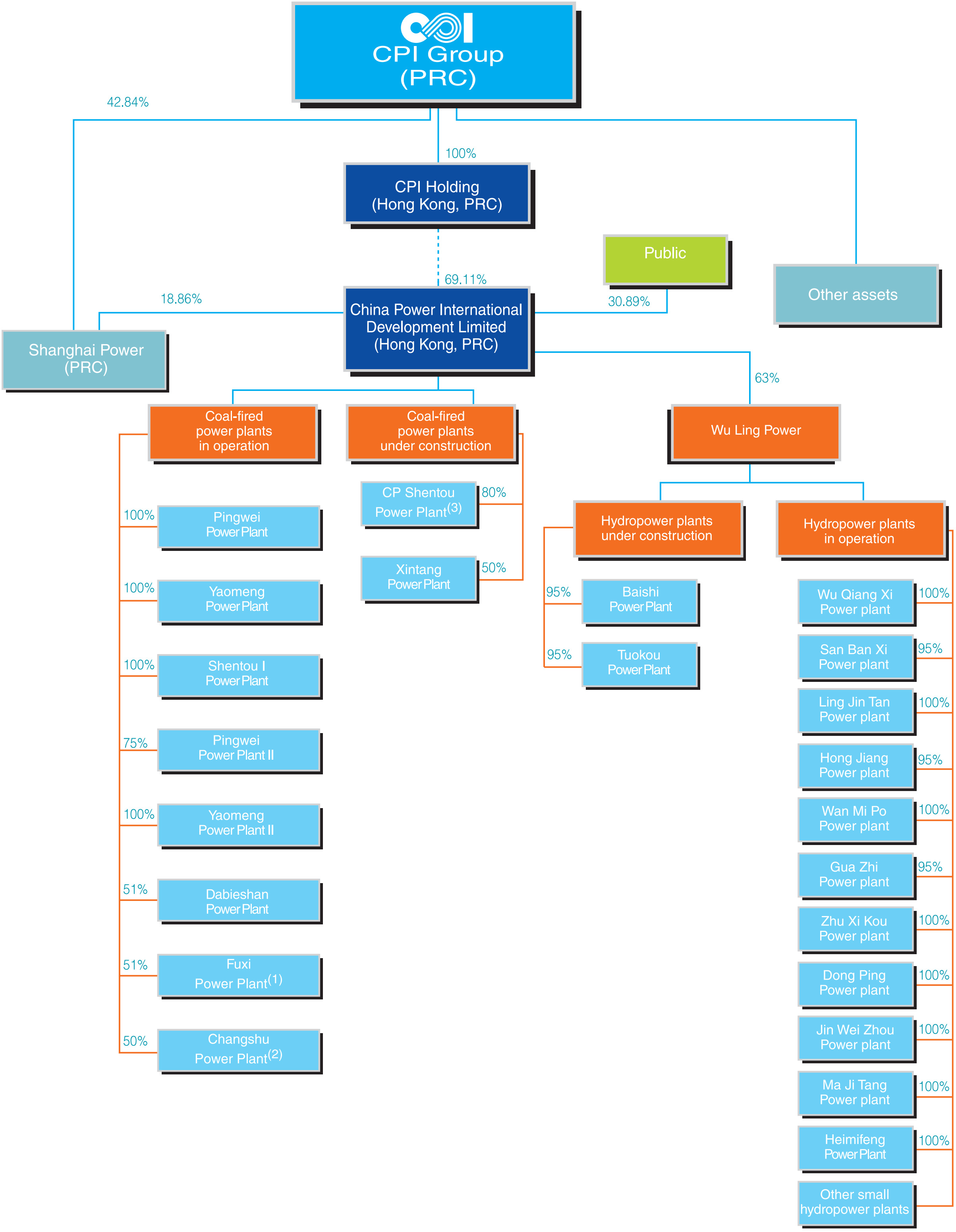
	RMB
Earnings per share	
Basic	0.10
Diluted	0.10

	RMB
Revenue	16,082,062,000
Profit attributable to equity holders of the Company	505,202,000
Shareholders' equity	13,124,992,000
Total assets	63,392,460,000
Cash and cash equivalents	1,179,817,000
Total bank and other borrowings	41,915,836,000

	MWh
Gross generation	50,132,564*
Net generation	47,391,185*

* Excluding the associated companies

Group Structure



(1) The first 600MW generating unit of Fuxi Power Plant commenced commercial operation on 1 November 2011; the second 600MW generating unit is planned to commence operation in the first half of 2012.
(2) Associated power plants
(3) A contract was signed on 2 November 2011 to form the joint venture company. According to the contract, two 600MW generating units of Shentou I Power Plant that are currently under construction will be transfered to the joint venture company upon its establishment.

Company Profile

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

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

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

At present, the Company and its subsidiaries (the "Group" or "We") own and operate the power plants: Pingwei Power Plant (100% ownership), Pingwei Power Plant II (75% ownership), Yaomeng Power Plant (100% ownership), Yaomeng Power Plant II (100% ownership), Shentou I Power Plant (100% ownership), Dabieshan Power Plant (51% ownership), Fuxi Power Plant (51% ownership) and an associated company, Changshu Power Plant (50% ownership). As at 31 December 2011, their total installed capacity was 8,980 MW, of which the attributable installed capacity of the Company was 7,079 MW.

The Company also owns 63% equity interests in Wu Ling Power, one of the leading hydropower development companies in the PRC and is the largest hydropower company in Hunan Province. As at 31 December 2011, its total installed capacity was 5,286 MW, of which an attributable installed capacity of the Company was 3,057 MW.

The Company also holds shares of Shanghai Power (18.86% ownership). Shanghai Power is a power generation company whose shares are listed on the Shanghai Stock Exchange. The Company is its second largest shareholder after CPI Group. As at 31 December 2011, Shanghai Power's total installed capacity was 7,284 MW, of which an attributable installed capacity of the Company was 1,374 MW .

As at 31 December 2011, the Company's total attributable installed capacity was 11,510 MW, of which attributable installed capacity of hydropower was 2,906 MW, accounting for 25.25% of all attributable installed capacity, making the Company having the highest percentage of hydropower installed capacity among overseas listed PRC power generation companies.

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

The Company's coal-fired power projects that are currently under construction including Fuxi Power Plant (1 x 600 MW), Xintang Power Plant (2 x 300MW) and Shentou I Power Plant with "Replacement of Small Units with Larger Units" (2 x 600 MW). The installed capacity of the new projects above totalled 2,400 MW.

The Company's hydropower projects that are currently under construction including Baishi Power Plant (3 x 140 MW) and Tuokou Power Plant (4 x 200 MW + 2 x 15 MW). The total installed capacity was 1,250MW.

OUR PARENT COMPANY - CPI GROUP

The Company is ultimately owned by CPI Group, which is one of the five largest power generation groups in China established pursuant to the restructuring of the power industry of the PRC in 2002. The power plants of CPI Group spread across 28 provinces, municipalities and autonomous regions in the PRC with a controllable installed capacity of approximately 77 GW.

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

Major Events in 2011

REVIEW OF MAJOR CORPORATE EVENTS IN THE FIRST HALF OF THE YEAR

January

China Power announced its gross generation for the year in 2010 of 48,558,685 MWh, representing an increase of 30.55% over the same period in 2009.

February

Wu Ling Power announced the issue of RMB1 billion short-term debentures in the PRC.

March

China Power announced its annual results for 2010, the profit attributable to shareholders of the Company was approximately RMB666,892,000, representing an increase of 28.49% over the same period last year.

China Power announced a change in director, Mr. Gu Zhengxing replaced Mr. Gao Guangfu as a non-executive director.

April

China Power announced its gross generation for the first quarter in 2011 of 12,843,954 MWh, representing an increase of 21.79% over the same period in 2010.

May

China Power held its annual general meeting in Hong Kong.

China Power announced the issue of RMB denominated RMB982 million (equivalent to approximately USD150 million) USD settled 2.25% convertible bonds due 2016 listed on the Hong Kong Stock Exchange with security code of 4517.

June

The on-grid tariffs of six coal-fired power plants and five hydropower plants of China Power were raised.

REVIEW OF MAJOR CORPORATE EVENTS IN THE SECOND HALF OF THE YEAR

July	China Power announced its gross generation for the first half of 2011 of 25,914,057 MWh, representing an increase of 8.73% over the same period in 2010.
	China Power announced a change in director, Mr. Gu Dake replaced Mr. Liu Guangchi as an executive director and president.
	China Power announced the disposal of part of the equity interests in Pingwei Power Plant II and Dabieshan Power Plant to Huainan Mining Group, and entered into the coal supply framework agreement with Huainan Mining Group.
August	China Power announced its interim results for 2011, the profit attributable to shareholders of the Company was approximately RMB411,508,000, representing an increase of approximately RMB138,522,000 over the profit in the same period last year, an increase of 50.74%.
October	China Power announced its gross generation for the first three quarters in 2011 of 39,117,853 MWh, representing an increase of 6.02% over the same period in 2010.
	China Power announced the formation of a joint venture company with China Coal Energy, a realisation of the coal and electricity joint operation.
December	The on-grid tariffs of all coal-fired power plants and five hydropower plants operated under China Power were raised.

Dear shareholders,

I hereby announce on behalf of the Board the results of China Power for the year ended 31 December 2011.

In 2011, the turnover of China Power amounted to RMB16,082 million, representing an increase of 11.40% as compared with last year. Profits attributable to the owners of the Company amounted to RMB505 million. Earnings per share amounted to RMB0.10. The Board recommended the payment of a final dividend of RMB0.045 per share.

2011 was a remarkable year for the development of the Company. China Power experienced a tough market environment with high coal price, a surge in finance cost, losses in coal-fired power business and shortage of water for hydropower generation. Over the year, we has overcome various difficulties by adhering to our core values of "responsibility, integrity, wisdom and value", implementing the planned development strategies of the Company, optimizing business structures and improving quality of development. Thanks to the efforts of all staff, the market value of China Power increased significantly which created value for its shareholders. I hereby give my sincerest thanks to all shareholders of China Power on behalf of the Board and all employees of China Power.

BUSINESS REVIEW OF 2011

In 2011, China economy maintained a relatively high growth rate. The year-on-year GDP growth rate was 9.2% and national electricity consumption rose by 11.7%, indicating a high demand on electricity consumption. In 2011, due to the shortage of water, the number of utilization hours of hydropower facilities in the PRC decreased by 376 hours as compared with last year and was the lowest in the last three decades. Many coal-fired power enterprises in the PRC recorded losses as a result of high coal price. Although the PRC government increased the on-grid tariff twice during the year, the overall market environment of the power generation industry was not optimistic.

To face the challenges, China Power adopted various measures to promote the development of the Company by developing coal-fired generating units with large capacity in economically developed regions, continuing the development of quality hydropower projects, strengthening coal and electricity joint operation for effectively controlling fuel costs, striving for favourable adjustment plans for electricity price and promoting environmental protection and energy conservation.

Developing coal-fired generating units with large capacity in economically developed regions. In 2011, Shentou I Power Plant's two "Replacement of Small Units with Large Units" generation units of 600MW and Pingwei Power Plant III's two generation units of 1,000MW received approval and preliminary approval from the National Development and Reform Commission, respectively. The expanded plants are located in regions with better profitability in coal-fired power.

Developing quality hydropower projects. The Company obtained the development rights of hydropower projects of Sequ River and Jiesigou River Basin in Sichuan through the acquisition of Sichuan Xingtie project.

Strengthening coal and electricity joint operation for controlling fuel costs. In 2011, the Company cooperated with Huainan Mining Group（淮南礦業集團）to develop coal and electricity joint operation. Through joint equity interests, the coal-fired power plants of China Power in Anhui and Hubei provinces obtained coal supply with the most favourable prices in the regions. Also, the Company and China Coal Energy（中煤能源）established a joint venture to operate the newly constructed coal-fired generating units with large capacity and coal mine of China Coal Energy in Shanxi with an aim to becoming a large-scale coal and electricity joint operation base in northern region of Shanxi.

Striving for favourable adjustment plans for electricity price. Upon two adjustments of electricity prices in 2011, the Company's on-grid tariff of coal-fired power increased by RMB20.14/MWh, while that of hydropower increased by RMB23.13/MWh. Due to the two adjustments of electricity prices, the Company's profitability of coal-fired power was increased and net profit of coal-fired power for the year amounted to RMB365 million.

Strengthening cost control and reducing expenditure. In 2011, we continued to strengthen all costs control and reduce expenses. Our interest expenses and finance costs were lowered by various methods such as issuing convertible bonds and short-term debentures.

Continuing the improvement of energy conservation and environmental protection index. In 2011, the Company put more efforts in environmental protection by reducing electricity and coal consumption of coal-fired power generation. The average electricity and coal consumption was 319.40g/KWh for the year, representing a decrease of 5.12g/KWh as compared with the corresponding period last year. All coal-fired power generation units were installed with desulphurization facilities which resulted in lower discharge of pollutants with a desulphurization rate of 93.57%.

In 2011, I was honoured to be elected as "12th CCTV China Economic Person of the Year". It was the first time for a representative from the electricity industry won this award in the past twelve years. This was not only the honour of my own, but also the sufficient affirmation and recognition for the scientific development of China Power over the years. The outstanding performance of the Company realized its promises to "create value for its shareholders and to shoulder its social responsibilities".

OUTLOOK FOR 2012

In 2012, China will face more challenges due to the increasing uncertainties in the economies under the more complicated and tough macroeconomic environment in the world and China. In 2012, the expected effect of austerity measures in the PRC will be further apparent and a steadily faster growth of the economy will continue. Moreover, the power generation industry will face a more difficult market situation. Operating conditions of power generation enterprises will be affected by continuing high coal price, uncertainties in water supply for hydropower in the PRC and the increasing pressure in energy conservation and emission reduction. China Power will continue to effectively practise its strategic development by optimizing its asset structure, promoting the coal and electricity joint operation, controlling fuel costs, promoting energy conservation and emission reduction, and implementing the corporate culture of “still water runs deep”.

KEY WORKS FOR 2012

In 2012, in the face of the complicated market environment, China Power has proposed the development plan of “adjustment and improvement” which includes speeding up the structure adjustment, promoting the establishment of corporate culture and improving the development quality. The Company will put emphasis on optimizing its industrial structure and composition, promoting regional industrial development, improving the scale and quality of its assets, concerning the energy conservation and environmental protection, and further refining its industrial structure.

The composition of coal-fired power business and strategic structure of “balanced hydro and coal-fired generation” will be refined. China Power will install coal-fired generating units with large capacity in regions with higher profitability. We will refine the composition of coal-fired power business through a series of expansion and construction projects. China Power will also actively launch quality hydropower projects in order to create a new profit growth.

Coal and electricity joint operation base will be constructed and coal price will be controlled effectively. China Power will proactively carry out quality projects of coal and electricity joint operation, suitably extend the scope of the industry, construct large-scale coal and electricity joint operation base and effectively control the coal price. We will also actively implement the fuel management by strengthening the cooperation with major coal mines, further increasing the proportion of major coal contracts and strictly controlling the risk of the rising fuel costs.

Energy conservation and environment protection will be promoted. In 2012, China Power will continue to reduce its electricity and coal consumption as well as the emission of greenhouse gases, sulphur dioxide and nitrogen oxides. As such, a low carbon operation will be further realized.

The corporate culture of "still water runs deep" will be continued and training will be provided to qualified teams for corporate development. As China Power is well concerned about the importance of corporate culture to the development of the Company. Adhering to the corporate culture of "still water runs deep", the Company will carry out scientific management and provide training for its outstanding teams to realize its sustainable development.

Being a year full of opportunities and challenges in 2012, I believe that China Power will further realize significant growth with the attention and supports of all shareholders as well as the dedication of the Board and all staff.

Li Xiaolin
Chairman of the Board

23 March 2012

Directors and Senior Management Profiles

CHAIRMAN OF THE BOARD

LI Xiaolin, born in 1961, is the chairman of the Board, an executive director and the chief executive officer of the Company. Ms. Li is a senior engineer and has a master of engineering degree in power system and automation from Tsinghua University and was a visiting scholar at the Sloan Business School of Massachusetts Institute of Technology in the United States. Ms. Li is currently vice president of CPI Group, chairman of CPI Holding, chairman of the board of China Power New Energy Development Company Limited and director of Companhia de Electricidade de Macau. She has served as the commissioner of the International Economic and Trade Division of the Ministry of Electric Power Industry and the deputy commissioner of the International Economic and Trade Division of the Ministry of Energy.

EXECUTIVE DIRECTOR

GU Dake, born in 1954, is an executive director and the president of the Company. Mr. Gu is a senior engineer. He has a professional qualification in thermal power from the Northeast China Institute of Electric Power Engineering. Mr Gu is currently a director and general manager of CPI Holding. He has served as the chief operational officer in power generation of CPI Group, the deputy general manager of the branch company of CPI Group in Northern China, the general manager of Shanxi Zhangze Power Company Limited, the vice president of the Company, the deputy general manager and the chief engineer of CPI Holding, the deputy general manager and the chief engineer of Beijing Guohau Power Limited and the vice president of CLP Guohau Corporation.

NON-EXECUTIVE DIRECTORS

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

GU Zhengxing, born in 1952, is a non-executive director of the Company. Mr. Gu is a professor level senior engineer and holds a professional qualification in hydropower engineering from Tsinghua University. Mr. Gu is currently the deputy general manager of the branch company of CPI Group in Hunan and the general manager of Wu Ling Power. He has served as the head of the hydraulic design unit of Beijing Institute of Hydraulic and Hydropower Design under the Ministry of National Hydropower of China and the deputy commissioner of the State Hydropower Planning Commission of China.

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

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

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

SENIOR MANAGEMENT

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

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

ZHAO Xinyan, born in 1962, is the vice president of the Company. Mr. Zhao is a senior engineer. He holds a bachelor degree in materials engineering from Chongqing University, and a master degree in business administration from Guanghua School of Management, Peking University. Mr. Zhao is currently the vice general manager of CPI Holding and an executive director of China Power New Energy Development Company Limited. He has served as an assistant to the general manager and the general manager of various departments of CPI Holding.

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

GU Xiaodong, born in 1956, is the vice president of the Company. Mr. Gu is a senior political engineer and has a master degree from Liaoning Party School(遼寧省委黨校). Mr. Gu is currently the head of disciplinary commission and the chairman of labour union of CPI Holding. He has served as the secretary of disciplinary commission and the chairman of the labour union of Wu Ling Power, the head of the disciplinary commission and the supervisor of labour committee of the branch company of CPI Group in Hunan, the senior manager of the personnel and labour department of CPI Group and the deputy head of the management department of personnel and directors of Northeast China Grid Company of State Grid Company.

CHENG Boru, born in 1962, is the vice president of the Company. Mr. Cheng is a senior engineer and has a bachelor degree in computering from Xi'an Jiaotong University. Mr. Cheng is currently the deputy general manager of CPI Holding. He has served as the general manager of Pingwei Power Plant, the general manager of the engineering department of CPI Holding and the general manager of Yaomeng Power Plant II.

XU Lihong, born in 1966, is the financial controller of the Company. Ms. Xu is a senior accountant. She graduated from the Faculty of Finance, Changsha University of Electric Power and has a master degree in business administration from Northeast China University. Ms. Xu is currently a director and the financial controller of CPI Holding and a director of Shanghai Power. She has served as the deputy chief accountant of CPI Holding, the general manager of various departments of the Company, the deputy commissioner of the Economic and Operation Division of Power Department under the State Economic and Trade Commission, and a principal staff member of finance department of Huazhong Electric Industry Management Bureau（華中電業管理局）and State Power Corporation of China.

WANG Shengrong, born in 1962, is the chief administrative officer of the Company. Mr. Wang has a master degree in management from Air Force Engineering University. Mr. Wang is currently the chief administrative officer of CPI Holding. He has served as the deputy secretary of the party committee and the secretary of disciplinary commission and the chairman of labour union of Shenhua (Beijing) Remote Sensing & Geo-engineering Company Ltd, and an officer of the Air Force of the People's Liberation Army with the rank of senior colonel.

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

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

COMPANY SECRETARY

CHEUNG Siu Lan is the company secretary of the Company. Ms. Cheung is a fellow member of The Hong Kong Institute of Chartered Secretaries, The Institute of Chartered Secretaries and Administrators in the United Kingdom, Hong Kong Institute of Certified Public Accountants and CPA Australia. She has a bachelor degree in commerce from The University of Queensland, Australia and obtained a master degree in professional accounting and a postgraduate diploma in corporate administration from The Hong Kong Polytechnic University. Ms. Cheung previously served as the company secretary and group financial controller of another listed group in Hong Kong. She has extensive experience in the fields of corporate governance, corporate finance and mergers and acquisitions.

BUSINESS REVIEW

The Group is principally engaged in investment, development and operation management of power plants as well as coal-fired power and hydropower generation. Its power generation business is mainly located in Eastern China power grid, Central China power grid and Northern China power grid.

In 2011, China's economy grew steadily with a year-on-year GDP growth rate of 9.2%. As power demand increased rapidly, total power generation and electricity consumption in China rose by 11.68% and 11.74% respectively as compared with the corresponding period last year. The average number of utilization hours of power generation facilities in the PRC was 4,731 hours, representing an increase of 81 hours as compared to 2010.

In 2011, the generation volume of coal-fired power in China was 3,897.5 billion KWh, representing an increase of 14.07% as compared with the corresponding period last year. On-grid tariff increased following the tariff adjustment by the National Development and Reform Commission in the first half year of 2011 and December 2011. As a result, the Group increased the coal-fired power generation and tariff, which partly offset the cost of coal-fired power generation arising from the surge in coal prices. As such, profitability remained stable.

In 2011, the average rainfall in China was 556.8 millimetres, which was 9% less than usual and was the lowest in 60 years. In particular, the rare occurrence of drought during the original flood period in some of China's southern provinces and cities led to a significant drop in hydropower generation in China and a year-on-year decrease of 376 hours in the average utilization hours. Such hydropower generation level was the lowest over the recent three decades. The rainfall of Hunan Province and Guizhou Province was the lowest since 1951 especially due to a severe drought in the second half of the year. The significant plummet in hydropower output and power generation resulted in the adverse operating environment of hydropower and lower-than-expected profits of the Group.

In 2011, the Group recorded a revenue of approximately RMB16,082,062,000, representing an increase of approximately 11.40% as compared with the corresponding period last year, while the profit attributable to the equity holders of the Company amounted to approximately RMB505,202,000, representing a decrease of approximately 24.25% as compared with the corresponding period last year. The basic earnings per share was approximately RMB0.10, representing a decrease of RMB0.03 from RMB0.13 of the corresponding period last year. Net assets per share, excluding interests of non-controlling shareholders, was RMB2.57.

ATTRIBUTABLE INSTALLED CAPACITY

For the year ended 31 December 2011, the total attributable installed capacity of the Group reached 11,510 MW, of which the capacity of hydropower was 2,906 MW, representing 25.25% of the total attributable installed capacity.

POWER GENERATION AND NET GENERATION

In 2011, the Group grasped the opportunities brought by the growth in power demand to increase the power generation, and the average utilization hours of coal-fired power reached 5,783 hours, representing an increase of 454 hours as compared to 2010. Due to water shortage in the second half of the year, average utilization hours of hydropower for the year amounted to 2,502 hours, representing a decrease of 688 hours as compared with the corresponding period last year. Sales volume of coal-fired power and hydropower of the Group in 2011 reached 38,801,015MWh and 8,590,170MWh respectively, totaling 47,391,185MWh, representing an increase of 3.02% as compared with 46,002,897MWh in 2010.

ON-GRID TARIFF

In 2011, the average on-grid tariff of coal-fired power of the Group was RMB348.39/MWh, representing an increase of RMB20.14/MWh as compared with the corresponding period last year, while the average on-grid tariff of hydropower of the Group was RMB281.84/MWh, representing an increase of RMB23.13/MWh as compared with the corresponding period last year.

The increase in the on-grid tariff was mainly attributable to the tariff adjustment made by the National Development and Reform Commission in 2011. After the adjustment, all the on-grid tariffs of the coal-fired power plants of the Group were up to the standard tariff. Tariff of some of the hydropower plants was also raised.

The increase in on-grid tariff of coal-fire power partly offset the increased fuel cost arising from soaring coal prices. The adjustment in on-grid tariff of hydropower alleviated part of the effects of lower power generation on the revenue.

COAL MARKET AND COST CONTROL

In 2011, the unit fuel cost of the Group was approximately RMB256.19/MWh, representing an increase of approximately 8.69% from RMB235.72/MWh in 2010.

The increase in unit fuel cost was mainly attributable to the shortage of coal supply which led to higher coal prices. Due to the surge in coal prices, the integrated unit cost of standard coal of the Group in 2011 increased by approximately 10.49%.

Although the rising coal price has led to the increase in the cost of coal-fired power generation, the Group implemented refined measures, such as optimizing coal structure, increasing heat value, controlling monthly procurement plan in advance, raising the delivery rate for major customers, minimizing the difference in heat value among mining plants and maximizing the mixed burning of low-cost coal to control growth of fuel cost. New units with large capacity commenced production while old units were upgraded and renovated. These measures enhanced the Group's equipment efficiency with lower coal consumption and fuel cost.

SIGNIFICANT INVESTMENT

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

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

The Group recognizes its shareholding in Shanghai Power as "Available-for-sale financial assets". As at 31 December 2011, the fair value of the shareholding held by the Group was approximately RMB1,908,393,000.

SIGNIFICANT FINANCING ACTIVITIES

In order to satisfy the capital demand for the development of the Company and minimize the finance costs and improve the asset and liabilities structure of the Company, five-year convertible bonds in the amount of RMB982,000,000 with interest rate of 2.25% per annum were issued by the Company on 13 May 2011 and listed on the Hong Kong Stock Exchange on 17 May 2011. The issue was well received by the market. Given the domestic tightening monetary policy, financing difficulties and interest rate hikes, the proceeds from the issue of the bonds provided crucial liquidity for the Company at relatively lower costs.

NEW POWER PLANTS

In 2011, among the Group's coal-fired power projects under construction, Shentou I Power Plant's "Replacement of Small Units with Large Units" project with two generation units of 600MW, Fuxi Power Plant with two generation units of 600MW and Xintang Power Plant with two generation units of 300MW (cogeneration plants) have a total installed capacity of 3,000MW. Among its hydropower projects, Baishi Power Plant and Tuokou Power Plant have a total installed capacity of 1,250MW. Among which, a 600MW power generation unit of Fuxi Power Plant has completed and commenced production in November. Currently, such projects all go smoothly.

ENVIRONMENTAL PROTECTION AND ENERGY CONSERVATION

The Group puts high priority on environmental protection and shoulders social responsibilities. The Group fully utilized the hydropower generated clean energy. The hydropower generation to the total power generation of the Company was 17.39%. The Group strengthened environmental protection management of its coal-fired power generation units by installing all coal-fired power generation units with desulphurization facilities which resulted in lower discharge of pollutants with a desulphurization rate of 93.57%. As the result of the active measures on energy saving and reduction in consumption, the Group achieved an average in coal consumption rate of 319.40g/KWh for power generation in 2011, representing a decrease of 5.12g/KWh as compared with the corresponding period last year.

OPERATING RESULTS OF 2011

In 2011, revenue of the Group was approximately RMB16,082,062,000, representing an increase of approximately 11.40% as compared with the corresponding period last year. Profit attributable to equity holders of the Group was approximately RMB505,202,000, representing a decrease of approximately 24.25% as compared with the corresponding period last year.

In 2011, the net profit of the Group amounted to approximately RMB588,370,000, representing a decrease of approximately RMB277,885,000 as compared with the corresponding period last year. Among which, the net profit of coal-fired power amounted to RMB364,967,000 while the net profit of hydropower amounted to RMB223,403,000, representing a profit contribution ratio of 1.63: 1.

The net profit decreased as compared to 2010 mainly due to the following factors:

- In 2011, the average unit fuel cost of coal-fired power plants increased by 10.49% as compared with the corresponding period last year and resulted in a decrease of RMB943,402,000 in net profit.
- In 2011, the hydropower generation decreased by 2,231,418MWh as compared with the corresponding period last year which resulted in a decrease of RMB577,281,000 in net profit of the Group.

However, the decrease was partly offset by the following:

- Due to the tariff adjustment and retroactive tariff adjustments carried out in 2011, the average selling price increased and contributed net profit of approximately RMB980,173,000 to the Group.
- In 2011, coal-fired power generation increased by 3,619,706MWh as compared with the corresponding period last year which contributed net profit of RMB334,957,000 to the Group.

REVENUE

In 2011, revenue of the Group was approximately RMB16,082,062,000, representing an increase of 11.40% as compared with approximately RMB14,436,659,000 of the corresponding period last year. The increase in revenue was mainly attributed to the tariff adjustments and the increase in coal-fired power generation in 2011 which resulted in rising operating income.

SEGMENT INFORMATION

The reportable segments identified by the Group are now the "Generation and sales of coal-fired electricity" and "Generation and sales of hydropower electricity".

OPERATING COSTS

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

In 2011, operating costs of the Group amounted to approximately RMB14,108,455,000, representing an increase of 15.71% as compared with approximately RMB12,193,117,000 of the corresponding period last year. The increase was mainly due to the increase in fuel costs and depreciation.

Fuel costs were the largest component of the Group's operating costs. In 2011, the fuel costs of the Group was approximately RMB9,940,476,000, representing 70.46% of the total operating costs and an increase of 19.87% over approximately RMB8,292,780,000 of the corresponding period last year. Unit fuel costs was approximately RMB256.19/MWh, representing an increase of 8.69% over approximately RMB235.72/MWh of the corresponding period last year.

OPERATING PROFIT

In 2011, the Group's operating profit was approximately RMB2,273,429,000, representing a decrease of 11.28% as compared with the operating profit of approximately RMB2,562,596,000 of the corresponding period last year.

FINANCE COSTS

In 2011, finance costs of the Group amounted to approximately RMB1,572,016,000, representing an increase of 3.83% as compared with approximately RMB1,514,064,000 of the corresponding period last year. In the first half of 2011 and the end of 2010, the Company issued convertible bonds and RMB denominated corporate bonds which increased its total loan amount respectively.

SHARE OF RESULTS OF ASSOCIATED COMPANIES

In 2011, the share of losses of associated companies was approximately RMB4,073,000, representing a decrease in profits of approximately RMB116,400,000 as compared with the share of profits of approximately RMB112,327,000 of the corresponding period last year. The losses were mainly attributed to the decrease of profits of Changshu Power Plant and loss incurred by Liyujiang power plant due to the increase in coal prices.

TAXATION

Taxation charges of the Group for 2011 were approximately RMB193,849,000, representing a decrease of approximately RMB186,378,000 as compared with approximately RMB380,227,000 of the corresponding period last year.

Among the coal-fired power plants of the Group in 2010, the preferential tax treatment "First two years exemption and subsequent three years 50% reduction" of Pingwei Power Plant, Yaomeng Power Plant, Changshu Power Plant and Shentou I Power Plant has been expired.

However according to the relevant PRC income tax rules and regulations, special income tax rates have been granted to them as being foreign invested enterprises which are engaged in the energy, transportation or infrastructure activities and these coal-fired power plants are subject to an income tax rate of 24% for the year. The preferential tax treatment "First two years exemption and subsequent three years 50% reduction" of Pingwei Power Plant II ended in 2011. The preferential tax treatment "First two years exemption and subsequent three years 50% reduction" of Yaomeng Power Plant II and Dabieshan Power Plant will end in 2012. All hydropower plants of the Group are subject to the applicable tax rate of 25% for the year (the applicable tax rate of some small hydropower plants in Sichuan is less than 25%).

PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

In 2011, the profit attributable to equity holders of the Company was approximately RMB505,202,000, representing a decrease of approximately RMB161,690,000 as compared with approximately RMB666,892,000 of the corresponding period last year.

EARNINGS PER SHARE AND FINAL DIVIDEND

In 2011, the basic and diluted earnings per share attributable to equity holders of ordinary shares of the Company was approximately RMB0.10 and RMB0.10 respectively.

At the Board meeting held on 23 March 2012, the Board recommended the payment of a final dividend for the year ended 31 December 2011 of RMB0.045 (equivalent to HK$0.0555) per ordinary share (2010: RMB0.045 (equivalent to HK$0.0535) per ordinary share), totaling RMB229,818,000 (2010: RMB229,818,000).

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2011, cash and cash equivalents of the Group were approximately RMB1,179,817,000 (31 December 2010: RMB977,365,000). The Group derived its funds mainly from cash inflow from operating activities, bank borrowings, project finance and corporate bonds whereas current assets amounted to approximately RMB6,447,187,000 (31 December 2010: RMB3,775,273,000) and current ratio was 0.48 times (31 December 2010: 0.31 times).

DEBTS

As at 31 December 2011, total borrowings of the Group amounted to approximately RMB41,915,836,000 (31 December 2010: RMB38,069,993,000). All of the Group's bank and other borrowings are denominated in Renminbi, Japanese Yen ("JPY") and United States Dollars ("USD").

Set out below are details of the bank and other borrowings of the Group as at 31 December 2011 and 2010:

	2011 **RMB'000**	2010 RMB'000
Bank borrowings, secured	**21,526,381**	17,589,427
Bank borrowings, unsecured	**11,256,810**	13,148,715
Corporate bonds issued by the Company	**800,000**	800,000
Convertible bonds issued by the Company	**853,454**	—
Corporate bonds issued by Wu Ling Power	**1,994,020**	993,239
Borrowings from group companies	**4,985,911**	5,203,411
Other borrowings	**499,260**	335,201
	41,915,836	38,069,993

The above bank and other borrowings were repayable as follows:

	2011 **RMB'000**	2010 RMB'000
Within one year	**9,352,255**	9,097,101
In the second year	**3,601,660**	2,249,636
In the third to fifth year	**9,736,804**	9,225,703
After the fifth year	**19,225,117**	17,497,553
	41,915,836	38,069,993

Included in the above bank and other borrowings, about approximately RMB12,831,217,000 (2010: RMB11,256,564,000) are subject to fixed interest rates and the others are subject to adjustment based on the corresponding rules of People's Bank of China and bearing interest at rates ranging from 4.78% to 7.76% (2010 : 3.93% to 6.40%) per annum.

In December 2010, the Company issued in Hong Kong certain RMB denominated corporate bonds amounted to RMB800,000,000 which bear interest at 3.20% per annum for 5 years at maturity.

In May 2011, the Company issued 5-year convertible bonds which totaled RMB982,000,000 and bear interest at 2.25% per annum. The bonds were listed on the Hong Kong Stock Exchange on 17 May 2011.

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

The Group's debt to equity ratios (total borrowings/shareholders' equity) as at 31 December 2011 and 31 December 2010 were approximately 319.36% and 311.07% respectively.

CAPITAL EXPENDITURE

In 2011, capital expenditure of the Group was approximately RMB7,484,509,000, which was primarily used for the construction of new power generation units and technical upgrade projects for existing power generation units. Sources of funds were mainly from project financing, bonds and self-generated funds.

RISK MANAGEMENT

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

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

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

FOREIGN EXCHANGE RATE RISKS

The Group is principally operating business in Mainland China, with most transactions denominated in Renminbi. Except certain cash and bank balances and bank borrowings, most of the Group's assets and liabilities were denominated in Renminbi. The acquisition of Wu Ling Power increased the borrowings denominated in JPY and USD. Expected rise in Renminbi exchange rate and JPY exchange rate fluctuation resulted in the increase in the Group's fluctuation in exchange gain/loss, thereby affecting its financial condition and operating results. As at 31 December 2011, the balance of the Group's borrowings denominated in foreign currencies amounted to approximately RMB1,729,702,000 (31 December 2010: RMB2,181,463,000).

A subsidiary of the Group, Wu Ling Power, entered into a derivative financial instrument contract with a view to managing the foreign exchange exposure of its JPY borrowings. The derivative financial instrument contract is mainly to sell USD for JPY with an aggregate nominal principal amount of JPY2,861,672,000 (31 December 2010: JPY3,251,900,000).

PLEDGE OF ASSETS

As at 31 December 2011, the Group pledged its property, plant and equipment with a net book value of approximately RMB555,619,000 (31 December 2010: RMB439,248,000) to certain banks to secure bank loans in the amount of RMB277,320,000 (31 December 2010: RMB150,500,000). In addition, certain bank borrowings were secured by the rights on accounts receivable of certain subsidiaries of the Group. The accounts receivable secured under these facilities as at 31 December 2011 amounted to approximately RMB1,161,965,000 (31 December 2010: RMB1,208,989,000).

CONTINGENT LIABILITIES

As at 31 December 2011, the Group had no material contingent liabilities.

EMPLOYEES

As at 31 December 2011, the Group had a total of 7,892 full-time employees.

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

The Group also focused on the training of employees and communication between employees of different positions. It continued to improve the professional and technical skills and overall competence of its employees to satisfy the needs of its expanding business.

OUTLOOK FOR 2012

In 2012, the growth of China's economy will slow down due to the global economic downturn under the worsening European debt crisis. Although the growth of electricity demand will be dampened, it will remain its upward trend. As for coal prices, the National Development and Reform Commission has implemented temporary price intervention measures to limit the surge in the electricity-used coal prices of major contracts. However, the electricity-used coal prices remain high and cost pressure lingers. Besides, the National Development and Reform Commission raised the tariff in December 2011 which will have positive effects on the electricity industry in 2012. In addition, the economic development of China remains satisfactory and will be favourable to the electricity industry. With the changes of the macro economy, adverse factors such as the expectation of inflation and interest hikes will be mitigated while capital pressure will be alleviated and financial conditions will be improved.

In 2012, the Group will adapt to internal and external changes in response to the complicated market environment. It will speed up its restructuring and focused on its major strategies to enhance its competitive edges. The Group will endeavor to maintain its healthy operation by adhering to the "Two prices and one volume" (tariff, coal price and power generation) principle and improving operation efficiency. It will strive for technological innovation and speed up equipment renewal and update to achieve energy conservation and emission reduction. Management structure will also be optimized to strengthen its management capabilities and create synergies. By closely monitoring the trend of the capital market, the Group will reinforce its communication with investors to build a positive market image. With its commitment to its human-oriented corporate culture of "still water runs deep", the Company will strengthen its competence.

CORPORATE GOVERNANCE

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

CORPORATE GOVERNANCE REPORT

Except for the deviations from Rules A.2.1 and A.4.2, the Company has strictly complied with the code provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 to the Listing Rules in 2011. The Corporate Governance Report of the Company during the year is set out below:

A. DIRECTORS

A.1 THE BOARD

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

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

A.2 CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

Committee. The Executive Committee was formed by all Executive Directors and senior management and meetings were convened regularly to make decisions on matters concerning the daily management and business of the Company.

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

A.3 BOARD COMPOSITION

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

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

A.4 APPOINTMENTS, RE-ELECTION AND REMOVAL

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

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

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

A.5 RESPONSIBILITIES OF DIRECTORS

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

The Company has adopted a set of Code of Conduct for Securities Transactions by Directors ("Code of Conduct"), the terms of which are not less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules. Having made specific inquiries to all Directors, all Directors confirmed that they have complied with the Code of Conduct throughout 2011.

A.6 SUPPLY OF AND ACCESS TO INFORMATION

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

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

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

B. REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

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

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

The Remuneration and Nomination Committee held one meeting during 2011 (average attendance was 100%) to review and make recommendations in respect of the Directors' remuneration in 2011 and the overall remuneration package for Directors and senior management in 2011.

C. ACCOUNTABILITY AND AUDIT

C.1 FINANCIAL REPORTING

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

C.2 INTERNAL CONTROLS

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

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

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

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

In 2011, Internal Control Department of the Company revised the original "Internal Control Manual", on the basis of the original, adding 10 items of businesses for covering all businesses of the Company, ensuring capability of core controls, protecting against all environmental impacts of "super structure, high standards, whole process, strict mandate, emphasising supervision, strengthening assessment" for management control system. Revision of the "Risk Management and Internal Control Specifications" will act as the basis for evaluation of internal control in the future. Due to the new "Risk Management and Internal Control Specification" has not been amended completely, our Internal Control Department had still assessed the internal control systems under the original "Internal Control Manual" in 2011 and reviewed the improvement works regarding the issues discovered during the 2010 internal control assessment. By analyzing various internal control points relating to the business processes, we have a better picture of the current conditions of internal control of each business unit and unearthed defects and weaknesses of the internal control system. The results of the internal control studies are incorporated into the business performance assessments for each subsidiary company. By doing so, potential operation and management risks can be avoided and the corporate governance standards as well as economic benefits can be enhanced.

The Company has enhanced its efforts in internal audit and integrated the management focuses of the Company in this year to develop the audit works of economic responsibility audit, fuel management, fund management and financial control during the term of position of the Company leadership. With enhanced effective internal audit function, internal audits were conducted on the basis of independent supervision and objective and assessment on the adequacy and effectiveness of the internal control system in operation.

C.3 AUDIT COMMITTEE

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

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

The Audit Committee held two meetings during 2011 (average attendance was 100%). The committee together with the senior management, internal and independent auditors of the Company reviewed the internal and independent audit results and discussed matters relating to audit, internal control system and financial reporting.

D. DELEGATION BY THE BOARD

D.1 MANAGEMENT FUNCTIONS

The Board is the highest decision-making and managing body of the Company. Having regard to the best interests of the Company and its shareholders, the Board reviews and approves major matters such as operating strategies, policies, business plans, financial budgets, major investments as well as mergers and acquisitions of the Company. In addition, the Directors have acknowledged that the principal responsibilities of the Board also include corporate governance, supervising and administrating the operations and financial position of the Company, approving the result announcements and other disclosures as required in accordance with applicable laws and regulatory rules, optimising corporate governance structure and promoting the communication with our shareholders.

D.2 EXECUTIVE COMMITTEE

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

The Company established the Executive Committee in 2008. As a committee under the Board, the Executive Committee conducts its work under the guidance of the Board and reports to the Board pursuant to the "Working Guidelines for the Executive Committee" approved by the Board. The Chairman of the Board acts as the chairman of the committee. The members of the committee include the president, vice presidents, financial controller and other senior management. It has been delegated with the responsibility to ensure the effective direction and control of the business and to deliver the Group's long-term strategies and goals. It advises the Board in formulating policies in relation to the Group's business operations, monitors the performance and compliance of the business, and supervises the management to implement the Board resolutions.

The Executive Committee plays an important role in enhancing the quality of corporate governance as well as strengthening the management efficiency of the Company, and acts as a bridge for communication and connection between the Board and the management. It ensures that the Board can timely hear the voices of the operation and management staff and acts timely in respect of material operation affairs of the Company. It meets on a regular basis to review the Group's activities and discuss management and operational issues.

The Executive Committee held nine meetings during 2011. The Chairman of the Board, the president and senior management of the Company all attended each meeting.

E. COMMUNICATION WITH SHAREHOLDERS

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

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

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

Ms. Li Xiaolin, the chairman of the Board, attended the annual general meeting of the Company held on 20 May 2011 and took the chair of that meeting. All other Directors from the Board of the Company and the external independent auditor, PricewaterhouseCoopers, who is responsible for the audit work of the Company, were also present thereat to be available to answer questions to ensure effective communication with shareholders of the Company.

F. ATTENDANCE RECORDS

Details of Directors' attendance at the Board meetings, meetings of Board committees and general meetings held in 2011 are set out in the following table:

Directors	Board	Audit Committee	Remuneration and Nomination Committee	Annual General Meeting
Executive Directors:				
Li Xiaolin *(Chairman of the Board and chief executive officer)*	5/5	—	—	1/1
Gu Dake *(President)* (Note 1)	3/3	—	—	—
Liu Guangchi *(President)* (Note 2)	2/2	—	—	1/1
Non-executive Directors:				
Guan Qihong	5/5	—	—	1/1
Gu Zhengxing (Note 3)	3/4	—	—	1/1
Gao Guangfu (Note 4)	1/1	—	—	—
Independent Non-executive Directors:				
Kwong Che Keung, Gordon *(Chairman of the Audit Committee)*	5/5	2/2	1/1	1/1
Li Fang *(Chairman of the Remuneration and Nomination Committee)*	5/5	2/2	1/1	1/1
Tsui Yiu Wa, Alex	5/5	2/2	1/1	1/1

Notes:

1. Gu Dake was appointed as the executive Director and president of the Company with effect from 11 July 2011.
2. Liu Guangchi ceased to be the executive Director and president of the Company with effect from 11 July 2011.
3. Gu Zhengxing was appointed as the non-executive Director of the Company with effect from 30 March 2011.
4. Gao Guangfu ceased to be the non-executive Director of the Company with effect from 30 March 2011.

G. AUDITOR'S REMUNERATION

For the year ended 31 December 2011, the Company has reviewed the performance of PricewaterhouseCoopers as the Company's auditor (the "Auditor") and is considering its reappointment. For the year ended 31 December 2011, the fee for audit services payable to the Auditor from the Company amounted to approximately HK$7,700,000, and the fees for non-audit services (including services rendered in connection with interim report, continuing connected transactions and the offering memorandum for issue of convertible bonds) amounted to approximately HK$1,990,000.

H. CHANGE IN DIRECTORS' BIOGRAPHICAL DETAILS

Change in Director's biographical details since the date of the Interim Report 2011 of the Company or (as the case may be) the date of announcement for the appointment of the Director issued by the Company subsequent to the date of the Interim Report 2011, which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules, is set out below:

Mr. Kwong Che Keung, Gordon

Appointment

- Chow Tai Fook Jewellery Group Limited (independent non-executive director) with effect from 17 November 2011

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

PRINCIPLES OF ENVIRONMENTAL PROTECTION AND SOCIAL RESPONSIBILITY

2011 was the first year of the "Twelfth Fifth Year" of China. Acceleration of economic transformation and environmental protection are the major focuses of the PRC government. In 2011, the PRC government implemented the "Eleventh Five-Year Plan on Environmental Protection"（國家環境保護「十一五」規劃）, which introduced favourable tariff policies encouraging desulphurization of coal-fired power plants and proposal of tariff policies encouraging denitrification and formulated strict pollutant emission requirement.

As a responsible power generation company, China Power always attaches high emphasis on environmental protection. Ms. Li Xiaolin, the Chairman of the Board of China Power, strongly promoted the message of "light and power to the world, and clear water and blue skies to our children". China Power continued to promote the use of clean energy by developing hydropower, improve the traditional coal-fired power technology and implement energy saving and consumption reduction measures to fulfill its social responsibility in the era of low carbon.

ENERGY SAVING AND ENVIRONMENTAL PROTECTION MEASURES IN 2011

1. Promoting the use of clean energy by the development of hydropower

As for 31 December 2011, installed capacity of hydropower of the Company was 2,906 MW, representing 25.25% of the total attributable installed capacity, making the Company an overseas-listed power producer in the PRC with the highest percentage of installed capacity of hydropower. China Power will further develop hydropower through acquisition and construction. In 2011, the Company successfully acquired Xingtie and secured the hydropower projects in Sequ River（色曲河）and Jiesigou River Basin（結斯溝流域）in Sichuan.

In 2011, the hydropower generation of China Power exceeded 8.7 billion KWh, which could be interpreted as a decrease in a standard coal consumption of 2,796,800 tons in terms of 320 g/KWh of coal consumption, a reduction in sulphur dioxide emission by 141,000 tons, a reduction in carbon dioxide emission of 7,759,900 tons, a reduction in nitrogen oxide emission of 37,200 tons and a reduction in smoke and dust discharging of 33.849 billion standard cubic meters.

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

China Power endeavoured to improve the environmental indicators of coal-fired power generation units. All coal-fired power generation units of China Power have been equipped with desulphurization devices. As a result, the total volume and performance of pollutant discharging has reduced constantly with a desulphurization rate reaching 93.57% and sulphur dioxide emission reducing by 210,800 tons.

In 2011, China Power strictly controlled the amount of greenhouse gases and pollutants discharged from power generation. The emissions of carbon dioxide and dusts decreased by 534,000 tons and 1,900 tons respectively during the year. Nitrogen oxide emission also reduced by 0.13g/KWh as compared to that of last year.

3. Reducing Energy Consumption of Coal-fired Power Generation Units

Through setting up a technology exchange platform, China Power promoted the utilization of advanced technologies and organized domestic and foreign experts to carry out onsite inspection for energy conservation in units to find out defects in the management of energy conservation. Aiming to meet the benchmarking of production and operation, China Power refined the management assessment and carried out A-grade maintenance of generation unit No.2 of Pingwei Power Plant and generation unit No.6 of Yaomeng Power Plant for energy conservation, and the expected targets were achieved. The Company refined the energy consumption of other generation units through maintenance and repairing and optimization. In addition to increasing the profitability of coal-fired power generation units, the improvement of energy consumption also reduced the emission of pollutants.

Through the technological refinement and the optimization of operation, the energy consumption in power generation was reduced. In 2011, the coal-fired power generation units of China Power had an average coal consumption rate of 319.40g/KWh, representing a decrease of 5.12g/KWh from 2010. The standard coal consumption reduced by approximately 214,200 tons for the entire year.

SOCIAL DONATIONS OF CHINA POWER

China Power has been concerned with its staff. With the encouragement from China Power since 2005, the staff has been making contributions to and set up the “Serious Illness Assistance Fund(特重病救助基金)”. The fund will provide financial assistances to the staff suffered from serious illnesses once a year. In 2011, the number of staff or its family member who was provided with the financial assistance was 155, and the total amount of such financial assistance was RMB2,107,102.

In 2011, charity donation of China Power and its subsidiaries amounted to RMB537,552 in total. Of which, RMB120,000 was donated by the staff of China Power to schools and children in poverty-stricken areas through various channels, such as the charity website of “Yingshanhong” organized by the youth league committee of CPI Group.

Investor Relations

The Company, the Board and the management deeply acknowledge that investor relations is a strategic management activity which could enhance understanding between investors and the Company, upgrade the level of corporate governance, transparency and strategic credibility and create values for shareholders. Since the listing of the Company, we have been putting effort in investor relations works, respecting the investment made by investors and maintaining good communications with the investors, and the Board has always prioritized the communications with the investors as its key task.

The Board, senior management and investor relation team has formulated a series of plans and activities of investor relations to maintain interactions with the investors. The Chairman of the Board, directors and senior management arrange meetings with investors upon their requests. With our sincerity and dedication, we have been devoted to maintaining timely communication with investors in order to keep them abreast of the operation and management of the Company as well as the future expansion plans and profit growth of the Company. Our effort is well-recognized by investors and the Company has developed interactive relations with them.

PRESS CONFERENCES FOR ANNUAL AND INTERIM RESULTS

After the publications of its 2010 annual and 2011 interim results, the Company organized the results press conferences in 2011 to give a detailed account of the annual and interim results of the Company. The Chairman, directors and senior management attended the conferences and had direct communications with investors, securities analysts and financial media to keep them abreast of the business development and overall strategic planning of the Company as well as the future expansion plans and profit growth of the Company.

ANNUAL GENERAL MEETING

The Chairman, directors and senior management attended the annual general meeting in 2011 to answer enquiries from shareholders and investors attending the meeting.

ROADSHOWS

In 2011, the Company held two overseas roadshows announcing its results, namely roadshows for annual results and interim results. The senior management and investor relation team participated in the roadshows to interview and communicate with investors.

TELECONFERENCE WITH SPECIAL ANALYSTS

In 2011, the Company organized a teleconference with analysts in respect of the cooperation with Huainan Mining Group. The senior management attended the meeting to provide details of the cooperation and answer questions raised by investors.

INVESTOR CONFERENCE

In 2011, the senior management and investor relation team participated in six investor conferences organized by major investment banks in Macau, Hong Kong, Beijing and Shanghai, and attended small-scale seminars held by investment banks to maintain interactive communications with investors.

REGULAR MEETINGS WITH INVESTORS

The senior management and investor relation team had meetings with investors and analysts upon their requests to introduce the information and recent operations of the Company and answer questions raised by investors.

In 2011, the Company conducted more than 100 one-on-one meetings or seminars with several hundred investors and analysts, thereby maintaining good communication with securities analysts, investors and financial media.

1. WHAT IS THE COMPANY'S DEVELOPMENT STRATEGY?

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

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

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

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

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

CPI Group is a large power enterprise with a diversified and quality asset portfolio. As at the end of 2011, the controlled installed capacity of CPI Group amounted to 77GW. While developing large-scale and regular coal-fired and hydropower projects, CPI Group has obtained the controlling rights to develop nuclear power, and is currently participating in several nuclear projects with equity interests. Furthermore, CPI Group also has expanded its presence in the development of coal mining, port and electrolytic aluminum.

In 2012, the Company will continue to seize investment opportunities in the areas of hydropower and coal-fired power. Capitalised on the support of its parent company, the Company will continue to optimize its asset structure and develop into a unique listed power company with hydropower and coal-fired power generation businesses.

3. HOW IS THE INCREASE OF THE COMPANY'S TARIFF FOR 2011? WHAT IS THE CURRENT TARIFF LEVEL?

National Development and Reform Commission announced to increase the tariff in May and November 2011. In 2011, the average tariff of coal-fired power plants increase by RMB42.9/MWh, while the average tariff of hydropower plants increase by RMB23.7/MWh.

In 2011, the average realized tariff of coal-fired power plants of the Company was RMB348.39/MWh, representing an increase of 6.14% as compared with RMB328.25/MWh of last year, while the average realized tariff of hydropower plants of the Company was RMB281.84/MWh, representing an increase of 8.94% as compared with RMB258.71/MWh of last year.

4. WHAT IS THE COMPANY'S UTILIZATION HOURS FOR 2011 AND THE EXPECTATION FOR 2012?

As the PRC economy continued to improve in 2011, the demand for energy maintained rapid growth and electricity consumption recorded a year-on-year increase of 11.70%. The average utilization hours of power generation facilities in the PRC were 4,731 hours, representing a growth of two consecutive years. Of which, the average utilization hours of hydropower generation facilities were 3,028 hours, representing a year-on-year decrease of 376 hours which was the lowest in past three decades, while the average utilization hours of coal-fired power generation facilities were 5,294 hours, representing a year-on-year increase of 264 hours which was the highest since 2004.

In 2011, the average utilization hours of coal-fired power plants of China Power realized were 5,783 hours, representing a year-on-year increase of 454 hours. The average utilization hours of hydropower plants realized were 2,502 hours.

It is expected that the PRC economy will slow down due to the sluggish global economy in 2012 and the growth of demand will maintain but descend. According to the estimate of China Electricity Council, the annual energy consumption will be 5.14 trillion KWh, representing a year-on-year increase of approximately 9.5%. The average utilization hours of power generation facilities will be approximately 4,750 hours.

5. WHAT IS THE REASON FOR THE DECREASE OF TARIFF OF THE COMPANY'S HYDROPOWER PLANTS?

In 2011, there was a shortage in water supply for hydropower plants in the PRC. The utilization hours of hydropower generation facilities was 3,028 hours, which was the lowest in past three decades.

The water flow in 2011 of Yuan Jiang River where Wu Ling Power located was the lowest since 1925. Due to the uncommon drought, the generation of hydropower plants of the Company decreased as compared to last year.

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

Among the coal-fired power plants of China Power in 2011, the preferential tax treatment "First two years exemption and subsequent three years 50% reduction" of Pingwei Power Plant, Yaomeng Power Plant, Changshu Power Plant and Shentou Power Plant I has been expired. However according to the relevant PRC income tax rules and regulations, special income tax rates have been granted to them as being foreign invested enterprises which are engaged in the energy, transportation or infrastructure activities and these power plants are subject to an income tax rate of 24% for the year. Yaomeng Power Plant II, Pingwei Power Plant II and Dabieshan Power Plant enjoy the preferential tax treatment "First two years exemption and subsequent three years 50% reduction" in 2011 and tax rate was 12%. The preferential tax treatment will end in 2013. Most of the hydropower plants of the Group are subject to the applicable tax rate of 25%, and the applicable tax rate of some small hydropower plants in Sichuan is less than 25%.

7. WHAT IS THE COMPANY'S DIVIDEND POLICY?

The dividend policy of the Company has taken into account of the cash flow, development needs and dividend payout ratio of peers. The dividend payout ratio of China Power for the year 2005, 2006, 2007, 2009 and 2010 were 37.5%, 41.0%, 32.9%, 44.3% and 34.46%, respectively. In 2008, the Board did not declare dividend payment because the Company recorded a loss in annual results.

The Board recommended the dividend payment of RMB0.045 per shares for the year 2011, and dividend payout ratio was 45.49%.

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

The Board of Directors (the “Board”) hereby presents to the shareholders its report together with the audited accounts of the Group for the year ended 31 December 2011 (the “Accounts”).

PRINCIPAL ACTIVITIES

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

RESULTS AND DISTRIBUTION

The results of the Group for the year ended 31 December 2011 are set out in the Consolidated Income Statement on page 64. The Board has recommended the payment of a final dividend of RMB0.045 (equivalent to HK$0.0555) per share for the year ended 31 December 2011, with a total amount of approximately RMB229,818,000.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group acquired property, plant and equipment of approximately RMB6,263,194,000, mainly representing general power assets. Details of the movements in property, plant and equipment of the Group and the Company during the year are set out in Note 16 to the Accounts.

SHARE CAPITAL

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

BONDS ISSUED

The Company issued RMB982,000,000 USD settled 2.25% convertible bonds due 2016 in May 2011. The proceeds were used for the Company’s future capital expenditure, existing loans repayable, and general working capital. In addition, Wu Ling Power, a subsidiary of the Company, also issued by two tranches in an aggregate amount of RMB1 billion 1 year-debentures in February and March 2011. Details of movements in the corporate bonds of the Group and the Company during the year are set out in Note 33 to the Accounts.

RESERVES

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

DISTRIBUTABLE RESERVE

Calculated under Section 79B of the Companies Ordinance, as at 31 December 2011, the distributable reserve of the Company amounted to RMB1,730,351,000 (2010: RMB877,998,000).

DIRECTORS

The present Directors of the Company are set out in the section headed "Corporate Information" in this annual report. Biographical details of each of the Directors are set out in the section headed "Directors and Senior Management Profiles" in this annual report, and details of Directors' emoluments are set out in Note 15 to the Accounts.

In accordance with Articles 81 and 82 of the Company's Articles of Association, Mr. Gu Dake, Mr. Li Fang and Mr. Tsui Yiu Wa, Alec will retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting. If the above Directors are re-elected, they will not enter into service contracts with the Company or any of its subsidiaries which are not determinable by the employing company within one year without payment of compensation other than statutory compensation.

As at 31 December 2011, none of the Directors had a service contract with the Company or any of its subsidiaries which was not determinable by the employing company within one year without payment of compensation other than statutory compensation.

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

SHARE OPTION SCHEMES

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

(A) PRE-IPO SHARE OPTION SCHEME

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

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

As at the date of this annual report, a total of 5,856,900 shares (representing approximately 0.11% of the existing issued share capital of the Company) may be issued by the Company if all share options which had been granted under the Pre-IPO Share Option Scheme have been exercised.

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

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

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

The share options of the Pre-IPO Share Option Scheme were granted to the Directors, senior management and certain other employees of the Company on 18 September 2004 and to certain other employees of the Company on 11 October 2004. The fair value of these share options determined at the dates of grant using the Model were HK$9,875,200 and HK$4,006,000 respectively. All such fair value has already been expensed regressively through the Group’s income statement over the four-year vesting period of the share options commencing from the year ended 31 December 2004 and no share option expense (2010: Nil) has been recognised for the year ended 31 December 2011.

Movements of the share options granted under the Pre-IPO Share Option Scheme during the year ended 31 December 2011 are as follows:

Grantee	Date of grant	Number of shares subject to share options					Expiry date	Exercise price per share (HK$)
		As at 1 January 2011	Granted during the year	Lapsed or cancelled during the year	Exercised during the year	Outstanding as at 31 December 2011		
Director:								
LI Xiaolin	18 September 2004	1,661,500	—	—	—	1,661,500	17 September 2014	2.53
GU Dake	18 September 2004	872,300	—	—	—	872,300	17 September 2014	2.53
Other employees	18 September 2004	3,032,300	—	207,700	—	2,824,600	17 September 2014	2.53
	11 October 2004	1,038,500	—	540,000	—	498,500	10 October 2014	2.53

(B) SHARE OPTION SCHEME

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

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

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

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

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

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

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

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

(c) the nominal value of the shares.

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

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

(1) RIGHTS ON A GENERAL OFFER

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

(2) RIGHTS ON SCHEMES OF COMPROMISE OR ARRANGEMENT

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

(3) RIGHTS ON A VOLUNTARY WINDING-UP

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

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

Pursuant to the Share Option Scheme, the share options were granted to the Directors, senior management and certain other employees on 4 April 2007 and 2 July 2008 respectively. The fair value of these share options determined at the dates of grant using the Model were HK$23,517,000 and HK$18,346,000 respectively. For the year ended 31 December 2011, an amount of share option expense of RMB1,297,000 has been recognised, with a corresponding adjustment recognised in the Group's employee share-based compensation reserve.

Movements of the share options under the Share Option Scheme for the year ended 31 December 2011 are as follows:

		Number of shares subject to share options						
Grantee	Date of grant	As at 1 January 2011	Granted during the year	Lapsed or cancelled during the year	Exercised during the year	Outstanding as at 31 December 2011	Expiry date	Exercise price per share (HK$)
Directors:								
LI Xiaolin	4 April 2007	1,905,000	—	—	—	1,905,000	3 April 2017	4.07
	2 July 2008	820,000	—	—	—	820,000	1 July 2018	2.326
GU Dake	4 April 2007	1,377,000	—	—	—	1,377,000	3 April 2017	4.07
	2 July 2008	700,000	—	—	—	700,000	1 July 2018	2.326
GUAN Qihong	2 July 2008	400,000	—	—	—	400,000	1 July 2018	2.326
Other employees	4 April 2007	9,637,000	—	2,275,000	—	7,362,000	3 April 2017	4.07
	2 July 2008	23,880,000	—	2,980,000	—	20,900,000	1 July 2018	2.326

DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

Name of the Director	Position(s) within Company	Other Interests
LI Xiaolin	Chairman, Executive Director and Chief Executive Officer	Deputy general manager of CPI Group; chairman of CPI Holding; chairman of China Power New Energy Development Limited and director of Companhia de Electricidade de Macau
GU Dake	Executive Director and President	Director and general manager of CPI Holding
GUAN Qihong	Non-executive Director	Director of CPI Holding, director of CPI Financial and supervisor of the Capital Market and Equity Management Department of CPI Group
GU Zhengxing	Non-executive Director	Deputy general manager of the branch company of CPI Group in Hunan and the general manager of Wu Ling Power, a 63%-owned subsidiary of the Company

DIRECTORS' INTEREST IN CONTRACTS

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

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

As at 31 December 2011, save as disclosed below, none of the Directors or the chief executive has any interest or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations within the meaning of Part XV of the Securities and Futures Ordinance, Cap. 571 of the Laws of Hong Kong (the "SFO") which will have to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or which will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or which will be required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

Name	Capacity	Name of company in which interests are held	Date of grant	Number of underlying shares interested under physically settled equity derivatives	Percentage of issued share capital of the Company (%)	Long/Short position
LI Xiaolin	Beneficial owner	the Company	18 September 2004, 4 April 2007 and 2 July 2008	4,386,500	0.086	Long
GU Dake	Beneficial owner	the Company	18 September 2004, 4 April 2007 and 2 July 2008	2,949,300	0.058	Long
GUAN Qihong	Beneficial owner	the Company	2 July 2008	400,000	0.0078	Long

Notes:

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

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

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 31 December 2011, save as disclosed below, no person, not being a Director nor chief executive of the Company, had an interest or short position in the shares or underlying shares of the Company which should be recorded in the register kept under Section 336 of the SFO.

Name	Capacity	Number of shares in which interested other than under equity derivatives[3]	Percentage of issued share capital of the Company (%)	Long/Short position
China Power Development Limited ("CPDL")	Beneficial owner	1,996,500,000	39.09	Long
CPI Holding[1]	Interest of a controlled corporation	1,996,500,000	39.09	Long
	Beneficial owner	1,532,827,927	30.01	Long
CPI Group[2]	Interests of controlled corporations	3,529,327,927	69.11	Long

Notes:

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

(2) CPI Group is the beneficial owner of CPI Holding and therefore CPI Group is deemed to be interested in 1,532,827,927 and 1,996,500,000 shares owned by CPI Holding and CPDL respectively for the purposes of the SFO.

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

CONNECTED TRANSACTIONS ENTERED BY THE GROUP

CONNECTED TRANSACTION

Contract for Construction of Desulphurization System (the "Contract")

Date:	23 September 2011
Contracting fees:	RMB84,209,040
Employer:	Shentou I Power Plant
Contractor:	CPI Yuanda Environmental-Protection Engineering Company Limited

According to the Contract, Shentou I Power Plant engaged the Contractor to construct the desulphurization system for two new 600 MW super-critical coal-fired power generation units in the Shanxi Province of the PRC (the "Project"). The Contract comprised the desulphurization master contract and its three supplemental agreements, namely (1) the equipment and material supply agreement, (2) construction and installation agreement and (3) technical services agreement for purchase and supply of equipment, materials, parts and tools, construction and installation, and technical advisory and support in relation to the construction of the desulphurization system for the Project.

Principal payment terms: within one month from the date of the Contract, the Employer is required to pay the Contractor 10% of the total contracting fees as an advance payment. The advance payment is an irrevocable performance pledge to carry out the Contract which can be set off against the contracting fees pursuant to terms of each of the supplemental agreements. Apart from the 10% advance payment, the balance of the contracting fees will be payable by installments in accordance with the specific progresses made by the Contractor, verified and confirmed by the Employer pursuant to the terms of each of the supplemental agreements.

Shentou I Power Plant is a subsidiary of the Company. CPI Yuanda Environmental-Protection Engineering Company Limited is a subsidiary of CPI Group, and CPI Group is the ultimate controlling shareholder of the Company. Accordingly, the Contract for Construction of Desulphurization System constitutes a connected transaction of the Company under the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

(A) LAND LEASE AGREEMENTS

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

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

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

Pingwei Power Plant and Yaomeng Power Plant are subsidiaries of the Company. CPI Group is the ultimate controlling shareholder of the Company. Accordingly, the Land Lease Agreements constitute continuing connected transactions of the Group under the Listing Rules.

2. Shentou I Power Plant Land Use Right Lease Agreement

On 9 June 2005, Tianze Development Limited, the holding company of Shentou I Power Plant, entered into a land use right lease agreement (the "Land Use Right Lease Agreement") with CPI Group regarding the lease from CPI Group of a piece of land with an area of approximately 2,925,019.15 sq. m. for a lease term of 20 years commencing from 1 July 2005. The annual rent for the period up to 31 December 2011 is fixed at RMB4,940,000. The rental amount is subject to review by the parties with reference to an independent valuation upon expiry of the said period.

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

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

(B) PROPERTY LEASE AGREEMENT

1. Beijing Property Lease Agreement

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

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

2. Wu Ling Lease Agreement

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

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

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

(C) PURCHASE AGREEMENTS

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

On 21 December 2009, each of Pingwei Power Plant II and Yaomeng Power Plant II entered into the purchase agreements with the Beijing China Power Environmental Engineering Company Limited*(北京中電環境工程有限公司) (the "Supplier") respectively pursuant to which each of Pingwei Power Plant II and Yaomeng Power Plant II agreed to purchase from the Supplier the limestone power for desulphurization (the "Materials").

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

Pingwei II Power Plant Purchase Agreement

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

Yaomeng II Power Plant Purchase Agreement

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

2. Pingwei Power Plant and Yaomeng Power Plant Purchase Agreements

On 28 December 2010, Pingwei Power Plant and Yaomeng Power Plant entered into the Pingwei Purchase Agreement and Yaomeng Purchase Agreement with the Supplier for purchase from it the Materials respectively. The principal terms of the two purchase agreements are as follows:

Pingwei Purchase Agreement

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

Yaomeng Purchase Agreement

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

As Pingwei Power Plant, Yaomeng Power Plant, Pingwei Power Plant II and Yaomeng Power Plant II are subsidiaries of the Company, and the Supplier is an indirect subsidiary of CPI Holding, therefore the Supplier is a connected person of the Company and the above purchase agreements constitute continuing connected transactions of the Company.

3. Fuxi Power Plant Purchase Agreement

On 6 May 2011, Fuxi Power Plant entered into a purchase agreement with Sichuan Yibin China Power Environmental Company Limited*（四川宜賓中電環境工程有限公司）(the "Supplier"), and agreed to purchase the limestone power for desulphurization (the "Materials"). The principal terms of the purchase agreement are as follows:

- Term: 1 December 2011 to 31 December 2012
- Maximum amount: 250,000 tons of the Materials for each financial year
- Annual cap: RMB39,875,000

As Fuxi Power Plant is subsidiary of the Company, and the Supplier is an indirect subsidiary of CPI Holding, therefore the Supplier is a connected person of the Company and the above purchase agreement constitute continuing connected transactions of the Company.

(D) SERVICE AGREEMENTS

1. Pingwei Power Plant and Yaomeng Power Plant Service Agreements

On 21 December 2009, Pingwei Power Plant entered into a series of service agreements with Pingwei Maintenance Company and Pingwei Industrial Company (the "Pingwei Service Agreements"), and Yaomeng Power Plant also entered into a series of service agreements with Yaomeng Engineering Company and Yaomeng Industrial Company (the "Yaomeng Service Agreements") in relation to the provision of various services in connection with their day-to-day businesses and operations. The relevant terms of the service agreements are summarised below:

Pingwei Service Agreements

- Term: 1 January 2010 to 31 December 2012

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

Yaomeng Service Agreements

- Term: 1 January 2010 to 31 December 2012

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

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

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

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

(a) Parties

- Relevant Supplier; and
- Relevant Employer.

(b) Fee Payable

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

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

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

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

(E) PRODUCTION TARGET SALE AND PURCHASE AGREEMENT

On 29 December 2010, the Company entered into a product target sale and purchase agreement (the "Production Target Sale and Purchase Agreement") with CPI Group for a term of three years, commencing from 1 January 2011 and ending on 31 December 2013.

According to the agreement, the parties agreed that their respective subsidiaries, associates or power plants may trade the production targets with each other to the extent permissible under the PRC laws, rules, regulations and policies. In addition, if any subsidiaries, associates or power plants of the CPI Group decides to transfer their production targets to the Company's subsidiaries or power plants, they will enter into a replacement agreement (the "Replacement Agreement") setting out details of the terms and amount of the production targets being transferred. The Replacement Agreement will then be submitted to the relevant PRC government department for approval and confirmation.

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

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

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

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

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

(F) HUAINAN MINING COAL SUPPLY FRAMEWORK AGREEMENT

On 26 July 2011, the Company entered into a coal supply framework agreement (the "Coal Supply Framework Agreement") with Huainan Mining Group（淮南礦集團）("Huainan Mining") in relation to the supply of coal to Pingwei Power Plant, Pingwei Power Plant II and Dabieshan Power Plant from Huainan Mining for a term of three years, commencing on the date when the Coal Supply Framework Agreement was signed and expiring on 31 December 2013 (both days inclusive).

The estimated aggregate annual amount of coal supply under the Huainan Mining Coal Supply Framework Agreement for the three financial years is as follows:

Financial year ended 31 December	Aggregate annual amount of coal supply
2011	not exceed 8,500,000 tonnes
2012	not exceed 9,000,000 tonnes
2013	not exceed 10,000,000 tonnes

The estimated annual caps under the Huainan Mining Coal Supply Framework Agreement for the three financial years are as follows:

Financial year ended 31 December	Annual caps (RMB)
2011	5,200,000,000
2012	6,400,000,000
2013	7,300,000,000

As Huainan Mining is the substantial shareholder of Pingwei Power Plant II and Dabieshan Power Plant, the subsidiaries of the Company, therefore is a connected person of the Company under the Listing Rules. Accordingly, the above Coal Supply Framework Agreement constitutes a continuing connected transaction of the Company.

REVIEW BY AUDIT COMMITTEE MEMBERS AND AUDITOR

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

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

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

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

The Company has engaged the auditor to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing the findings and conclusions in respect of the continuing connected transactions disclosed by the Group in pages 53 to 59 of the annual report in accordance with Rule 14A.38 of the Listing Rules.

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

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2011, the aggregate amount of purchases attributable to the Group's five largest suppliers accounted for approximately 97.06% of the Group's total purchases and purchases attributable to the Group's largest supplier accounted for approximately 52.90% of the Group's total purchases.

For the year ended 31 December 2011, the aggregate amount of turnover attributable to the Group's five largest customers accounted for approximately 90.23% of the Group's total turnover and turnover attributable to the Group's largest customer accounted for approximately 26.12% of the Group's total turnover.

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

PUBLIC FLOAT

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

AUDITOR

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

On behalf of the Board
China Power International Development Limited

Li Xiaolin
Chairman

Hong Kong, 23 March 2012

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF

CHINA POWER INTERNATIONAL DEVELOPMENT LIMITED

(incorporated in Hong Kong with limited liability)

We have audited the consolidated accounts of China Power International Development Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 64 to 175, 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 ACCOUNTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated accounts based on our audit and to report our opinion solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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pwc

羅兵咸永道

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

(incorporated in Hong Kong with limited liability)

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

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

OPINION

In our opinion, the consolidated accounts give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 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 Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 23 March 2012

Consolidated Income Statement

For the year ended 31 December 2011

	Note	Year ended 31 December **2011** **RMB'000**	 2010 RMB'000
Revenue	5	**16,082,062**	14,436,659
Other income	6	**234,442**	185,203
Fuel costs		**(9,940,476)**	(8,292,780)
Depreciation		**(1,809,808)**	(1,712,388)
Staff costs	11	**(824,685)**	(747,462)
Repairs and maintenance		**(490,136)**	(480,076)
Consumables		**(187,214)**	(180,462)
Other gains, net	7	**65,380**	133,851
Other operating expenses		**(856,136)**	(779,949)
Operating profit	8	**2,273,429**	2,562,596
Finance income	9	**108,903**	104,018
Finance costs	9	**(1,572,016)**	(1,514,064)
Share of (losses)/ profits of associated companies		**(4,073)**	112,327
Share of losses of jointly controlled entities		**(24,024)**	(18,395)
Profit before taxation		**782,219**	1,246,482
Taxation	10	**(193,849)**	(380,227)
Profit for the year		**588,370**	866,255
Attributable to:			
Equity holders of the Company		**505,202**	666,892
Non-controlling interests		**83,168**	199,363
		588,370	866,255
Earnings per share for profit attributable to equity holders of the Company during the year (expressed in RMB per share)			
– basic	13	**0.10**	0.13
– diluted	13	**0.10**	0.13

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

The notes on pages 75 to 175 are an integral part of these consolidated accounts.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2011

	Year ended 31 December	
	2011	2010
	RMB'000	RMB'000
Profit for the year	**588,370**	866,255
Other comprehensive income / (loss)		
– Fair value gain/(loss) on available-for-sale financial assets, net of tax	**226,949**	(640,697)
Total comprehensive income for the year	**815,319**	225,558
Attributable to:		
– Equity holders of the Company	**732,151**	26,195
– Non-controlling interests	**83,168**	199,363
Total comprehensive income for the year	**815,319**	225,558

The notes on pages 75 to 175 are an integral part of these consolidated accounts.

Consolidated Balance Sheet

As at 31 December 2011

	Note	As at 31 December 2011 RMB'000	2010 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	16	**49,350,730**	44,950,107
Prepayments for construction of power plants	17	**2,385,556**	1,836,820
Land use rights	18	**457,764**	458,544
Goodwill	19	**767,365**	767,365
Interests in associated companies	21	**1,523,617**	1,587,565
Interests in jointly controlled entities	22	**351,949**	135,881
Available-for-sale financial assets	23	**2,063,105**	1,733,650
Long-term loans to a fellow subsidiary	24	**—**	1,500,000
Deferred income tax assets	38	**45,187**	45,152
		56,945,273	53,015,084
Current assets			
Inventories	25	**730,971**	336,136
Accounts receivable	26	**1,911,467**	1,716,569
Prepayments, deposits and other receivables		**791,627**	717,121
Amounts due from related companies	27	**332,109**	26,886
Current portion of long-term loans to a fellow subsidiary	24	**1,500,000**	—
Tax recoverable		**1,196**	1,196
Cash and cash equivalents	28	**1,179,817**	977,365
		6,447,187	3,775,273
Total assets		**63,392,460**	56,790,357

The notes on pages 75 to 175 are an integral part of these consolidated accounts.

	Note	As at 31 December **2011** RMB'000	2010 RMB'000
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	29(a)	**5,121,473**	5,121,473
Share premium	29(b)	**4,303,111**	4,303,111
Reserves	30	**3,700,408**	2,813,915
		13,124,992	12,238,499
Non-controlling interests		**3,364,510**	2,655,698
Total equity		**16,489,502**	14,894,197
LIABILITIES			
Non-current liabilities			
Deferred income		**75,289**	93,863
Long-term bank borrowings	31	**26,881,231**	24,141,041
Long-term borrowings from ultimate holding company	32	**1,473,816**	1,473,816
Long-term borrowings from CPI Financial Company ("CPIF")	32	**1,161,800**	1,429,595
Corporate bonds	33	**1,794,020**	1,793,239
Convertible bonds	33	**853,454**	—
Long-term other borrowings	33	**399,260**	135,201
Obligations under finance leases	34	**166,623**	184,337
Deferred income tax liabilities	38	**741,934**	570,095
Other long-term liabilities		**8,557**	11,903
		33,555,984	29,833,090

The notes on pages 75 to 175 are an integral part of these consolidated accounts.

	Note	As at 31 December 2011 RMB'000	2010 RMB'000
Current liabilities			
Accounts and bills payables	35	**875,389**	461,206
Construction cost payable		**1,987,536**	1,059,060
Other payables and accrued charges	36	**875,384**	897,030
Derivative financial instruments	37	**32,965**	71,902
Amounts due to related companies	27	**128,110**	203,628
Current portion of long-term bank borrowings	31	**2,702,450**	2,342,585
Short-term bank borrowings	31	**2,987,800**	3,724,700
Other current bank borrowings	31	**211,710**	529,816
Short-term borrowings from CPIF	32	**1,680,000**	2,300,000
Current portion of long-term borrowings from CPIF	32	**670,295**	—
Short-term other borrowings	33	**1,100,000**	200,000
Current portion of obligations under finance leases	34	**17,714**	16,804
Taxation payable		**77,621**	256,339
		13,346,974	12,063,070
Total liabilities		**46,902,958**	41,896,160
Total equity and liabilities		**63,392,460**	56,790,357
Net current liabilities		**6,899,787**	8,287,797
Total assets less current liabilities		**50,045,486**	44,727,287

Li Xiaolin
Director

Gu Dake
Director

The notes on pages 75 to 175 are an integral part of these consolidated accounts.

	Note	As at 31 December 2011 RMB'000	2010 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	16	**1,770**	1,928
Investments in subsidiaries	20	**7,993,050**	8,345,465
Interests in an associated company	21	**552,500**	552,500
Interests in jointly controlled entities	22	**386,198**	34,606
Available-for-sale financial assets	23	**1,908,393**	1,605,794
		10,841,911	10,540,293
Current assets			
Prepayments, deposits and other receivables		**11,650**	2,652
Amounts due from related companies	27	**202,387**	2,000
Amounts due from subsidiaries	20	**2,252,759**	1,463,335
Dividends receivable		**869,357**	499,319
Cash and cash equivalents	28	**584,945**	597,492
		3,921,098	2,564,798
Total assets		**14,763,009**	13,105,091
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	29(a)	**5,121,473**	5,121,473
Share premium	29(b)	**4,303,111**	4,303,111
Reserves	30	**2,286,452**	1,085,309
		11,711,036	10,509,893

The notes on pages 75 to 175 are an integral part of these consolidated accounts.

	Note	As at 31 December 2011 RMB'000	2010 RMB'000
LIABILITIES			
Non-current liabilities			
Corporate bonds	33	**800,000**	800,000
Convertible bonds	33	**853,454**	—
Deferred income tax liabilities	38	**119,023**	43,373
		1,772,477	843,373
Current liabilities			
Other payables and accrued charges	36	**31,774**	46,566
Amounts due to related companies	27	**7,720**	105,079
Amounts due to subsidiaries	20	**1,022,708**	1,045,938
Other current bank borrowings	31	**211,710**	529,816
Taxation payable		**5,584**	24,426
		1,279,496	1,751,825
Total liabilities		**3,051,973**	2,595,198
Total equity and liabilities		**14,763,009**	13,105,091
Net current assets		**2,641,602**	812,973
Total assets less current liabilities		**13,483,513**	11,353,266

Li Xiaolin
Director

Gu Dake
Director

The notes on pages 75 to 175 are an integral part of these consolidated accounts.

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	(Accumulated losses)/ retained earnings (Note 30(iv)) RMB'000	Non-controlling interests RMB'000	Total RMB'000
Balance at 1 January 2011	5,121,473	4,303,111	2,854,444	(40,529)	2,655,698	14,894,197
Other comprehensive income/(loss):						
Increase in fair value of available-for-sale financial assets	—	—	302,599	—	—	302,599
Deferred tax on increase in fair value of available-for-sale financial assets (Note 38)	—	—	(75,650)	—	—	(75,650)
Other comprehensive income, net of tax	—	—	226,949	—	—	226,949
Profit for the year	—	—	—	505,202	83,168	588,370
Total comprehensive income	—	—	226,949	505,202	83,168	815,319
Employee share option benefits	—	—	1,297	—	—	1,297
Lapse of share options	—	—	(4,451)	4,451	—	—
Transfer to statutory reserves	—	—	21,466	(21,466)	—	—
Equity component of convertible bonds (Note 33(c))	—	—	124,995	—	—	124,995
Acquisition of subsidiaries (Note 40)	—	—	—	—	167	167
Transactions with non-controlling interests (Note 41)	—	—	257,868	—	454,342	712,210
Contributions from non-controlling shareholders of subsidiaries	—	—	—	—	249,575	249,575
Dividends paid to a shareholder of a subsidiary	—	—	—	—	(78,440)	(78,440)
2010 final dividend	—	—	—	(229,818)	—	(229,818)
	—	—	401,175	(246,833)	625,644	779,986
Balance at 31 December 2011	5,121,473	4,303,111	3,482,568	217,840	3,364,510	16,489,502

The notes on pages 75 to 175 are an integral part of these consolidated accounts.

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

The notes on pages 75 to 175 are an integral part of these consolidated accounts.

	Note	Year ended 31 December 2011 RMB'000	2010 RMB'000
Cash flows from operating activities			
Cash generated from operations	39(a)	**3,656,781**	3,517,371
Interest paid		**(2,139,152)**	(1,814,356)
PRC income tax paid		**(276,527)**	(164,926)
Net cash generated from operating activities		**1,241,102**	1,538,089
Cash flows from investing activities			
Payments for property, plant and equipment		**(4,028,220)**	(3,449,462)
New prepayments for construction of power plants		**(1,221,315)**	(1,506,315)
Payment for land use rights		**(8,280)**	(52,738)
Proceeds from disposal of property, plant and equipment and land use rights		**94,398**	24,742
Acquisition of subsidiaries, net of cash acquired	40	**(312)**	(440,152)
Proceeds from partial disposal of subsidiaries	41	**743,899**	—
Payment of purchase consideration for acquisition of Wuling Group		**(98,387)**	(1,090,030)
Payment of considerations payable for acquisition of subsidiaries		**(48,883)**	—
Acquisition of additional interests in a subsidiary		**(31,689)**	—
Capital injection to jointly controlled entities		**(240,092)**	(78,606)
Investment in available-for-sale financial assets		**(26,856)**	(26,856)
Proceeds from disposal of available-for-sale financial assets		**—**	293,814
Advances made to an associated company		**(200,000)**	—
Dividends received		**50,248**	105,620
Interest received		**108,903**	104,018
Net cash used in investing activities		**(4,906,586)**	(6,115,965)

The notes on pages 75 to 175 are an integral part of these consolidated accounts.

For the year ended 31 December 2011

	Note	Year ended 31 December 2011 RMB'000	2010 RMB'000
Cash flows from financing activities			
New bank borrowings	39(b)	**10,244,620**	7,617,500
New borrowings from CPIF	39(b)	**2,082,500**	3,023,795
New short-term other borrowings	39(b)	**1,499,260**	200,000
Issue of long-term bonds		**962,346**	800,000
Contributions from non-controlling shareholders of subsidiaries	39(b)	**249,575**	75,922
Repayment of bank borrowings	39(b)	**(8,199,571)**	(5,636,914)
Repayment of borrowings from CPIF	39(b)	**(2,300,000)**	(1,894,200)
Repayment of other borrowings	39(b)	**(335,201)**	(256,393)
Payments for obligations under finance leases	39(b)	**(27,335)**	(19,253)
Decrease in pledged bank deposits		**—**	48,886
Dividend paid to a shareholder of a subsidiary	39(b)	**(78,440)**	(85,100)
Dividend paid		**(229,818)**	(229,818)
Net cash generated from financing activities		**3,867,936**	3,644,425
Net increase/(decrease) in cash and cash equivalents		**202,452**	(933,451)
Cash and cash equivalents at 1 January		**977,365**	1,910,816
Cash and cash equivalents at 31 December	28	**1,179,817**	977,365

The notes on pages 75 to 175 are an integral part of these consolidated accounts.

1 GENERAL INFORMATION

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

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

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

These consolidated accounts are presented in thousands of Renminbi (“RMB’000"), unless otherwise stated, and have been approved for issue by the Board of Directors on 23 March 2012.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

The consolidated accounts of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). These consolidated accounts have been prepared under the historical cost convention except that available-for-sale financial assets, and certain financial assets and financial liabilities (including derivative instruments) are measured at fair value, as appropriate.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.1 Basis of preparation *(Continued)*

(a) Effect of adopting amendments to standards and interpretations

The following amendments to standards and interpretations are mandatory for accounting periods beginning on or after 1 January 2011. The adoption of these amendments to standards and interpretations does not have any significant impact to the results and financial position of the Group.

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

(b) The following new standards, amendments to standards and interpretations have been issued but are not effective for 2011 and have not been early adopted:

HKFRS 1 (amendment)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters (1)
HKFRS 7 (amendment)	Disclosures - Offsetting Financial Assets and Financial Liabilities (2)
HKFRS 9	Financial Instruments (4)
HKFRS 10	Consolidated Financial Statements (2)
HKFRS 11	Joint Arrangements (2)
HKFRS 12	Disclosure of Interests in Other Entities (2)
HKFRS13	Fair Value Measurement (2)
HKAS 1 (amendment)	Presentation of Items of Other Comprehensive Income (2)
HKAS 12 (amendment)	Deferred Tax: Recovery of Underlying Assets (1)
HKAS 19 (2011)	Employee Benefits (2)
HKAS 27 (2011)	Separate Financial Statements (2)
HKAS 28 (2011)	Investments in Associates and Joint Ventures (2)
HKAS 32 (amendment)	Offsetting Financial Assets and Financial Liabilities (3)
HK(IFRIC)-Int 20 (amendment)	Stripping Costs in the Production Phase of a Surface Mine (2)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.1 Basis of preparation *(Continued)*

(b) The following new standards, amendments to standards and interpretations have been issued but are not effective for 2011 and have not been early adopted: *(Continued)*

(1) Effective for the Group for annual period beginning on 1 January 2012
(2) Effective for the Group for annual period beginning on 1 January 2013
(3) Effective for the Group for annual period beginning on 1 January 2014
(4) Effective for the Group for annual period beginning on 1 January 2015

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

(c) As at 31 December 2011, the Group breached one of the covenant requirements in respect of a bank loan of RMB211,710,000, details of which have been disclosed in Note 31(b). Management is in the process of obtaining a waiver from the relevant syndicate of banks but considers that such matter would have no material adverse financial impact to the Group. In preparing these accounts, the directors have taken into account all information that could reasonably be expected to be available and have ascertained that the Group has obtained adequate financial resources to support the Group to continue in operational existence for the foreseeable future. As of 31 December 2011, the Group had undrawn committed banking facilities amounting to approximately RMB11,597 million (2010: RMB20,800 million) and will refinance and/or restructure certain short-term loans into long-term loans or to consider alternative sources of financing, where applicable. Under these circumstances, the directors are of the opinion that the Group will be able to meet its liabilities as and when they fall due within the next twelve months and therefore have prepared the accounts on a going concern basis.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.2 Consolidation

(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. The Group also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control. De-facto control may arise from circumstances such as enhanced minority rights or contractual terms between shareholders, etc.

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, income and expenses 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.

(i) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. 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.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquirer's previously held equity interest in the acquire is remeasured to fair value at the acquisition date through profit or loss.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.2 Consolidation *(Continued)*

(a) Subsidiaries *(Continued)*

(ii) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions - that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(b) Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

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

(c) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition.

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 is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.2 Consolidation *(Continued)*

(c) Associates *(Continued)*

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to "share of (losses)/profits of associated companies" in the income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associates are recognised in the Group's accounts only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses arising in investments in associates are recognised in the income statement.

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

(d) Jointly controlled entities

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

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

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

In the Company's balance sheet, the interest in a jointly controlled entity is stated at cost less provision for impairment (Note 2.8). The result of the jointly controlled entity is accounted for by the Company on the basis of dividends received and receivable.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.3 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

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

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

(c) Group companies

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.4 Property, plant and equipment

Property, plant and equipment other than construction in progress are stated at cost less accumulated depreciation and impairment losses. Cost includes purchase price of the asset, costs transferred from construction in progress and any directly attributable costs of bringing the asset to the working condition and location for its intended use.

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

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

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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.8). Such impairment losses are recognised in the income statement.

Gains or losses on disposals are determined by comparing the net sales proceeds with the carrying amount of the relevant assets and are recognised in the income statement.

2.5 Construction in progress

Construction in progress represents property, plant and equipment under construction and pending installation and is stated at cost less accumulated impairment losses, if any. Cost includes the costs of construction of buildings, the costs of plant and machinery, direct labour costs and overheads and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. No provision for depreciation is made on construction in progress until such time as the relevant assets are completed and are available for the intended use. When the assets concerned are brought into use, the costs are transferred to other property, plant and equipment and depreciated in accordance with the policy as stated in Note 2.4 above.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.6 Land use rights

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

2.7 Goodwill

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

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose identified according to operating segment (Note 2.8).

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

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

Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date. Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the income statement.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.9 Financial assets

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

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

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the end of the reporting period which are classified as non-current assets. The Group's loans and receivables include accounts and other receivables, deposits, loans and amounts due from related parties and bank deposits and balances in the consolidated balance sheet.

(c) Available-for-sale financial assets

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.9 Financial assets *(Continued)*

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

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

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

2.10 Derivative financial instruments

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.11 Impairment of financial assets

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

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

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the reversal of the previously recognised impairment loss is recognised in the income statement.

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

2.12 Inventories

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

2.13 Accounts and other receivables

Accounts and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. If collection of accounts and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.14 Cash and cash equivalents

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

2.15 Financial liabilities and equity

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

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

2.16 Convertible bonds

Compound financial instruments issued by the Group comprise convertible bonds that can be converted to share capital at the option of the holder, and the number of shares to be issued does not vary with changes in their fair value.

The liability component of a compound financial instrument is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition except on conversion or expiry or when the Company redeems some or all of the convertible bonds upon exercise of the put option by the bond holders.

2.17 Borrowings and borrowing costs

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.18 Current and deferred income tax

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

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.19 Employee benefits

(a) Pension obligations

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

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

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

(b) Bonus entitlements

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.19 Employee benefits *(Continued)*

(c) Share-based compensation

The Group operates an equity-settled, share-based compensation plan, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted including any market performance conditions; excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specific time period, and including the impact of any non-vesting conditions (for example, the requirement for employees to save).

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

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

2.20 Provisions

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.21 Government grants

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

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

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

2.22 Finance lease

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

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

2.23 Operating lease

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

2.24 Segment reporting

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.25 Revenue and income recognition

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

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

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

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

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

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

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

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

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

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

2.26 Dividend distribution

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

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

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

3 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.1 Financial risk factors *(Continued)*

(a) Foreign exchange risk

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

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

As at 31 December 2011, certain of the Group's cash and bank balances were denominated in HK$ and USD, details of which have been disclosed in Note 28.

As at 31 December 2011, the Group was exposed to foreign exchange risk primarily with respect to certain of its bank borrowings which were denominated in JPY and USD, details of which have been disclosed in Note 31. RMB experienced certain depreciation and appreciation against JPY and USD during the year which is the major reason for the exchange differences recognised by the Group for the year. Further appreciation and depreciation of JPY and USD against RMB will affect the Group's financial position and results of operations.

The Group manages its foreign exchange risk by performing regular reviews of its net foreign exchange exposures. Management also used certain derivative financial instruments to manage foreign exchange exposures. As at 31 December 2011, the Group had certain derivative financial instruments mainly to sell USD for JPY, details of which have been disclosed in Note 37.

At 31 December 2011, if RMB had weakened/strengthened by 5% against JPY, with all other variables held constant, post-tax profit for the year would have been approximately RMB51,624,000 lower/higher (2010: RMB55,669,000 lower/higher), mainly as a result of foreign exchange losses/gains on translation of JPY-denominated borrowings.

At 31 December 2011, if RMB had weakened/strengthened by 5% against HK$, with all other variables held constant, post-tax profit for the year would have been RMB482,000 higher/lower (2010: RMB1,151,000 higher/lower), mainly as a result of foreign exchange gains/losses on translation of HK$-denominated cash and bank balances.

At 31 December 2011, if RMB had weakened/strengthened by 5% against USD, with all other variables held constant, post-tax profit for the year would have been RMB8,530,000 lower/higher (2010: RMB25,897,000 lower/higher) mainly as a result of foreign exchange losses/gains on translation of USD-denominated bank deposits and borrowings.

3 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.1 Financial risk factors *(Continued)*

(b) Interest rate risks

The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's interest-bearing assets mainly include loans to a fellow subsidiary, an amount due from an associated company, and bank balances and deposits, details of which have been disclosed in Notes 24, 27 and 28 respectively. The Group's exposure to changes in interest rates is mainly attributable to its borrowings, details of which have been disclosed in Notes 31 to 33. Borrowings carried at floating rates expose the Group to cash flow interest rate risk whereas borrowings carried at fixed rates expose the Group to fair value interest rate risk, details of which have been disclosed in Notes 31(d), 32 and 33. The Group has not used any specific interest rate swap contracts to hedge its exposure to interest rate risk.

At 31 December 2011, if the interest rates on bank and other borrowings had been 50 basis points higher/lower than the prevailing interest rates, with all other variables held constant, post-tax profit for the year would have been RMB117,527,000 lower/higher (2010: RMB105,519,000 lower/higher), mainly as a result of higher/lower interest expense on floating rate bank and other borrowings.

(c) Price risk

The Group is exposed to equity securities price risk in respect of investments held by the Group which are classified as available-for-sale financial assets. Most of the Group's available-for-sale financial assets are publicly traded. However, the Group does not trade these investments as such investments are held for strategic rather than trading purpose. The stock market is relatively more volatile in recent years. 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 results of the Group would have been unaffected as the investments are classified as available-for-sale and no investments had been considered impaired; and equity would have been RMB143,129,000 to RMB429,388,000 (2010: RMB120,435,000 to RMB361,304,000) higher or RMB143,129,000 to RMB429,388,000 (2010: RMB120,435,000 to RMB438,365,000) lower, mainly as a result of the changes in fair value of available-for-sale financial assets.

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

3 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.1 Financial risk factors *(Continued)*

(d) Credit risk

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

Substantially all of the Group's cash at bank and term deposits are held in major financial institutions, which management believes are of high credit quality. Management does not expect any losses from non-performance by these counterparties.

The Group is exposed to significant concentration of credit risk in terms of electricity sales as a majority of the Group's sales of electricity were made to regional and provincial power grid companies. The Group normally grants credit terms ranging from 15 to 60 days to these power grid companies and the Group normally does not require collaterals from trade debtors. Ageing analysis of the Group's accounts receivable is disclosed in Note 26. Management does not expect any losses from non-performance by these counterparties.

In addition, the Group assumed certain loans to a fellow subsidiary following the acquisition of Wuling Group for a term of three years. As the loans are indemnified by CPIH, management considers that the credit risk is low. Management makes periodic collective assessment as well as individual assessment on the recoverability of all loans and receivables based on historical payment records, the length of the overdue period, the financial strength of the debtors and whether there are any disputes with the relevant debtors. The Group's historical experience in collection of loans and receivables falls within the recorded allowances and the directors are of the opinion that adequate provision for uncollectible receivables has been made.

(e) Liquidity risk

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

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

As at 31 December 2011, the net current liabilities of the Group amounted to RMB6,899,787,000. Management monitors regularly the Group's current and expected liquidity requirements to ensure it maintains sufficient cash and cash equivalents and has available funding through adequate amount of committed banking facilities to meet its working capital requirements. The amount of undrawn credit facilities at the balance sheet date are disclosed in Note 31(f) to the accounts. The directors believe that the Group's current operating cash flows and credit facilities from banks are sufficient for financing its capital commitments in the near future and for working capital purposes.

3 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.1 Financial risk factors *(Continued)*

(e) Liquidity risk *(Continued)*

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

	Group			
	Within 1 year RMB'000	Between 1 and 2 years RMB'000	Between 3 and 5 years RMB'000	Over 5 years RMB'000
At 31 December 2011				
Bank borrowings	**7,737,972**	**4,899,087**	**11,861,864**	**27,515,498**
Payables and accruals	**3,456,641**	**—**	**—**	**—**
Long-term borrowings from ultimate holding company	**73,986**	**73,986**	**221,957**	**1,617,328**
Amounts due to related companies	**128,110**	**—**	**—**	**—**
Borrowings from CPIF	**2,475,825**	**52,454**	**1,217,798**	**21,020**
Other borrowings	**1,230,278**	**503,843**	**2,022,418**	**1,099,876**
Derivative financial instruments, net settled	**(12,623)**	**(9,620)**	**1,137**	**50,185**
Obligations under finance leases	**27,335**	**27,335**	**82,005**	**94,980**
At 31 December 2010				
Bank borrowings	8,040,573	3,591,991	10,621,518	23,399,696
Payables and accruals	2,113,845	—	—	—
Long-term borrowings from ultimate holding company	73,986	73,986	221,957	1,691,313
Amounts due to related companies	203,628	—	—	—
Borrowings from CPIF	2,418,722	448,288	1,052,998	14,443
Other borrowings	281,979	78,517	1,170,210	1,152,213
Derivative financial instruments, net settled	(13,812)	(10,853)	5,318	92,374
Obligations under finance leases	27,335	27,335	82,005	122,315

3 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.1 Financial risk factors *(Continued)*

(e) Liquidity risk *(Continued)*

	Within 1 year RMB'000	Company Between 1 and 2 years RMB'000	Between 3 and 5 years RMB'000
At 31 December 2011			
Payables and accruals	**28,267**	**—**	**—**
Amounts due to:			
Subsidiaries	**1,026,390**	**—**	**—**
Related companies	**7,720**	**—**	**—**
Corporate bonds	**25,600**	**25,600**	**850,639**
Convertible bonds	**22,095**	**22,095**	**1,034,604**
Bank borrowings	**212,125**	**—**	**—**
At 31 December 2010			
Payables and accruals	41,805	—	—
Amounts due to:			
Subsidiaries	1,049,703	—	—
Related companies	105,079	—	—
Corporate bonds	25,600	25,600	876,239
Bank borrowings	533,762	—	—

3.2 Capital risk management

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

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

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

3 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.2 Capital risk management *(Continued)*

The table below analyses the Group's capital structure as at 31 December 2011.

	2011 RMB'000	2010 RMB'000
Total bank borrowings (Note 31)	**32,783,191**	30,738,142
Total borrowings from CPIF (Note 32)	**3,512,095**	3,729,595
Total borrowings from ultimate holding company (Note 32)	**1,473,816**	1,473,816
Long-term bonds (Note 33)	**2,647,474**	1,793,239
Loans from a non-controlling shareholder (Note 33)	**—**	135,201
Long-term other borrowings (Note 33)	**399,260**	—
Short-term other borrowings (Note 33)	**100,000**	200,000
Short-term corporate bonds (Note 33)	**1,000,000**	—
Less: Cash and cash equivalents (Note 28)	**(1,179,817)**	(977,365)
Net debt	**40,736,019**	37,092,628
Total equity	**16,489,502**	14,894,197
Total capital	**57,225,521**	51,986,825
Gearing ratio	**71%**	71%

3 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.3 Fair value estimation

HKFRS 7 requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

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

The following table presents the Group's assets and liabilities that are measured at fair value.

At 31 December 2011

	Level 1 RMB'000	**Level 2 RMB'000**	**Level 3 RMB'000**	**Total RMB'000**
Assets				
Available-for-sale financial assets - equity securities	**1,908,393**	**—**	**—**	**1,908,393**
Liabilities				
Derivative financial instruments - held for trading	**—**	**—**	**32,965**	**32,965**

At 31 December 2010

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

3 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.3 Fair value estimation *(Continued)*

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

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

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

Specific valuation techniques used to value financial instruments include:

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

The derivative financial instruments - held for trading represents certain net settled derivative financial instruments, with a contract period of 15 years, mainly to sell USD for JPY with an aggregate notional principal amount of JPY2,861,672,000.

The following table presents the changes in these derivative financial instruments for the year ended 31 December 2011.

	2011	2010
	RMB'000	RMB'000
Opening balance	**71,902**	71,441
Fair value (gain)/loss recognised in the consolidated income statement (Note 7)	**(38,937)**	461
Closing balance	**32,965**	71,902
Total (gain)/loss included in the consolidated income statement for the year for derivative financial instruments held at the end of the reporting period	**(38,937)**	461

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

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

(ii) Impairment of non-financial assets

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

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

Changes of assumptions in fuel price will affect the result of property, plant and equipment impairment assessment. As at 31 December 2011, if fuel price had increased by 1% from management's estimates with other variables held constant with the expectations, the Group would not need to recognise any additional impairment losses.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(CONTINUED)*

(iii) Current and deferred taxation

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

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

(iv) Fair value of financial instruments

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

As at 31 December 2011, the Group held certain net settled derivative financial instruments mainly to sell USD for JPY with an aggregate notional principal amount of JPY2,861,672,000 mainly for the purpose of managing currency exposure of JPY denominated bank borrowings, details of which have been disclosed in Note 37. The fair values of these contracts are determined using valuation techniques calculated based on a number of parameters including discount rates and volatility between USD/JPY in various forecasted periods. Changes in assumptions about these factors could significantly affect the reported fair value of the financial instruments with consequential impact on the results of the Group.

5 TURNOVER, REVENUE AND SEGMENT INFORMATION

Revenue recognised during the year is as follows:

	2011 RMB'000	2010 RMB'000
Sales of electricity to provincial power grid companies (note (a))	**15,882,453**	14,307,251
Provision for power generation and related services (note (b))	**199,609**	129,408
	16,082,062	14,436,659

Notes:

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

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

Segment information

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

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

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

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

Segment information *(Continued)*

	Year ended 31 December 2011				
	Coal-fired electricity RMB'000	Hydropower electricity RMB'000	Reportable segments total RMB'000	Others RMB'000	Total RMB'000
Revenue					
Sales of electricity	13,426,986	2,455,467	15,882,453	—	15,882,453
Provision for power generation and related services	90,977	108,632	199,609	—	199,609
	13,517,963	2,564,099	16,082,062	—	16,082,062
Results of reportable segments	1,110,909	1,229,831	2,340,740	—	2,340,740
A reconciliation of results of reportable segments to profit for the year is as follows:					
Results of reportable segments					2,340,740
Unallocated income	—	—	—	79,058	79,058
Unallocated expenses	—	—	—	(146,369)	(146,369)
Operating profit					2,273,429
Interest income	6,465	89,066	95,531	13,372	108,903
Finance costs	(624,441)	(942,228)	(1,566,669)	(5,347)	(1,572,016)
Share of losses of associated companies	(4,073)	—	(4,073)	—	(4,073)
Share of losses of jointly controlled entities	(6,624)	—	(6,624)	(17,400)	(24,024)
Profit before taxation					782,219
Taxation					(193,849)
Profit for the year					588,370

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

Segment information *(Continued)*

	Year ended 31 December 2011				
	Coal-fired electricity RMB'000	Hydropower electricity RMB'000	Reportable segments total RMB'000	Others RMB'000	Total RMB'000
Other segment information:					
Capital expenditure	3,432,084	4,049,934	7,482,018	2,491	7,484,509
Depreciation on property, plant and equipment	994,072	808,889	1,802,961	6,847	1,809,808
Amortisation of leasehold land and land use rights	2,528	6,532	9,060	—	9,060
(Gain)/loss on disposal of property, plant and equipment and land use rights	(40,247)	101	(40,146)	—	(40,146)
Reversal of impairment of other receivables	(1,371)	(8,255)	(9,626)	—	(9,626)
Reversal of impairment of inventories	(3,916)	—	(3,916)	—	(3,916)

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

Segment information *(Continued)*

	As at 31 December 2011				
	Coal-fired electricity RMB'000	Hydropower electricity RMB'000	Reportable segments total RMB'000	Others RMB'000	Total RMB'000
Segment assets					
Other segment assets	23,829,484	32,167,048	55,996,532	—	55,996,532
Goodwill	—	767,365	767,365	—	767,365
Interests in associated companies	1,505,766	—	1,505,766	17,851	1,523,617
Interests in jointly controlled entities	207,715	—	207,715	144,234	351,949
	25,542,965	32,934,413	58,477,378	162,085	58,639,463
Available-for-sale financial assets					2,063,105
Deferred income tax assets					45,187
Long-term loans to a fellow subsidiary					1,500,000
Other unallocated assets					1,144,705
Total assets per consolidated balance sheet					63,392,460
Segment liabilities					
Other segment liabilities	(2,273,412)	(1,810,046)	(4,083,458)	—	(4,083,458)
Borrowings	(16,012,179)	(25,603,947)	(41,616,126)	(299,710)	(41,915,836)
	(18,285,591)	(27,413,993)	(45,699,584)	(299,710)	(45,999,294)
Derivative financial instruments					(32,965)
Taxation payable					(77,621)
Deferred income tax liabilities					(741,934)
Other unallocated liabilities					(51,144)
Total liabilities per consolidated balance sheet					(46,902,958)

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

Segment information *(Continued)*

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

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

Segment information *(Continued)*

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

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

Segment information *(Continued)*

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

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

Segment information *(Continued)*

All revenues from external customers are generated from the PRC. Except that certain cash and bank balances equivalent to approximately RMB359 million were deposited in certain banks in Hong Kong at 31 December 2011 (31 December 2010: approximately RMB149 million), substantially all of the Group's assets, liabilities and capital expenditure are located or utilised in the PRC.

The Group's major customers are regional and provincial power grid companies. During the year ended 31 December 2011, the Group's external revenue amounting to approximately RMB14,511 million (31 December 2010: RMB13,155 million) is generated from 5 (31 December 2010: 5) major customers, each of which account for 10% or more of the Group's external revenue.

6 OTHER INCOME

	2011	2010
	RMB'000	RMB'000
Sales of electricity quotas	**—**	23,628
Income from the provision of repairs and maintenance services	**44,190**	20,539
Hotel operations income	**48,260**	45,740
Rental income	**64,446**	65,293
Management fee income	**4,974**	3,780
Dividend income (Note 43(a)(iv))	**24,083**	5,620
Clean development mechanism income	**48,489**	20,603
	234,442	185,203

7 OTHER GAINS, NET

	2011 RMB'000	2010 RMB'000
Amortisation of deferred income	**18,674**	10,774
Government grant (note)	**—**	90,000
Fair value gain / (loss) on derivative financial instruments	**38,937**	(461)
Gain on disposal of available-for-sale financial assets	**—**	29,792
Others	**7,769**	3,746
	65,380	133,851

Note: Government grant represents a subsidy received by a subsidiary during the year ended 31 December 2010 in connection with its close down of certain power generating units in prior years.

8 OPERATING PROFIT

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

	2011 RMB'000	2010 RMB'000
Amortisation of land use rights (Note 18)	**9,060**	9,084
Auditor's remuneration	**6,563**	7,407
Depreciation of property, plant and equipment (Note 16)		
– owned property, plant and equipment	**1,790,422**	1,693,002
– property, plant and equipment under finance leases	**19,386**	19,386
Gain on disposal of property, plant and equipment and land use rights	**(40,146)**	(3,691)
Operating lease rental in respect of		
– equipment	**2,242**	4,848
– leasehold land and buildings	**35,293**	34,876
Reversal of impairment of other receivables	**(9,626)**	(248)
Reversal of impairment of inventories	**(3,916)**	(1,656)
Reservoir maintenance and usage fees	**65,775**	85,484
Staff costs including directors' emoluments (Note 11)	**824,685**	747,462
Write-off of pre-operating expenses	**33,323**	25,240

9 FINANCE INCOME AND COSTS

	2011	2010
	RMB'000	RMB'000
Finance income		
Interest income from bank deposits	**26,778**	21,893
Interest income from a fellow subsidiary (Note 43(a))	**82,125**	82,125
	108,903	104,018
Finance costs		
Interest expense on		
– bank borrowings wholly repayable within five years	**324,690**	414,064
– bank borrowings not wholly repayable within five years	**1,472,247**	1,128,322
– long-term borrowings from ultimate holding company not wholly repayable within five years	**74,037**	73,986
– short-term borrowings from CPIF	**123,738**	78,866
– long-term borrowings from CPIF wholly repayable within five years	**52,058**	54,226
– long-term borrowings from CPIF not wholly repayable within five years	**668**	—
– long-term other borrowings wholly repayable within five years	**68,586**	17,170
– long-term other borrowings not wholly repayable within five years	**46,639**	49,177
– short-term other borrowings	**46,826**	5,366
– obligations under finance leases	**10,531**	11,395
	2,220,020	1,832,572
Less: Amounts capitalised	**(633,919)**	(437,984)
	1,586,101	1,394,588
Net foreign exchange (gains)/losses	**(14,085)**	119,476
	1,572,016	1,514,064

The weighted average interest rate on capitalised borrowings is approximately 5.68% (2010: 5.0%) per annum.

10 TAXATION

No Hong Kong profits tax has been provided for as the Group did not have any estimated assessable profit in Hong Kong for the year (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 except as disclosed below.

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

	2011	2010
	RMB'000	RMB'000
PRC current income tax	**97,695**	220,635
Deferred income tax (Note 38)	**96,154**	159,592
	193,849	380,227

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

	2011	2010
	RMB'000	RMB'000
Profit before taxation	**782,219**	1,246,482
Less: Share of losses/(profits) of associated companies	**4,073**	(112,327)
Share of losses of jointly controlled entities	**24,024**	18,395
	810,316	1,152,550
Calculated at the PRC statutory tax rate of 25% (2010: 25%)	**202,579**	288,138
Effect of tax concession	**(50,583)**	(52,460)
Effect of different tax rates	**(3)**	(2)
Income not subject to taxation	**(46,684)**	(35,518)
Expenses not deductible for taxation purposes	**65,594**	50,450
Tax losses for which no deferred income tax asset was recognised	**40,735**	154,781
Utilisation of tax losses previously not recognised	**(17,789)**	(25,162)
Taxation charge	**193,849**	380,227

10 TAXATION *(CONTINUED)*

Share of taxation charge attributable to associated companies for the year ended 31 December 2011 of RMB9,260,000 (2010: RMB25,691,000) are included in the Group's share of losses of associated companies for the year.

Pursuant to the relevant PRC income tax rules and regulations, special income tax rates have been granted to certain subsidiaries of the Group and an associated company as being foreign invested enterprises which are engaged in the energy, transportation or infrastructure activities. These companies are subject to a tax rate of 24% for the year 2011 (2010: 22%) followed by a tax rate of 25% in the year 2012. A subsidiary acquired by the Group in the year 2005 is subject to a tax rate of 24% for the year 2011 (2010: 22%) followed by a tax rate of 25% in the year 2012. Certain subsidiaries of the Group that started operations in the years 2007 and 2008 are also entitled to a two-year exemption from income tax starting from the year in operation followed by a 50% reduction in income tax rate in the ensuing three years. These companies have been subject to reduced tax rates ranging from 12% to 12.5% during the year 2011 (2010: 11% to 12.5%). The tax rates for these companies will be gradually increased to 25% towards year 2013.

11 STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	2011 **RMB'000**	2010 RMB'000
Wages, salaries and bonuses	**555,303**	520,611
Staff welfare	**177,620**	149,929
Share options benefits to directors and employees	**1,297**	3,728
Pension costs - defined contribution plans	**90,465**	73,194
	824,685	747,462

12 PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The profit attributable to equity holders of the Company is dealt with in the accounts of the Company to the extent of RMB1,077,720,000 (2010: RMB165,069,000).

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)	**505,202**	666,892
Weighted average number of shares in issue (shares in thousands)	**5,107,061**	5,107,061
Basic earnings per share (RMB)	**0.10**	0.13

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of shares outstanding to assume conversion of all dilutive potential ordinary shares arising from the Company's share options and convertible bonds, where relevant. For the year ended 31 December 2011, dilutive earnings per share equal basic earnings per share as the exercise of the outstanding share options and convertible bonds would be anti-dilutive. For the year ended 31 December 2010, diluted earnings per share equal basic earnings per share as the exercise of the outstanding share options would be anti-dilutive.

14 DIVIDENDS

	2011 **RMB'000**	2010 RMB'000
Final, proposed, of RMB0.045 (2010: RMB0.045) per share	**229,818**	229,818

At a meeting held on 23 March 2012, the directors recommended the payment of a final dividend for the year ended 31 December 2011 of RMB0.045 (equivalent to HK$0.0555) per ordinary share (2010: RMB0.045 (equivalent to HK$0.0535)), totalling RMB229,818,000 (equivalent to HK$283,198,000) (2010: RMB229,818,000 (equivalent to HK$273,228,000). This proposed dividend is not reflected as dividend payable in these accounts, but will be reflected as an appropriation of retained earnings for the year ending 31 December 2012.

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	Basic salary, housing allowance, other allowances and benefits in kind	Share-based compensation#	Discretionary Bonuses	Employer's contribution to pension scheme	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors						
Ms. Li Xiaolin	—	570	68	51	—	689
Mr. Gu Dake(2)	—	191	55	—	—	246
Mr. Liu Guangchi(3)	—	316	—	164	—	480
Non-executive directors						
Mr. Gao Guangfu(1)(3)	—	—	—	—	—	—
Mr. Guan Qihong(1)	—	—	20	—	—	20
Mr. Gu Zhengxing(1)(2)	—	—	—	—	—	—
Independent non-executive directors						
Mr. Kwong Che Keung, Gordon	166	75	—	—	—	241
Mr. Li Fang	166	75	—	—	—	241
Mr. Tsui Yiu Wa, Alec	166	75	—	—	—	241
	498	1,302	143	215	—	2,158

1 During the year ended 31 December 2011, each of Mr. Gao Guangfu, Mr. Guan Qihong and Mr. Gu Zhengxing waived their director fees and other allowances of RMB199,000 and RMB91,000, respectively.

2 Mr. Gu Dake and Mr. Gu Zhengxing were appointed on 30 March 2011 and 11 July 211, respectively

3 Mr. Liu Guangchi and Mr. Gao Guangfu resigned on 30 March 2011 and 11 July 2011, respectively

Share-based compensation are determined based on the fair value of the share options granted to the relevant directors at the date of grant and recognised over the vesting periods. During the years ended 31 December 2011, none of these options has been exercised by the directors.

15 EMOLUMENTS FOR DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS *(CONTINUED)*

(a) Directors' emoluments *(Continued)*

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

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

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

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

15 EMOLUMENTS FOR DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS *(CONTINUED)*

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include 1 (2010: 2) director(s) whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining 4 (2010: 3) individuals during the year are as follows:

	2011	2010
	RMB'000	RMB'000
Basic salaries, housing allowance, other allowances, share options and benefits in kind	**1,640**	1,749
Discretionary bonuses	**430**	186
	2,070	1,935

Their emoluments fell within the following bands:

	Number of individuals	
	2011	2010
Nil to HK$1,000,000 (equivalent to RMB830,815 (2010: RMB865,426))	**4**	3

(c) During the year, no emoluments have been paid by the Group to the directors or any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office (2010: Nil).

16 PROPERTY, PLANT AND EQUIPMENT

(a) Group

	Dam RMB'000	Buildings and leasehold improvements RMB'000	Power generators and equipment RMB'000	Electricity supply equipment RMB'000	Furniture and fixture, tools and other equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
Cost								
At 1 January 2011	7,157,827	15,005,588	17,872,903	4,972,138	901,399	234,125	9,060,208	55,204,188
Acquisition of subsidiaries (Note 40(a))	—	—	—	—	—	—	1,489	1,489
Additions	—	12,838	2,578	4,654	73,095	19,619	6,150,410	6,263,194
Disposals	—	(191)	(151,251)	(59,424)	(49,224)	(5,075)	(721)	(265,886)
Transfer	256,109	1,037,135	2,784,331	365,028	446,702	5,395	(4,894,700)	—
At 31 December 2011	7,413,936	16,055,370	20,508,561	5,282,396	1,371,972	254,064	10,316,686	61,202,985
Accumulated depreciation and impairment losses								
At 1 January 2011	215,546	2,211,056	5,909,612	1,380,921	452,892	84,054	—	10,254,081
Depreciation charge for the year	222,323	490,630	778,569	186,876	110,038	21,372	—	1,809,808
Disposals	—	(184)	(104,421)	(56,316)	(45,693)	(5,020)	—	(211,634)
At 31 December 2011	437,869	2,701,502	6,583,760	1,511,481	517,237	100,406	—	11,852,255
Net book value								
At 31 December 2011	6,976,067	13,353,868	13,924,801	3,770,915	854,735	153,658	10,316,686	49,350,730

16 PROPERTY, PLANT AND EQUIPMENT *(CONTINUED)*

(a) Group *(Continued)*

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

16 PROPERTY, PLANT AND EQUIPMENT *(CONTINUED)*

(a) Group *(Continued)*

(i) As at 31 December 2011, certain of the Group's property, plant and equipment with carrying value of approximately RMB5,342 million (2010: RMB4,910 million) were situated on leasehold land in the PRC leased from China Power Investment Corporation（中國電力投資集團公司）("CPI Group") which held the rights on the leasehold land under long-term leases. The remaining period of the Group's rights on leasehold land as at 31 December 2011 is ranging from 8 to 14 years (2010: 9 to 15 years).

(ii) As at 31 December 2011, the legal title of certain of the Group's properties with carrying amount of approximately RMB2,707 million (2010: RMB2,189 million) had not been transferred to the Group subject to certain administrative procedures to be completed by the relevant local government authorities. However, the directors are of the opinion that the risks and rewards of using these assets have been transferred to the Group.

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

(iii) As at 31 December 2011, the cost and accumulated depreciation of property, plant and equipment held by the Group under finance leases amounted to RMB232,630,000 (2010: RMB232,630,000) and RMB67,850,000 (2010: RMB48,464,000) respectively.

(iv) As at 31 December 2011, certain property, plant and equipment of the Group with carrying amount of approximately RMB556 million (2010: RMB439 million) was pledged as security for certain long-term bank borrowings of the Group (Note 31(e)).

16 PROPERTY, PLANT AND EQUIPMENT *(CONTINUED)*

(b) Company

	Leasehold improvements RMB'000	Office and other equipment RMB'000	Furniture and fixture RMB'000	Motor vehicles RMB'000	Total RMB'000
Cost					
At 1 January 2011	7,552	1,404	479	2,361	11,796
Additions	—	452	3	556	1,011
At 31 December 2011	7,552	1,856	482	2,917	12,807
Accumulated depreciation and impairment losses					
At 1 January 2011	6,486	1,232	273	1,877	9,868
Depreciation charge for the year	377	84	170	538	1,169
At 31 December 2011	6,863	1,316	443	2,415	11,037
Net book value					
At 31 December 2011	689	540	39	502	1,770

16 PROPERTY, PLANT AND EQUIPMENT *(CONTINUED)*

(b) Company *(Continued)*

	Leasehold improvements RMB'000	Office and other equipment RMB'000	Furniture and fixture RMB'000	Motor vehicles RMB'000	Total RMB'000
Cost					
At 1 January 2010	7,552	1,412	479	2,361	11,804
Additions	—	5	—	—	5
Disposals	—	(13)	—	—	(13)
At 31 December 2010	7,552	1,404	479	2,361	11,796
Accumulated depreciation and impairment losses					
At 1 January 2010	5,646	1,024	186	1,289	8,145
Depreciation charge for the year	840	220	87	588	1,735
Disposals	—	(12)	—	—	(12)
At 31 December 2010	6,486	1,232	273	1,877	9,868
Net book value					
At 31 December 2010	1,066	172	206	484	1,928

17 PREPAYMENTS FOR CONSTRUCTION OF POWER PLANTS

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

18 LAND USE RIGHTS

	Group	
	2011	2010
	RMB'000	RMB'000
Cost		
At 1 January	**470,869**	421,784
Additions	**8,280**	52,738
Disposal	**—**	(3,653)
At 31 December	**479,149**	470,869
Accumulated amortisation		
At 1 January	**12,325**	3,916
Amortisation charge for the year	**9,060**	9,084
Disposal	**—**	(675)
At 31 December	**21,385**	12,325
Net book amount		
At 31 December	**457,764**	458,544

The amount represents cost of the land use rights in respect of land located in the PRC where certain of the Group's property, plant and equipment are built on. As at 31 December 2011, substantially all of the land use rights are held on leases of between 10 to 50 years.

19 GOODWILL

	Group	
	2011	2010
	RMB'000	RMB'000
Cost		
At 1 January	**934,304**	634,558
Acquisition of subsidiaries (Note 40(b))	**—**	299,746
At 31 December	**934,304**	934,304
Accumulated impairment losses		
At 1 January and 31 December	**166,939**	166,939
Net book amount		
At 31 December	**767,365**	767,365

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

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

	Coal-fired electricity RMB'000	**Hydropower electricity RMB'000**	**Total RMB'000**
As at 31 December 2011	**166,939**	**767,365**	**934,304**
As at 31 December 2010	166,939	767,365	934,304

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

19 GOODWILL *(CONTINUED)*

There are a number of assumptions and estimates involved in the preparation of cash flow projections for the period covered by the approved budget. Management prepared the financial budgets taking into account actual and prior year performance and market development expectations. The pre-tax discount rate used for value-in-use calculations for goodwill is 9% (2010: 9%). Management estimates the discount rate using pre-tax rates that reflect market assessments of the time value of money and the specific risks relating to the cash-generating units. Other key assumptions applied in the impairment tests include the expected tariff rates, fuel costs, and demand of electricity in the region where the power plants are located, where applicable.

20 INVESTMENTS IN SUBSIDIARIES

	Company	
	2011	2010
	RMB'000	RMB'000
Unlisted investments, at cost	**8,603,194**	8,955,609
Provision for impairment	**(610,144)**	(610,144)
	7,993,050	8,345,465
Amounts due from subsidiaries (note (a))	**2,252,759**	1,463,335
Amounts due to subsidiaries (note (b))	**1,022,708**	1,045,938

Notes:

(a) Except for an aggregate amount due from subsidiaries of RMB2,180,000,000 (2010: RMB1,410,000,000) which carries interest at rates ranging from 6.10 to 6.56% (2010: 4.37%) per annum and repayable within the next twelve months, amounts due from subsidiaries are unsecured, interest free and repayable on demand.

(b) The amounts due to subsidiaries are unsecured, repayable on demand, and carry interest at 0.50% (2010: 0.36%) per annum.

20 INVESTMENTS IN SUBSIDIARIES *(CONTINUED)*

The following is a list of the principal subsidiaries at 31 December 2011:

Name of companies	Place of establishment and operation	Registered/ paid up capital	Proportion of ownership interest Held by the Company	Held by a subsidiary	Type of legal entity	Principal activities
Interests held directly:						
Anhui Huainan Pingwei Electric Power Company Limited	The PRC	RMB841,600,000	100%	—	Wholly foreign-owned enterprise	Generation and sale of electricity
Huainan Pingwei No.2 Electric Power Company Limited	The PRC	USD150,000,000/ USD104,153,000	75%	—	Sino-foreign equity joint venture	Generation and sale of electricity
Huanggang Dabieshan Power Generating Company Limited	The PRC	RMB815,526,000/ RMB773,474,000	51%	—	Sino-foreign equity joint venture	Generation and sale of electricity
Pingdingshan Yaomeng Power Generating Company Limited	The PRC	RMB866,000,000	100%	—	Wholly foreign-owned enterprise	Generation and sale of electricity
Pingdingshan Yaomeng No.2 Power Generating Company Limited	The PRC	USD120,000,000/ USD109,159,000	100%	—	Wholly foreign-owned enterprise	Generation and sale of electricity
Tianze Development Limited	British Virgin Islands	USD1	100%	—	Limited liability company	Investment holding
Wu Ling Power Corporation	The PRC	RMB4,242,000,000	63%	—	Sino-foreign equity joint venture	Generation and sale of electricity
四川中電福溪電力開發有限公司 (Sichuan CPI Fuxi Power Company Limited)	The PRC	RMB968,000,000/ RMB740,904,000	51%	—	Sino-foreign equity joint venture	Generation and sale of electricity

20 INVESTMENTS IN SUBSIDIARIES *(CONTINUED)*

The following is a list of the principal subsidiaries at 31 December 2011:

Name of companies	Place of establishment and operation	Registered/ paid up capital	Proportion of ownership interest Held by the Company	Held by a subsidiary	Type of legal entity	Principal activities
Interests held indirectly:						
Shanxi Shentou Electric Power Company Limited	The PRC	RMB501,681,000	—	100%	Wholly foreign-owned enterprise	Generation and sale of electricity
Guizhou Qing Shui Jiang Hydropower Co., Ltd.	The PRC	RMB2,805,500,000	—	95%	Sino-foreign equity joint venture	Generation and sale of electricity
Huaihua Yuanjiang Power Development Co., Ltd.	The PRC	RMB500,000,000	—	95%	Sino-foreign equity joint venture	Generation and sale of electricity
Hunan Wuhua Hotel Co., Ltd.	The PRC	RMB162,100,000	—	70%	Sino-foreign equity joint venture	Hotel ownership and operation
Hunan Wuling Engineering Co., Ltd.	The PRC	RMB48,000,000	—	100%	Sino-foreign equity joint venture	Provision of repair and maintenance services
Hunan Wu Ling Li Yuan Economic Development Co., Ltd.	The PRC	RMB49,795,000	—	100%	Sino-foreign equity joint venture	Provision of repair and maintenance services
Hunan Xiang Zhong Power Co., Ltd.	The PRC	RMB50,000,000	—	95%	Sino-foreign equity joint venture	Generation and sale of electricity
Wuling Power Fuel Company Limited	The PRC	RMB110,000,000	—	100%	Limited liability company	Provision of fuel purchase services
湖南中水投資有限公司 (Hunan Zhong Shui Investment Co., Ltd.)	The PRC	RMB67,000,000	—	100%	Limited liability company	Generation and sale of electricity

20 INVESTMENTS IN SUBSIDIARIES *(CONTINUED)*

The following is a list of the principal subsidiaries at 31 December 2011:

Name of companies	Place of establishment and operation	Registered/ paid up capital	Proportion of ownership interest Held by the Company	Held by a subsidiary	Type of legal entity	Principal activities
Interests held indirectly:						
理縣華成水電開發有限責任公司 (Li Xian Huacheng Hydropower Development Limited)	The PRC	RMB122,818,000	—	100%	Limited liability company	Generation and sale of electricity
四川九源電力開發有限責任公司 (Sichuan Jiuyuan Power Development Limited)	The PRC	RMB30,000,000	—	100%	Limited liability company	Generation and sale of electricity
張家界土木溪水電開發有限公司 (Zhang Jia Jie Tumuxi Hydropower Development Limited)	The PRC	RMB42,000,000	—	100%	Limited liability company	Generation and sale of electricity
四川紅葉電力有限責任公司	The PRC	RMB50,000,000	—	91%	Limited liability company	Generation and sale of electricity
理縣紅葉水電開發有限責任公司	The PRC	RMB12,000,000	—	100%	Limited liability company	Generation and sale of electricity
四川興鐵電氣設備有限公司	The PRC	RMB46,000,000	—	70%	Limited liability company	Generation and sale of electricity
小金縣鑫鴻電力開發有限公司	The PRC	RMB46,000,000	—	100%	Limited liability company	Generation and sale of electricity

21 INTERESTS IN ASSOCIATED COMPANIES

	Group		Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Unlisted investments, at cost	**1,196,270**	1,196,270	**552,500**	552,500
Share of undistributed post-acquisition reserves	**327,347**	391,295	**—**	—
	1,523,617	1,587,565	**552,500**	552,500

Interests in associated companies include goodwill of approximately RMB158,000,000 (2010: RMB158,000,000).

The following are the details of the associated companies as at 31 December 2011:

Name of company	Place of establishment and operation	Paid up capital	Proportion of ownership interest Held by the Company	Proportion of ownership interest Held by a subsidiary	Type of legal entity	Principal activities
Interest held directly:						
Jiangsu Changshu Electric Power Generating Company Limited	The PRC	RMB1,105,000,000	50%	—	Sino-foreign equity joint venture	Generation and sale of electricity
Interest held indirectly:						
湖南華潤電力鯉魚江有限公司 (China Resources Power Hunan Liyujiang Company Limited)	The PRC	RMB573,660,000	—	40%	Sino-foreign equity joint venture	Generation and sale of electricity
湖南核電有限公司 (Hunan Nuclear Power Company Limited)	The PRC	RMB124,000,000	—	20%	Sino-foreign equity joint venture	Generation and sale of electricity#

The power plant is under development.

21 INTERESTS IN ASSOCIATED COMPANIES *(CONTINUED)*

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

	2011 **RMB'000**	2010 RMB'000
Operating results		
Turnover	**4,294,154**	4,291,490
Profit before taxation	**7,571**	307,328
(Loss)/profit after taxation	**(25,984)**	244,709
Financial position		
Non-current assets	**8,541,188**	7,063,308
Current assets	**1,404,142**	1,080,818
Current liabilities	**(5,023,615)**	(3,644,753)
Non-current liabilities	**(1,940,003)**	(1,376,734)
Net assets	**2,981,712**	3,122,639

During the year, dividend income from an associated company was amounting to RMB59,875,000 (2010: RMB100,000,000).

22 INTERESTS IN JOINTLY CONTROLLED ENTITIES

	Group		Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Unlisted investments, at cost	**403,267**	163,175	**386,198**	34,606
Share of undistributed post-acquisition reserves	**(51,318)**	(27,294)	**—**	—
	351,949	135,881	**386,198**	34,606

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

Name of companies	Place of establishment and operation	Registered/ paid up capital	Proportion of ownership interest Held by the Company	Proportion of ownership interest Held by a subsidiary	Type of legal entity	Principal activities
Interest held directly:						
四川廣旺集團船景煤業有限責任公司 (Sichuan Guangwang Group Chuanjing Coal Industry Company Limited)	The PRC	RMB472,000,000/ RMB222,484,000	49%	—	Sino-foreign equity joint venture	Coal mining#
廣州中電荔新電力實業有限公司 (Guangzhou China Power Lixin Industrial Company Limited)	The PRC	RMB510,000,000/ RMB503,831,000	50%	—	Sino-foreign equity joint venture	Generation and sale of electricity#
Interest held indirectly:						
張家界國賓酒店有限公司 (Zhang Jia Jie Guo Bin Hotel Company Limited, formerly known as 張家界索溪峪酒店有限公司)	The PRC	RMB18,000,000	—	23.79%	Sino-foreign equity joint venture	Hotel ownership and operations

The projects have not yet commenced operation.

22 INTERESTS IN JOINTLY CONTROLLED ENTITIES *(CONTINUED)*

The following amounts represent the Group's share of the assets, liabilities, revenues, results and commitments of the jointly controlled entities as derived from unaudited management accounts of the jointly controlled entities for the year prepared by management of the Group in accordance with those relevant accounting policies as set out in Note 2.

	2011	2010
	RMB'000	RMB'000
Operating results		
Turnover	**5,836**	1,186
Loss for the year	**24,024**	18,395
Financial position		
Non-current assets	**1,202,543**	532,860
Current assets	**295,534**	106,322
Current liabilities	**(1,130,784)**	(415,430)
Non-current liabilities	**(15,344)**	(87,871)
Net assets	**351,949**	135,881

	2011	2010
	RMB'000	RMB'000
Capital commitments in respect of property, plant and equipment		
Contracted but not provided for	**791,764**	1,448,599

There are no contingent liabilities relating to the Group's interests in the jointly controlled entities and the jointly controlled entities did not have any material contingent liabilities as at 31 December 2011 (2010: Nil).

23 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group		Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Unlisted equity investments outside Hong Kong - at cost (note (a))	**154,712**	127,856	**—**	—
Equity securities listed outside Hong Kong - at fair value (note (b))	**1,908,393**	1,605,794	**1,908,393**	1,605,794
	2,063,105	1,733,650	**1,908,393**	1,605,794
Market value of equity securities listed outside Hong Kong	**1,908,393**	1,605,794	**1,908,393**	1,605,794

Notes:

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

(b) Details of the equity securities listed outside Hong Kong as at 31 December 2011 are as follows:

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

24 LOANS TO A FELLOW SUBSIDIARY

As part of the Acquisition of Wuling Group during the year ended 31 December 2009, the Group assumed the entrusted loans provided by Wuling to Qian Dong Power Corporation ("Qian Dong"), a former subsidiary of Wuling (and currently a subsidiary of CPIH), amounting to RMB1,500,000,000. These loans are granted for a term of 3 years from the respective dates of drawdown at a fixed interest rate of 5.4% per annum. CPIH has agreed to indemnify the Company for any losses and damages caused by or related to Qian Dong (including the failure of Qian Dong to fulfil its obligations under the entrusted loan agreement) in respect of these loans.

As at 31 December 2011, all these loans are repayable within 12 months and the fair value of these loans approximates their carrying amounts (2010: RMB1,499,394,000).

25 INVENTORIES

	Group	
	2011	2010
	RMB'000	RMB'000
Coal and oil	**475,946**	115,799
Spare parts and consumables	**255,025**	220,337
	730,971	336,136

26 ACCOUNTS RECEIVABLE

	Group	
	2011	2010
	RMB'000	RMB'000
Accounts receivable from provincial power grid companies (note (a))	**1,778,073**	1,530,227
Accounts receivable from other companies (note (a))	**5,411**	233
	1,783,484	1,530,460
Notes receivable (note (b))	**127,983**	186,109
	1,911,467	1,716,569

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

As at 31 December 2011, certain bank borrowings were secured by the rights on accounts receivable of certain subsidiaries of the Group (Note 31(e)). The accounts receivable secured under these facilities as at 31 December 2011 was amounting to RMB1,161,965,000 (2010: RMB1,208,989,000).

Notes:

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

	Group	
	2011	2010
	RMB'000	RMB'000
1 to 3 months	**1,783,484**	1,530,460

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

(b) Notes receivable are analysed as follows:

	2011	2010
	RMB'000	RMB'000
Bank acceptance notes issued by third parties	**127,983**	186,109

The notes receivable are normally with maturity period of 180 days (2010: 180 days).

27 AMOUNTS DUE FROM/(TO) RELATED COMPANIES

Group

	As at 31 December	
	2011	2010
	RMB'000	RMB'000
Amounts due from related companies		
Amount due from an intermediate holding company	**—**	600
Amount due from CPIF	**2,241**	6,849
Amounts due from fellow subsidiaries	**95,771**	19,437
Amount due from associated companies (note(i))	**234,097**	—
	332,109	26,886
Amounts due to related companies		
Amount due to ultimate holding company	**79,065**	69,907
Amount due to an intermediate holding company	**9,461**	6,421
Amount due to CPIF	**29,022**	10,524
Amounts due to fellow subsidiaries	**10,562**	18,389
Purchase consideration payable to an intermediate holding company (note(ii))	**—**	98,387
	128,110	203,628

Company

	As at 31 December	
	2011	2010
	RMB'000	RMB'000
Amounts due from related companies		
Amount due from a fellow subsidiary	**2,000**	2,000
Amount due from an associated company (note (i))	**200,387**	—
	202,387	2,000
Amounts due to related companies		
Amount due to ultimate holding company	**271**	271
Amount due to an intermediate holding company	**7,449**	6,421
Purchase consideration payable to an intermediate holding company (note (ii))	**—**	98,387
	7,720	105,079

Notes :

(i) Except for an amount due from an associated company of RMB200,000,000 (2010: Nil) which carries interest at rates ranging from 6.10% to 6.56% per annum and repayable before the end of year 2012, the amounts due from associated companies are unsecured, interest free and repayable on demand.

(ii) The purchase consideration payable to an intermediate holding company was unsecured, interest free and was repayable on or before 26 April 2011.

(iii) Other balances with related companies are unsecured, interest free and repayable on demand.

28 CASH AND CASH EQUIVALENTS

	Group		Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Cash at bank and in hand	**1,179,817**	972,494	**584,945**	597,492
Time deposits with initial terms of less than three months (note (i))	**—**	4,871	**—**	—
	1,179,817	977,365	**584,945**	597,492
Denominated in:				
RMB	**1,041,391**	941,374	**446,820**	564,774
USD	**125,580**	6,343	**125,360**	6,188
HK$	**12,846**	29,648	**12,765**	26,530
	1,179,817	977,365	**584,945**	597,492

Notes :

(i) The weighted average effective interest rate on time deposits, with maturity ranging from 1 week to 3 months, was 1.7% per annum during the year ended 31 December 2010. Cash at bank earns interest at floating rates based on daily bank deposit rates.

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

29 SHARE CAPITAL AND SHARE PREMIUM

(a) Authorised and issued capital

	Company	
	Number of shares	**Nominal amount**
	(of HK$1 each)	RMB'000
Authorised:		
At 1 January 2010, 31 December 2010 and 31 December 2011	10,000,000,000	10,600,000
Issued and fully paid:		
At 1 January 2010, 31 December 2010 and 31 December 2011	5,107,060,777	5,121,473

(b) Share premium

	Company
	RMB'000
At 1 January 2010, 31 December 2010 and 31 December 2011	4,303,111

(c) Share option schemes

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

(i) Option Scheme

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

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

29 SHARE CAPITAL AND SHARE PREMIUM *(CONTINUED)*

(c) Share option schemes *(Continued)*

(i) Option Scheme *(Continued)*

Details of the options granted under the Option Scheme outstanding as at 31 December 2011 are as follows:

Date of grant	Expiry date	Exercise price	Number of Shares subject to the options At 31 December 2011	At 31 December 2010
Directors				
4 April 2007	3 April 2017	HK$4.07	**3,282,000**	2,572,000
2 July 2008	1 July 2018	HK$2.326	**1,920,000**	2,360,000
Senior management and other employees				
4 April 2007	3 April 2017	HK$4.07	**7,362,000**	10,347,000
2 July 2008	1 July 2018	HK$2.326	**20,900,000**	23,440,000
			33,464,000	38,719,000

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

	2011		2010	
	Average exercise price in HK$ per Share	**Number of Shares subject to the options**	Average exercise price in HK$ per Share	Number of Shares subject to the options
At 1 January	**2.908**	**38,719,000**	2.899	41,139,000
Lapsed	**4.07**	**(2,275,000)**	4.07	(600,000)
Lapsed	**2.326**	**(2,980,000)**	2.326	(1,820,000)
At 31 December		**33,464,000**		38,719,000

29 SHARE CAPITAL AND SHARE PREMIUM *(CONTINUED)*

(c) Share option schemes *(Continued)*

(i) Option Scheme *(Continued)*

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

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

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

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

Note:

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

29 SHARE CAPITAL AND SHARE PREMIUM *(CONTINUED)*

(c) Share option schemes *(Continued)*

(ii) Pre-IPO Scheme

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

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

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

Details of the options granted under the Pre-IPO Scheme outstanding as at 31 December 2011 are as follows:

	Date of grant	Expiry date	Exercise price	Number of Shares subject to the options At 31 December 2011	At 31 December 2010
Directors	18 September 2004	17 September 2014	HK$2.53	**2,533,800**	1,869,200
Senior management and other employees	18 September 2004	17 September 2014	HK$2.53	**2,824,600**	3,696,900
Senior management and other employees	11 October 2004	10 October 2014	HK$2.53	**498,500**	1,038,500
				5,856,900	6,604,600

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

	2011 Average exercise price in HK$ per Share	**2011** Number of Shares subject to the options	2010 Average exercise price in HK$ per Share	2010 Number of Shares subject to the options
At 1 January	**2.53**	**6,604,600**	2.53	6,604,600
Lapsed	**2.53**	**(747,700)**	—	—
At 31 December		**5,856,900**		6,604,600

29 SHARE CAPITAL AND SHARE PREMIUM *(CONTINUED)*

(c) Share option schemes *(Continued)*

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

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

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

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

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

Note:

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

30 RESERVES

Group

	Merger reserve (note (i)) RMB'000	Capital reserve (note (ii)) RMB'000	Available-for-sale financial assets reserve RMB'000	Statutory reserves (note (iii)) RMB'000	Share-based compensation reserve RMB'000	Convertible option reserve RMB'000	Other reserves RMB'000	(Accumulated losses)/ retained earnings (note (iv)) RMB'000	Total RMB'000
At 1 January 2011	306,548	2,262,848	2,725	250,359	31,964	—	—	(40,529)	2,813,915
Increase in fair value of available -for-sale financial assets	—	—	302,599	—	—	—	—	—	302,599
Deferred tax on increase in fair value of available-for-sale financial assets (Note 38)	—	—	(75,650)	—	—	—	—	—	(75,650)
Equity component of convertible bonds (Note 33(c))	—	—	—	—	—	124,995	—	—	124,995
Transactions with non-controlling interests (Note 41)	—	—	—	—	—	—	257,868	—	257,868
Employee share option benefits	—	—	—	—	1,297	—	—	—	1,297
Lapse of share options	—	—	—	—	(4,451)	—	—	4,451	—
Transfer to reserves	—	—	—	21,466	—	—	—	(21,466)	—
2010 final dividend	—	—	—	—	—	—	—	(229,818)	(229,818)
Profit for the year	—	—	—	—	—	—	—	505,202	505,202
At 31 December 2011	306,548	2,262,848	229,674	271,825	28,810	124,995	257,868	217,840	3,700,408

30 RESERVES *(CONTINUED)*

Group *(Continued)*

	Merger reserve (note (i)) RMB'000	Capital reserve (note (ii)) RMB'000	Available-for-sale financial assets reserve RMB'000	Statutory reserves (note (iii)) RMB'000	Share-based compensation reserve RMB'000	Convertible option reserve RMB'000	Other reserves RMB'000	(Accumulated losses)/ retained earnings (note (iv)) RMB'000	Total RMB'000
At 1 January 2010	306,548	2,262,848	643,422	195,934	29,415	—	—	(424,357)	3,013,810
Decrease in fair value of available-for-sale financial assets	—	—	(734,306)	—	—	—	—	—	(734,306)
Deferred tax on decrease in fair value of available-for-sale financial assets (Note 38)	—	—	183,576	—	—	—	—	—	183,576
Release on disposal of available -for-sale financial assets	—	—	(126,859)	—	—	—	—	—	(126,859)
Release of deferred tax upon disposal of available-for-sale financial assets (Note 38)	—	—	36,892	—	—	—	—	—	36,892
Employee share option benefits	—	—	—	—	3,728	—	—	—	3,728
Lapse of share options	—	—	—	—	(1,179)	—	—	1,179	—
Transfer to reserves	—	—	—	54,425	—	—	—	(54,425)	—
2009 final dividend	—	—	—	—	—	—	—	(229,818)	(229,818)
Profit for the year	—	—	—	—	—	—	—	666,892	666,892
At 31 December 2010	306,548	2,262,848	2,725	250,359	31,964	—	—	(40,529)	2,813,915

Notes:

(i) Merger reserve

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

(ii) Capital reserve

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

(iii) Statutory reserves

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

30 RESERVES *(CONTINUED)*

Group *(Continued)*

Notes: *(Continued)*

(iv) Accumulated losses

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

Company

	Available-for-sale financial assets reserve RMB'000	Share-based compensation reserve RMB'000	Convertible option reserve RMB'000	Retained earnings RMB'000	Total RMB'000
At 1 January 2011	175,347	31,964	—	877,998	1,085,309
Profit for the year	—	—	—	1,077,720	1,077,720
Employee share option benefits	—	1,297	—	—	1,297
Lapse of share options	—	(4,451)	—	4,451	—
Increase in fair value of available-for-sale financial assets	302,599	—	—	—	302,599
Deferred tax on increase in fair value of available-for-sale financial assets (Note 38)	(75,650)	—	—	—	(75,650)
Equity component of convertible bonds	—	—	124,995	—	124,995
2010 final dividend	—	—	—	(229,818)	(229,818)
At 31 December 2011	402,296	28,810	124,995	1,730,351	2,286,452

30 RESERVES *(CONTINUED)*

Company *(Continued)*

	Available-for-sale financial assets reserve RMB'000	Share-based compensation reserve RMB'000	Convertible option reserve RMB'000	Retained earnings RMB'000	Total RMB'000
At 1 January 2010	844,105	29,415	—	941,568	1,815,088
Profit for the year	—	—	—	165,069	165,069
Employee share option benefits	—	3,728	—	—	3,728
Lapse of share options	—	(1,179)	—	1,179	—
Decrease in fair value of available-for-sale financial assets	(734,306)	—	—	—	(734,306)
Deferred tax on decrease in fair value of available-for-sale financial assets (Note 38)	183,576	—	—	—	183,576
Release on disposal of available-for sale financial assets	(154,920)	—	—	—	(154,920)
Release of deferred tax upon disposal of available-for-sale financial assets (Note 38)	36,892	—	—	—	36,892
2009 final dividend	—	—	—	(229,818)	(229,818)
At 31 December 2010	175,347	31,964	—	877,998	1,085,309

31 BANK BORROWINGS

Bank borrowings are analysed as follows:

	Group		Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Non-current				
Long-term bank borrowings				
– secured (note (e))	**21,282,681**	17,589,427	**—**	—
– unsecured (note (b))	**8,512,710**	9,424,015	**211,710**	529,816
	29,795,391	27,013,442	**211,710**	529,816
Less: current portion of long-term bank borrowings				
– secured	**(2,316,450)**	(2,311,585)	**—**	—
– unsecured	**(386,000)**	(31,000)	**—**	—
– unsecured other bank borrowings reclassified as current (note (b))	**(211,710)**	(529,816)	**(211,710)**	(529,816)
	26,881,231	24,141,041	**—**	—
Current				
Short-term bank borrowings, secured (note (e))	**243,700**	—	**—**	—
Short-term bank borrowings, unsecured	**2,744,100**	3,724,700	**—**	—
Current portion of long-term bank borrowings	**2,702,450**	2,342,585	**—**	—
Other current bank borrowings, unsecured (note (b))	**211,710**	529,816	**211,710**	529,816
	5,901,960	6,597,101	**211,710**	529,816
Total bank borrowings	**32,783,191**	30,738,142	**211,710**	529,816

31 BANK BORROWINGS *(CONTINUED)*

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

	2011	2010
	RMB'000	RMB'000
RMB	**31,053,489**	28,556,679
USD	**353,054**	696,949
JPY	**1,376,648**	1,484,514
	32,783,191	30,738,142

(b) As at 31 December 2011, the Group breached a financial covenant of a bank loan of RMB211,710,000 (2010: RMB529,816,000) which constitutes an event of default under the relevant bank loan facilities. Accordingly, such bank borrowing was reclassified as current liabilities as at year end date. As disclosed in Note 2.1 (c), management is in the process of obtaining a waiver from the syndicate of banks for the year ended 31 December 2011 but considers that such matter would have no material adverse financial impact to the Group after taking into account that the Group had undrawn committed banking facilities amounting to approximately RMB11,597 million as at 31 December 2011.

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

	Group	
	2011	2010
	RMB'000	RMB'000
Wholly repayable within five years	**2,375,910**	6,387,496
Not wholly repayable within five years	**27,419,481**	20,625,946
	29,795,391	27,013,442

31 BANK BORROWINGS *(CONTINUED)*

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

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

	Group	
	2011	2010
	RMB'000	RMB'000
Within one year (also see note (b) above)	**2,914,160**	2,872,401
In the second year	**3,202,400**	2,249,636
In the third to fifth year	**6,933,350**	6,860,907
After the fifth year	**16,745,481**	15,030,498
	29,795,391	27,013,442

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

	Group	
	2011	2010
Current bank borrowings	**5.81%**	3.81%
Non-current bank borrowings	**6.13%**	5.32%

The Group's non-current bank borrowings are primarily carried at floating rates. As at 31 December 2011, the carrying values of non-current bank borrowings approximate their fair values.

(e) As at 31 December 2011, the long-term bank borrowings of the Group were secured as follows:

	2011	2010
	RMB'000	RMB'000
Secured against the rights on accounts receivable of certain subsidiaries of the Group (Note 26)	**17,110,514**	13,144,213
Guaranteed by the ultimate holding company	**1,740,735**	1,823,773
Guaranteed by Hunan Provincial Finance Bureau	**635,912**	660,741
Guaranteed by Hunan Provincial Power Company	**1,518,200**	1,810,200
Secured against property, plant and equipment of a subsidiary of the Group (Note 16(a)(iv))	**277,320**	150,500
	21,282,681	17,589,427

As at 31 December 2011, certain short-term bank borrowings are secured by the rights on accounts receivable of certain subsidiaries of the Group.

31 BANK BORROWINGS *(CONTINUED)*

(f) At 31 December 2011, the Group had the following undrawn committed borrowing facilities:

	Group	
	2011	2010
	RMB'000	RMB'000
Bank borrowings, at floating rates	**11,597,020**	20,799,840

32 BORROWINGS FROM GROUP COMPANIES

	Group	
	2011	2010
	RMB'000	RMB'000
Non-current		
Long-term borrowings from ultimate holding company (note (a))	**1,473,816**	1,473,816
Long-term borrowings from CPIF (note (b))	**1,832,095**	1,429,595
Less: current portion of long term borrowings from CPIF (note (b))	**(670,295)**	—
	2,635,616	2,903,411
Current		
Short-term borrowings from CPIF (note (c))	**1,680,000**	2,300,000
Current portion of long-term borrowings from CPIF (note (b))	**670,295**	—
	2,350,295	2,300,000
	4,985,911	5,203,411

As at 31 December 2011, the fair value of non-current borrowings from group companies amounted to RMB2,597,737,000 (2010: RMB2,837,620,000).

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

32 BORROWINGS FROM GROUP COMPANIES *(CONTINUED)*

Notes:

(a) The long-term borrowings from ultimate holding company are unsecured, bearing interest at 5.02% (2010: 5.02%) per annum and are wholly repayable by year 2018.

(b) The long-term borrowings from CPIF are unsecured and bearing interest at rates ranging from 3.90% to 6.60% (2010: 3.80% to 4.86%) per annum. The repayment terms of these borrowings are analysed as follows:

	Group	
	2011	2010
	RMB'000	RMB'000
Wholly repayable within five years	**1,820,295**	1,420,295
Not wholly repayable within five years	**11,800**	9,300
	1,832,095	1,429,595

These borrowings are repayable as follows:

	Group	
	2011	2010
	RMB'000	RMB'000
Within one year	**670,295**	—
In the second year	**—**	400,000
In the third to fifth year	**1,150,000**	1,020,295
After the fifth year	**11,800**	9,300
	1,832,095	1,429,595

(c) The short-term borrowings from CPIF are unsecured, bearing interest at rates ranging from 3.80% to 7.22% (2010: 2.91% to 5.00%) per annum and are repayable within one year.

33 OTHER BORROWINGS

	Group		Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Long-term bonds				
Corporate bonds issued by the Company (note(a))	**800,000**	800,000	**800,000**	800,000
Long-term corporate bonds issued by a subsidiary (note(b))	**994,020**	993,239	**—**	—
Convertible bonds issued by the Company (note(c))	**853,454**	—	**853,454**	—
	2,647,474	1,793,239	**1,653,454**	800,000
Long-term other borrowings				
Other borrowings (note(d))	**399,260**	—	**—**	—
Loans from a non-controlling shareholder (note(e))	**—**	135,201	**—**	—
	399,260	135,201	**—**	—
Short-term other borrowings				
Short-term corporate bonds issued by a subsidiary (note (b))	**1,000,000**	—	**—**	—
Others (note (f))	**100,000**	200,000	**—**	—
	1,100,000	200,000	**—**	—

As at 31 December 2011, the fair value liabilities of long-term bonds and long-term other borrowings amounted to RMB2,992,602,000 (2010: RMB1,928,422,000).

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

33 OTHER BORROWINGS *(CONTINUED)*

Notes:

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

(b) Long-term corporate bonds issued by a subsidiary represent certain bonds issued by Wuling and are bearing interest at 4.6% (2010: 4.6%) per annum for a term of 10 years from April 2009. These bonds are guaranteed by the ultimate holding company of the Company.

Short-term corporate bonds issued by a subsidiary represent certain unsecured bonds issued by Wuling and are bearing interest at rates ranging from 4.77% to 5.06% per annum for a term of one year.

(c) Convertible bonds

In May 2011, the Company issued RMB denominated US$ settled 2.25% convertible bonds (the "Convertible Bonds"), of an initial principal amount of RMB982,000,000 (equivalent to US$150,000,000). The value of the liability component of RMB837,351,000 and the equity conversion component of RMB124,995,000 were determined at issuance of the Convertible Bonds, after netting off transaction cost of RMB19,654,000.

At the option of bond holders, the aggregate amount of RMB982,000,000 will be convertible into fully paid shares with a par value of HK$1 each of the Company. The Convertible Bonds will, subject to other terms and conditions, mature in five years from the issue date at 100% of the nominal value or can be converted into ordinary shares of the Company on or after 27 June 2011 at an initial conversion price of HK$2.15 per share (as adjusted to HK$2.0779 per share with effect from 21 May 2011) pursuant to the terms and conditions as stipulated in the Convertible Bonds at a fixed exchange rate of RMB0.8414 to HK$1.

The Convertible Bonds are listed on The Stock Exchange of Hong Kong Limited.

The fair value of the liability component included in long-term other borrowings was calculated using a market interest rate for an equivalent non-convertible bond. The liability component is subsequently stated at amortised cost until extinguished on convertible or maturity of the bonds. The residual amount, representing the value of the equity conversion component, is accounted for as a convertible option reserve included in reserves.

The Convertible Bonds recognised in the balance sheet is calculated as follows:

	2011 RMB'000
Nominal value of the Convertible Bonds at the date of issuance	**982,000**
Issue costs	**(19,654)**
Equity component	**(124,995)**
Liability component at the date of issuance	**837,351**
Accrued interest	**16,103**
Carrying amount at 31 December 2011	**853,454**

33 OTHER BORROWINGS *(CONTINUED)*

Notes: *(Continued)*

(c) Convertible bonds *(Continued)*

Interest expense on the liability component of the Convertible Bonds are calculated using the effective interest method, applying the effective interest rate of 5.67% per annum to the liability component.

The fair value of the liability component of the Convertible Bonds at 31 December 2011 amounted to RMB832,091,000. The fair value is calculated using the market price of the Convertible Bonds on the balance sheet date (or the nearest day of trading).

Up to 31 December 2011, there was no conversion or redemption of the Convertible Bonds.

(d) Other borrowings represent a loan from a local financial institution which is unsecured, bearing interest at 6.32% per annum and is repayable by 10 October 2013.

(e) Loans from a non-controlling shareholder were unsecured, bearing interest at 5.76% per annum and have been fully repaid during the year.

(f) Short-term other borrowings represent a loan from a local financial institution which is unsecured, bearing interest at 6.63% per annum and is repayable within one year.

34 OBLIGATIONS UNDER FINANCE LEASES

	Group	
	2011	2010
	RMB'000	RMB'000
Obligations under finance leases	**184,337**	201,141
Current portion of finance leases	**(17,714)**	(16,804)
Non-current portion of finance leases	**166,623**	184,337

At 31 December 2011, the Group's finance lease liabilities were repayable as follows:

	Group	
	2011	2010
	RMB'000	RMB'000
Within one year	**27,335**	27,335
In the second to fifth year	**109,340**	109,340
After the fifth year	**94,980**	122,315
	231,655	258,990
Future finance charges on finance leases	**(47,318)**	(57,849)
Present value of finance leases	**184,337**	201,141

35 ACCOUNTS AND BILLS PAYABLES

	Group	
	2011	2010
	RMB'000	RMB'000
Accounts payable (note (a))	**510,920**	220,516
Due to related companies (note (a))	**—**	121,290
Due to a non-controlling shareholder (note (a))	**214,469**	—
	725,389	341,806
Bills payable (note (b))	**150,000**	119,400
	875,389	461,206

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

Notes:

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

	Group	
	2011	2010
	RMB'000	RMB'000
1 to 6 months	**524,216**	320,302
7 to 12 months	**186,296**	670
Over 1 year	**14,877**	20,834
	725,389	341,806

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

(b) Bills payable are bills of exchange with average maturity period of 3 to 6 months (2010: 3 to 6 months).

36 OTHER PAYABLES AND ACCRUED CHARGES

	Group		Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Salaries and staff welfare payable	**35,741**	67,424	**1,047**	10,998
Value-added tax payable	**60,030**	127,087	**—**	—
Other taxes payable	**221,638**	176,364	**3,507**	4,761
Repairs and maintenance expense payable	**10,050**	10,073	**—**	—
Insurance expense payable	**7,580**	8,512	**—**	—
Discharge fees payable	**2,477**	2,731	**—**	—
Reservoir maintenance and usage fees payables	**122,561**	133,041	**—**	—
Interest payable	**139,637**	88,934	**3,680**	1,811
Other payables and accrued operating expenses	**234,581**	192,892	**23,540**	28,996
Considerations payable for acquisition of subsidiaries (Note 40(b))	**41,089**	89,972	**—**	—
	875,384	897,030	**31,774**	46,566

37 DERIVATIVE FINANCIAL INSTRUMENTS

	Group	
	2011	2010
	RMB'000	RMB'000
Derivative financial instruments - held for trading	**32,965**	71,902

As at 31 December 2011, the Group had certain net settled derivative financial instruments, with a contract period of 15 years, mainly to sell USD for JPY with an aggregate notional principal amount of JPY2,861,672,000 (2010: JPY3,251,900,000).

38 DEFERRED INCOME TAX

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

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

	Group		Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Deferred income tax assets	**45,187**	45,152	**—**	—
Deferred income tax liabilities	**(741,934)**	(570,095)	**(119,023)**	(43,373)
Net deferred income tax liabilities	**(696,747)**	(524,943)	**(119,023)**	(43,373)

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

	Group		Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
At 1 January	**(524,943)**	(553,275)	**(43,373)**	(263,841)
(Charged)/credited directly to equity (Note 30)	**(75,650)**	220,468	**(75,650)**	220,468
Acquisition of subsidiaries (Note 40)	**—**	(32,544)	**—**	—
Charged to the consolidated income statement (Note 10)	**(96,154)**	(159,592)	**—**	—
At 31 December	**(696,747)**	(524,943)	**(119,023)**	(43,373)

38 DEFERRED INCOME TAX *(CONTINUED)*

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

Deferred income tax liabilities:

	Group								Company	
	Accelerated tax depreciation		Changes in fair value of available-for-sale financial assets		Others		Total		Changes in fair value of available-for-sale financial assets	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
At 1 January	**(560,936)**	(435,446)	**(43,373)**	(263,841)	**—**	—	**(604,309)**	(699,287)	**(43,373)**	(263,841)
Acquisition of subsidiaries (Note 40)	**—**	(32,544)	**—**	—	**—**	—	**—**	(32,544)	**—**	—
(Charged)/credited directly to equity (Note 30)	**—**	—	**(75,650)**	220,468	**—**	—	**(75,650)**	220,468	**(75,650)**	220,468
Charged to income statement	**(117,056)**	(92,946)	**—**	—	**(5,461)**	—	**(122,517)**	(92,946)	**—**	—
At 31 December	**(677,992)**	(560,936)	**(119,023)**	(43,373)	**(5,461)**	—	**(802,476)**	(604,309)	**(119,023)**	(43,373)

38 DEFERRED INCOME TAX *(CONTINUED)*

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

Deferred income tax assets:

	Group							
	Decelerated tax depreciation		**Provision and others**		**Tax losses**		**Total**	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
At 1 January	**55,339**	35,850	**24,027**	38,338	**—**	71,824	**79,366**	146,012
Credited/(charged) to consolidated income statement	**16,126**	19,489	**10,237**	(14,311)	**—**	(71,824)	**26,363**	(66,646)
At 31 December	**71,465**	55,339	**34,264**	24,027	**—**	—	**105,729**	79,366

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. At 31 December 2011, the Group had unrecognised tax losses to be carried forward against future taxable income amounted to RMB1,803,908,000 (2010: RMB1,712,124,000), which are mainly expiring within five years.

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

	Group		Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Available-for-sale financial assets reserve (Note 30)	**(75,650)**	220,468	**(75,650)**	220,468

39 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

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

	2011 RMB'000	2010 RMB'000
Profit before taxation	**782,219**	1,246,482
Share of losses/(profits) of associated companies	**4,073**	(112,327)
Share of losses of jointly controlled entities	**24,024**	18,395
Interest income	**(108,903)**	(104,018)
Interest expense	**1,586,101**	1,394,588
Dividend income	**(24,083)**	(5,620)
Depreciation of property, plant and equipment	**1,809,808**	1,712,388
Amortisation of land use rights	**9,060**	9,084
Amortisation of deferred income	**(18,674)**	(10,774)
Gain on disposal of property, plant and equipment and land use rights	**(40,146)**	(3,691)
Reversal of impairment of other receivables	**(9,626)**	(248)
Reversal of impairment of inventories	**(3,916)**	(1,656)
Fair value (gain)/loss on derivative financial instruments	**(38,937)**	461
Employee share option benefits	**1,297**	3,728
Gain on disposal of available-for-sale financial assets	**—**	(29,792)
Operating profit before working capital changes	**3,972,297**	4,117,000
Increase in accounts receivable	**(194,898)**	(286,115)
(Increase)/decrease in prepayments, deposits and other receivables	**(64,880)**	58,644
Increase in inventories	**(390,919)**	(69,179)
Increase in balances with related companies	**(48,257)**	(155,081)
Increase in amounts due from associated companies	**(387)**	—
Increase/(decrease) in accounts and bills payables	**414,183**	(177,375)
(Decrease)/increase in other payables and accrued charges	**(27,012)**	3,727
Decrease in deferred income	**—**	(2,773)
Decrease in current portion of long-term receivable from Hubei Electric Power Corporation	**—**	34,000
Decrease in other long-term liabilities	**(3,346)**	(5,477)
Cash generated from operations	**3,656,781**	3,517,371

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

(b) Analysis of changes in financing during the year

	Long-term and short-term bank and other borrowings RMB'000	Borrowings from CPIF and ultimate holding company RMB'000	Obligations under finance leases RMB'000	Non-controlling interests RMB'000
Balance at 1 January 2010	28,835,150	4,073,816	208,999	2,442,996
Acquisition of subsidiaries	314,000	—	—	22,517
New bank borrowings	7,617,500	—	—	—
Repayment of bank borrowings	(5,636,914)	—	—	—
New short-term other borrowings	200,000	—	—	—
Repayment of other borrowings	(256,393)	—	—	—
Repayment of borrowings from CPIF	—	(1,894,200)	—	—
New borrowings from CPIF	—	3,023,795	—	—
Payments for obligations under finance leases	—	—	(19,253)	—
Interest element for obligations under finance leases	—	—	11,395	—
Contributions from non-controlling shareholders of subsidiaries	—	—	—	75,922
Non-controlling shareholders' share of profit for the year	—	—	—	199,363
Dividends paid to a non-controlling shareholder of a subsidiary	—	—	—	(85,100)
Balance at 31 December 2010	31,073,343	5,203,411	201,141	2,655,698

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

(b) Analysis of changes in financing during the year *(Continued)*

	Long-term and short-term bank and other borrowings RMB'000	Borrowings from CPIF and ultimate holding company RMB'000	Obligations under finance leases RMB'000	Non-controlling interests RMB'000
Balance at 31 December 2010	**31,073,343**	**5,203,411**	**201,141**	**2,655,698**
Transactions with non-controlling interests and acquisition of subsidiaries	—	—	—	**454,509**
New bank borrowings	**10,244,620**	—	—	—
Repayment of bank borrowings	**(8,199,571)**	—	—	—
New short-term other borrowings	**1,499,260**	—	—	—
Repayment of other borrowings	**(335,201)**	—	—	—
Repayment of borrowings from CPIF	—	**(2,300,000)**	—	—
New borrowings from CPIF	—	**2,082,500**	—	—
Payments for obligations under finance leases	—	—	**(27,335)**	—
Interest element for obligations under finance leases	—	—	**10,531**	—
Contributions from non-controlling shareholders of subsidiaries	—	—	—	**249,575**
Non-controlling shareholders' share of profit for the year	—	—	—	**83,168**
Dividends paid to a shareholder of a subsidiary	—	—	—	**(78,440)**
Balance at 31 December 2011	**34,282,451**	**4,985,911**	**184,337**	**3,364,510**

40 BUSINESS COMBINATIONS

(a) Acquisition of 四川興鐵電氣設備有限公司(Sichuan Xingtie Electricity Equipment Limited)

Effective 1 June 2011, the Group acquired 70% equity interests in 四川興鐵電氣設備有限公司 (Sichuan Xingtie Electricity Equipment Limited) and its subsidiary (together, "Xingtie") from an independent third party (the "Acquisition"). The revenue and net results contributed by Xingtie during the period from 1 June 2011 to 31 December 2011 is not significant to the Group. If the Acquisition had occurred on 1 January 2011, the Group's revenue and profit for the year ended 31 December 2011 would have no significant change.

Details of net assets acquired and goodwill are as follows:

	RMB'000
Purchase considerations:	
– Cash paid	390
Fair value of net identifiable assets acquired (see below)	(390)
Goodwill	—

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

	Fair value RMB'000	**Acquiree's carrying amount RMB'000**
Property, plant and equipment	1,489	1,489
Cash and cash equivalents	78	78
Payables	(1,010)	(1,010)
	557	557
Non-controlling interests	(167)	(167)
Net identifiable assets acquired	390	390
Purchase considerations - paid in cash	(390)	
Cash and cash equivalents in subsidiaries acquired	78	
Net cash outflow on acquisition	(312)	

40 BUSINESS COMBINATIONS *(CONTINUED)*

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

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

Effective 1 April 2011, the Group acquired the entire equity interests in Hunan Zhong Shui Investment Co., and its subsidiaries (together, "Zhong Shui") from two independent third parties at an aggregate consideration of RMB29,250,000.

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

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

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

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

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

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

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

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

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

40 BUSINESS COMBINATIONS *(CONTINUED)*

(b) During the year ended 31 December 2010, the Group acquired the following subsidiaries: *(Continued)*

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

In 2010, provisional estimated fair value of assets and liabilities acquired on the acquisition of the above subsidiaries were used for the preparation of the accounts for the year ended 31 December 2010. The fair value exercise was completed during the current year and no further adjustment is considered necessary.

41 TRANSACTIONS WITH NON-CONTROLLING INTERESTS

(a) Acquisition of an additional interest in a subsidiary

On 7 January 2011, the Group acquired an additional 40.36% interest in of Tumuxi at a consideration of RMB 31,689,000. The carrying amount of the non-controlling interests in Tumuxi on the date of acquisition was RMB18,709,000. The Group recognised a decrease in non-controlling interests of RMB18,709,000 and a decrease in equity attributable to equity holders of the Company of RMB12,980,000. The effect of changes in the ownership interest of Tumuxi on the equity attributable to equity holders of the Company during the year is summarised as follows:

	RMB'000
Carrying amount of non-controlling interests acquired	**18,709**
Consideration paid to non-controlling interests	**(31,689)**
Excess of consideration paid recognised within equity	**(12,980)**

(b) Disposal of interests in subsidiaries without loss of control

On 26 July 2011, the company disposed of 25% and 42%of interest in Huainan Pingwei No.2 Electric Power Generating Company Limited ("PWII") and Huanggang Dabieshan Power Generating Company Limited ("DBS") at a consideration of RMB350,000,000 and RMB393,899,000 respectively. As a result of these transactions, the Group recognised an increase in non-controlling interests of RMB473,051,000 and an increase in equity attributable to equity holders of the Company of RMB270,848,000. The effect of changes in the ownership interest of PWII and DBS on the equity attributable to equity holders of the Company during the year is summarised as follows:

	PWII RMB'000	DBS RMB'000	Total RMB'000
Carrying amount of net assets disposed of	**(229,651)**	**(243,400)**	**(473,051)**
Consideration received from non-controlling interests	**350,000**	**393,899**	**743,899**
Gain on disposal recognised within equity	**120,349**	**150,499**	**270,848**

41 TRANSACTIONS WITH NON-CONTROLLING INTERESTS *(CONTINUED)*

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

	2011 RMB'000
Total comprehensive income for the period attributable to equity holders of the Company	**732,151**
Changes in equity attributable to equity holders of the Company arising from:	
– Acquisition of additional interest in a subsidiary	**(12,980)**
– Disposal of interest in subsidiaries without loss of control	**270,848**
Net effect for transactions with non-controlling interests on equity attributable to equity holders of the Company	**257,868**
	990,019

There were no transactions with non-controlling interests in 2010.

42 COMMITMENTS

(a) Capital commitments

	Group		Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Authorised but not contracted for in respect of				
– property, plant and equipment	**3,091,214**	3,318,281	**—**	—
– capital contribution to an associated company	**813,800**	813,800	**813,800**	813,800
– other investment	**300,000**	—	**300,000**	—
Contracted but not provided for in respect of				
– property, plant and equipment	**6,299,225**	14,118,139	**—**	—
– capital contribution to an associated company	**220,500**	220,500	**220,500**	220,500
– acquisition of a subsidiary	**30,080**	31,690	**—**	—
– capital contribution to a jointly controlled entity	**100,072**	196,674	**100,072**	196,674
– capital contribution to subsidiaries	**—**	—	**502,579**	902,572
	10,854,891	18,699,084	**1,936,951**	2,133,546

(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	**27,578**	31,363	**10,508**	14,302
Later than one year and not later than five years	**20,420**	56,083	**3,073**	14,278
	47,998	87,446	**13,581**	28,580

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

42 COMMITMENTS *(CONTINUED)*

(c) Future operating lease arrangements

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

	Group		Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Other equipment				
Not later than one year	**14,483**	122,647	**—**	—
Later than one year and				
not later than five years	**14,029**	14,177	**—**	—
	28,512	136,824	**—**	—

43 RELATED PARTY TRANSACTIONS

The Group is controlled by China Power Development Limited ("CPDL"), a company incorporated in the British Virgin Islands, which owns approximately 39.09% of the Company's shares. CPIH, an intermediate holding company, also holds approximately 30.01% of the Company's shares directly. The remaining interests are widely held. The directors regard CPI Group, a company incorporated in the PRC, as being the ultimate holding company.

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

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

43 RELATED PARTY TRANSACTIONS *(CONTINUED)*

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

Related parties	Relationship with the Company
CPI Group（中國電力投資集團公司）	Ultimate holding company
CPIH（中國電力國際有限公司）	An intermediate holding company
CPIF（中電投財務有限公司）	A company controlled by CPI Group
Shanxi Shentou Industrial Company Limited（山西神頭電力實業有限責任公司）	Fellow subsidiary
Shanxi Shentou Engineering Company Limited（山西神頭電力檢修有限責任公司）	Fellow subsidiary
Huainan Pingwei Electric Power Industrial Company Limited（淮南平圩電力實業有限責任公司）	Fellow subsidiary
Anhui Huainan Pingwei Power Engineering Maintenance Company Limited（安徽淮南平圩電力檢修工程有限責任公司）	Fellow subsidiary
Pingdingshan Yaomeng Power Engineering Company Limited（平頂山姚孟電力工程有限責任公司）	Fellow subsidiary
Pingdingshan Yaomeng Power Industrial Company Limited（平頂山姚孟電力實業有限責任公司）	Fellow subsidiary
Qian Dong Power Corporation ("Qian Dong")（貴州黔東電力有限公司）	Fellow subsidiary
Hunan Xiangtou International Investment Limited ("Xiangtou")（湖南湘投國際投資有限公司）	A non-controlling shareholder of a subsidiary
Huainan Mining Industry (Group) Company Limited（淮南礦業(集團)有限責任公司）	A non-controlling shareholder of a subsidiary

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

43 RELATED PARTY TRANSACTIONS *(CONTINUED)*

(a) Income

	Note	**2011** **RMB'000**	2010 RMB'000
Interest income from Qian Dong	(i)	**82,125**	82,125
Rental income from Qian Dong	(ii)	**54,110**	54,110
Management fee from CPIH	(iii)	**4,974**	3,780
Dividend income from CPIF	(iv)	**3,910**	5,620
Dividend income from Shanghai Power	(iv)	**20,173**	—
Income from provision of repairs and maintenance services to Qian Dong	(v)	**713**	1,331

Notes:

(i) Interest income from Qian Dong was charged at a fixed interest rate of 5.40% (2010: 5.40%) per annum.

(ii) Rental income from Qian Dong was charged in accordance with the terms of the relevant agreements.

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

(iv) Dividend income was received from CPIF and Shanghai Power based on the dividends declared by the respective boards of directors in proportion to the Group's interest in the companies.

(v) Income from the provision of repairs and maintenance services to Qian Dong was charged in accordance with the terms of the relevant agreements.

43 RELATED PARTY TRANSACTIONS *(CONTINUED)*

(b) Expenses

	Note	**2011** **RMB'000**	2010 RMB'000
Operating lease rental in respect of land to CPI Group	(i)	**17,061**	17,061
Operating lease rental in respect of buildings to CPIH	(i)	**9,549**	10,029
Purchases of fuel, raw materials and spare parts from a non-controlling shareholder	(ii)	**3,900,028**	—
Purchases of fuel, raw materials and spare parts from fellow subsidiaries	(ii)	**83,556**	78,869
Service fees to fellow subsidiaries	(iii)	**378,254**	327,056
Construction costs to fellow subsidiaries	(iv)	**46,481**	161,375
Labour costs charged by fellow subsidiaries	(v)	**1,206**	1,258
Interest expense to CPIF	(vi)	**176,464**	133,092
Interest expense to CPI Group	(vii)	**74,037**	73,986
Interest expense to Xiangtou	(viii)	**4,587**	16,403

Notes:

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

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

(iii) Service fees mainly related to repairs and maintenance services and transportation services which were charged based on mutually agreed prices.

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

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

(vi) Interest expense to CPIF was charged based on outstanding loan balance at rates ranging from 3.80% to 7.22% (2010: 2.91% to 5.00%) per annum.

(vii) Interest expense to CPI Group were charged based on outstanding loan balance at a fixed interest rate of 5.02% (2010: 5.02%) per annum.

(viii) Interest expense to Xiangtou were charged based on outstanding loan balance at rates ranging from 5.76% to 6.35% (2010: 5.76%) per annum.

43 RELATED PARTY TRANSACTIONS *(CONTINUED)*

(c) Year-end balances with related parties

	Note	**2011**	2010
		RMB'000	RMB'000
Amount due from CPIH	(i)	**—**	600
Amount due from CPIF	(i)	**2,241**	6,849
Amounts due from fellow subsidiaries	(i)	**95,771**	19,437
Amount due to CPI Group	(i)	**79,065**	69,907
Amount due to CPIH	(i)	**9,461**	104,808
Amount due to CPIF	(i)	**29,022**	10,524
Amounts due to fellow subsidiaries	(i)	**10,562**	18,389
Amounts due to a non-controlling shareholder	(i)	**214,469**	—
Long-term borrowings from CPI Group	(ii)	**1,473,816**	1,473,816
Borrowings from CPIF	(iii)	**3,512,095**	3,729,595
Loans to a fellow subsidiary	(iv)	**1,500,000**	1,500,000
Loans from Xiangtou	(v)	**—**	135,201
Amounts due from associated companies	(vi)	**234,097**	—

Notes:

(i) Except for the purchase consideration payable to CPIH of RMB98,387,000 in 2010 (also see Note 27) being repayable on or before 26 April 2011, the balances with these related parties are unsecured, interest free and repayable on demand.

(ii) Long-term borrowings from CPI Group are unsecured, carrying interest at 5.02% (2010: 5.02%) per annum and are repayable by year 2018.

(iii) Borrowings from CPIF are unsecured and carrying interest at rates ranging from 3.80% to 7.22% (2010: 2.91% to 5.00%) per annum. Details of the repayment terms are set out in Note 32.

(iv) Loans to a fellow subsidiary are unsecured and carrying interest at a fixed interest rate of 5.40% (2010: 5.40%) per annum. These loans will be repayable before the end of year 2012.

(v) The loans from Xiangtou are unsecured, carrying interest at rates ranging from 5.76% to 6.35% (2010: 5.76%) per annum and are repayable by 31 December 2015. The whole balance has been fully repaid during 2011.

(vi) Except for an amount due from an associated company of RMB200,000,000 (2010: Nil) which carries interest at rates ranging from 6.10% to 6.56% per annum and repayable before the end of year 2012, the amounts due from associated companies are unsecured, interest free and repayable on demand.

43 RELATED PARTY TRANSACTIONS *(CONTINUED)*

(d) For the years ended 31 December 2011 and 2010, the Group's significant transactions and balances with entities that are controlled, jointly controlled or significantly influenced by the PRC government mainly include:

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

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

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

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

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

(vi) service fees to state-owned enterprises

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

(e) Key management compensation

	2011	2010
	RMB'000	RMB'000
Basic salaries, housing allowance, other allowances, discretionary bonus and other benefits	**5,194**	5,083
Employee share option benefits	**416**	1,267
	5,610	6,350

44 APPROVAL OF ACCOUNTS

The accounts were approved by the Board of Directors on 23 March 2012.

Five-year Financial and Operations Summary

	2011	2010	2009	2008	2007
	RMB million	RMB million	RMB million	RMB million	RMB million
Revenue	**16,082.1**	14,436.7	10,936.5	9,632.4	5,907.3
Profit/(loss) before taxation	**782.2**	1,246.5	574.1	(698.4)	671.6
Taxation	**(193.8)**	(380.2)	(22.5)	(4.3)	(64.8)
Profit/(loss) for the year	**588.4**	866.3	551.6	(702.7)	606.8
Attributable to:					
Equity holders of the Company	**505.2**	666.9	519.0	(689.2)	607.8
Non-controlling interests	**83.2**	199.4	32.6	(13.5)	(1.0)
Total non-current assets	**56,945.3**	53,015.1	49,684.9	18,374.1	20,240.9
Total current assets	**6,447.2**	3,775.3	4,521.7	3,935.5	2,581.2
Total assets	**63,392.5**	56,790.4	54,206.6	22,309.6	22,822.1
Total current liabilities	**13,347.0**	12,063.1	10,422.5	4,265.6	3,403.4
Total non-current liabilities	**33,556.0**	29,833.1	28,902.7	10,012.6	8,350.7
Net assets	**16,489.5**	14,894.2	14,881.4	8,031.4	11,068.0
Equity attributable to equity holders of the Company	**13,125.0**	12,238.5	12,438.4	7,963.1	11,023.6
Non-controlling interests	**3,364.5**	2,655.7	2,443.0	68.3	44.4
Total equity	**16,489.5**	14,894.2	14,881.4	8,031.4	11,068.0
Attributable installed capacity (MW)	**11,510**	11,585	11,177	9,037	7,883
Gross generation (MWh)	**50,132,564**	48,558,685	37,195,711	36,360,449	26,701,707
Net generation (MWh)	**47,391,185**	46,002,897	34,714,399	33,890,035	24,813,254
Net coal consumption rate (grams/kWh)	**319.40**	324.51	329.85	334.4	343.4

"attributable installed capacity"	the aggregate proportionate installed capacities attributable to a company based on the percentage of equity interest held by such company in its controlled or invested company or companies
"auxiliary power"	electricity consumed by a power plant in the course of generation
"average utilization hours"	for a specified period, the amount of electricity produced in such period (in MWh) divided by the average capacity in such period
"Baishi Power Plant"	the power plant project of Guizhou Clearwater River Hydropower Company Limited* （貴州清水江水電有限公司白市水電站項目）
"Board"	the Board of Directors of the Company
"Changshu Power Plant"	Jiangsu Changshu Power Generating Company Limited*（江蘇常熟發電有限公司）
"China Coal Energy"	China Coal Energy Company Limited（中國中煤能源股份有限公司）
"China Power" or "Company"	China Power International Development Limited
"CP Shentou Power Plant"	China Power Shentou Power Generating Company Limited*（中電神頭發電有限責任公司）
"CPCE"	China Power Complete Equipment Company Limited*（中國電能成套設備有限公司）
"CPDL"	China Power Development Limited（中國電力發展有限公司*）
"CPI Engineering Company"	CPI Engineering Company Limited*（中電投電力工程有限公司）
"CPI Group"	China Power Investment Corporation*（中國電力投資集團公司）
"CPI Wuhu Power Plant"	CPI Wuhu Power Generating Company Limited*（中電國際（蕪湖）發電有限公司）
"CPIF" or "CPI Financial"	CPI Financial Company Limited*（中電投財務有限公司）
"CPIH" or "CPI Holding"	China Power International Holding Limited（中國電力國際有限公司）
"Dabieshan Power Plant"	Huanggang Dabieshan Power Generating Company Limited*（黃岡大別山發電有限責任公司）
"Director(s)"	director(s) of the Company
"Fuxi Power Plant"	Sichuan CPI Fuxi Power Company Limited*（四川中電福溪電力開發有限公司）
"gross generation"	for a specific period, the total amount for electrical power produced by a power plant in that period including auxiliary power
"Group"	the Company and its subsidiaries from time to time
"GW"	gigawatt, one million kilowatts
"Heimifeng Power Plant"	a hydropower plant of Wu Ling Power Corporation*（五凌電力有限公司黑麋峰抽水蓄能電廠）
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Huainan Mining Group"	Huainan Mining Industry (Group) Company Limited（淮南礦業（集團）有限責任公司）

"installed capacity"	the manufacturers' rated power output of a generating unit or a power plant, usually denominated in MW
"KWh"	kilowatt-hour, a standard unit of energy used in the electric power industry. One kilowatt-hour is the amount of energy that would be produced by a generator producing one thousand watts for one hour
"Listing Rules"	the Rules Governing the Listing of Securities of the Hong Kong Stock Exchange
"MW"	megawatt, one million watts. The installed capacity of a power plant is generally expressed in MW
"MWh"	megawatt-hour, one thousand kWh
"Net coal consumption rate"	average consumption of standard coal for supplying 1 kWh power (deducting selfused power)
"net generation"	the actual amount of electricity sold by a power plant in a particular period of time, which equals gross generation less auxiliary power and losses incurred during the transmission from the power plant to the power grid
"Pingwei Industrial Company"	Huainan Pingwei Power Industrial Company Limited*(淮南平圩電力實業有限責任公司)
"Pingwei Maintenance Company"	Anhui Huainan Pingwei Power Engineering Maintenance Company Limited*(安徽淮南平圩電力檢修工程有限責任公司)
"Pingwei Power Plant"	Anhui Huainan Pingwei Electric Power Company Limited*(安徽淮南平圩發電有限責任公司)
"Pingwei Power Plant II"	Huainan Pingwei No.2 Electric Power Company Limited*(淮南平圩第二發電有限責任公司)
"Qinghe Power Plant"	Liaoning Qinghe Power Generating Company Limited* (遼寧清河發電有限責任公司)
"Shanghai Power"	Shanghai Electric Power Co., Ltd.*(上海電力股份有限公司)
"Shentou Engineering Company"	Shanxi Shentou Engineering Company Limited*(山西神頭電力檢修有限責任公司)
"Shentou I Power Plant"	Shanxi Shentou Power Generating Company Limited*(山西神頭發電有限責任公司)
"Shentou Industrial Company"	Shanxi Shentou Power Industrial Company Limited*(山西神頭電力實業有限責任公司)
"standard coal"	coal with an energy content of 7,000 kilocalories per kilogram

"super-critical"	a thermodynamic expression describing the state of a substance where there is no clear distinction between the liquid and the gaseous phase. Water reaches this state at a pressure above 22.1 megapascals (MPa)
"Tuokou Power Plant"	the hydropower plant of Huaihua Yuanjiang Power Development Company Limited* (懷化沅江電力開發有限責任公司托口水電站項目)
"Wu Ling Power"	Wu Ling Power Corporation* (五凌電力有限公司)
"Wuhu Shaoda Power Plant"	Wuhu Shaoda Power Development Company Limited* (蕪湖兆建電力開發有限公司)
"Xintang Power Plant"	Guangzhou China Power Lixin Industrial Company Limited* (廣州中電荔新電力實業有限公司)
"Yaomeng Engineering Company"	Pingdingshan Yaomeng Power Engineering Company Limited* (平頂山姚孟電力工程有限責任公司)
"Yaomeng Industrial Company"	Pingdingshan Yaomeng Power Industrial Company Limited* (平頂山姚孟電力實業有限責任公司)
"Yaomeng Power Plant"	Pingdingshan Yaomeng Power Generating Company Limited* (平頂山姚孟發電有限責任公司)
"Yaomeng Power Plant II"	Pingdingshan Yaomeng No.2 Power Generating Company Limited* (平頂山姚孟第二發電有限責任公司)

* *For identification purpose only*

RESULTS

The financial results of the Company for the year ended 31 December 2011 was published on 23 March 2012.

ANNUAL REPORTS

The 2011 Annual Report of the Company will be made available on our website http://www.chinapower.hk and will be dispatched to our shareholders in the middle of April 2012.

ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held on 18 May 2012 at 11:00 a.m. For details of the Annual General Meeting, please refer to the Notice of Annual General Meeting which is expected to be published by the end of April 2012.

LISTING

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

SHAREHOLDERS' ENQUIRIES

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

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17/F, Hopewell Centre
183 Queen's Road East
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