China Power New Energy Development Company Limited

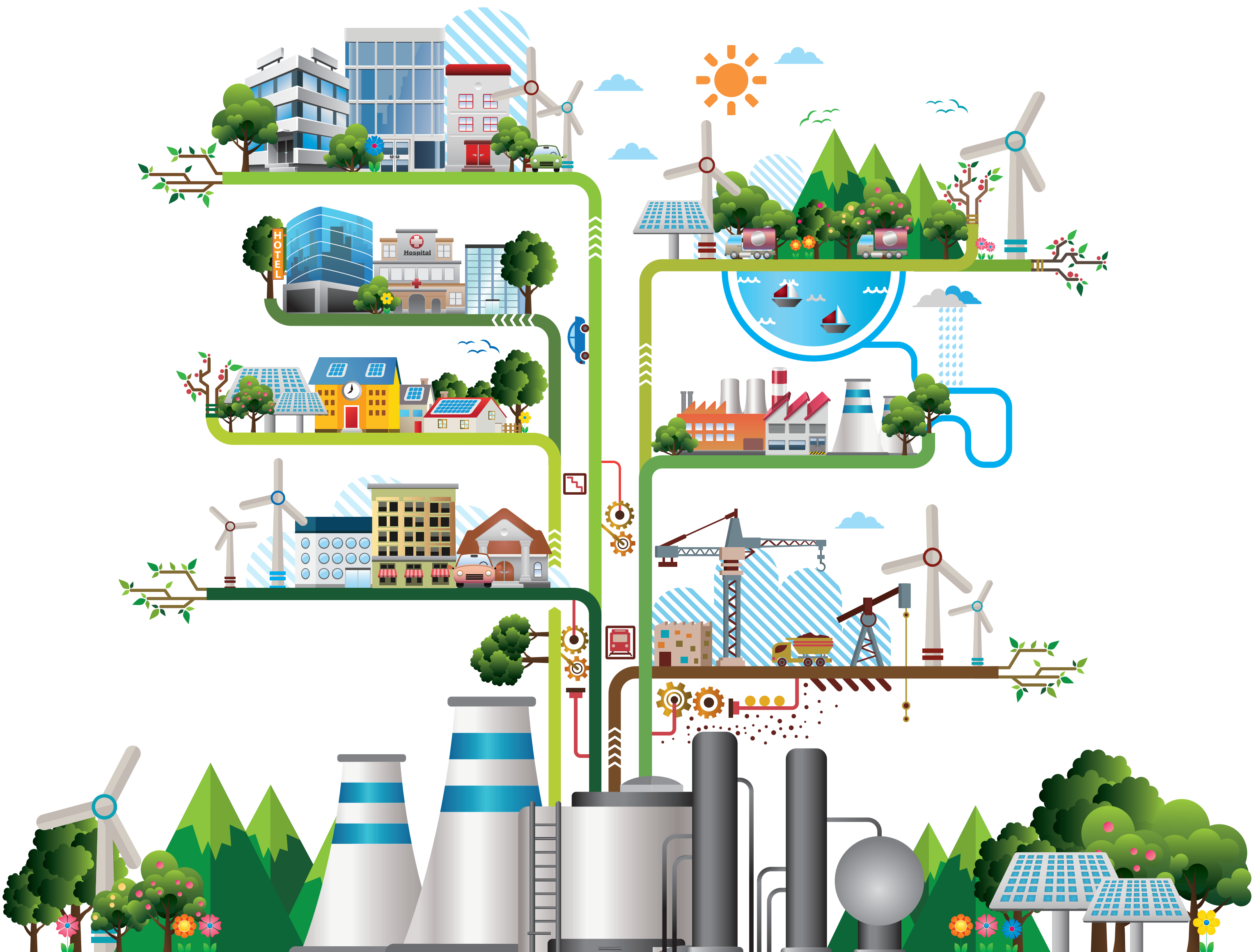
中國電力新能源發展有限公司*

Incorporated in Bermuda with limited liability

Stock Code : 0735

Sustainable Development

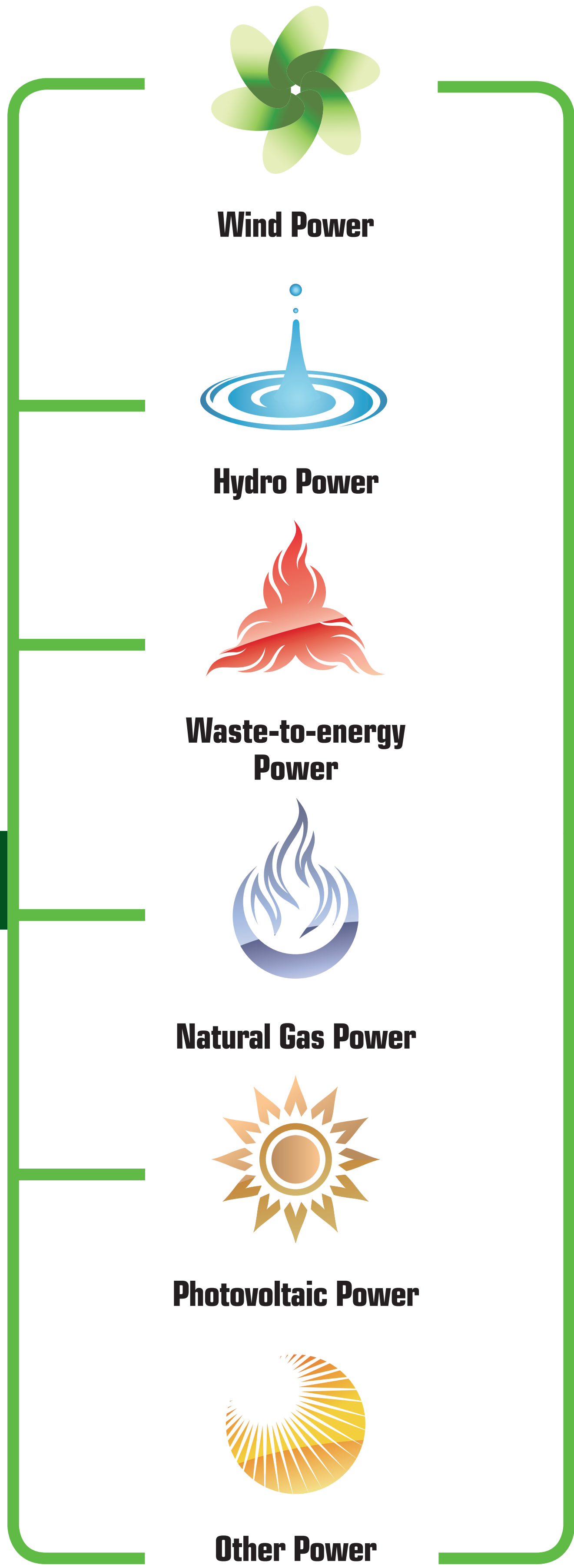
Annual Report 2012



*For identification purpose only

About CPNE

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



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Corporate Information

CHAIRMAN OF THE BOARD:
Ms. Li Xiaolin

VICE CHAIRMEN OF THE BOARD:
Mr. Yin Lian
Mr. Bi Yaxiong (appointed on 1 April 2013)

EXECUTIVE DIRECTORS:
Ms. Li Xiaolin
Mr. Yin Lian
Mr. Bi Yaxiong (appointed on 1 April 2013)
Mr. Zhao Xinyan
Mr. He Hongxin (appointed on 1 April 2013)
Mr. Wang Hao

NON-EXECUTIVE DIRECTOR:
Mr. Cheng Chi

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

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

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

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

COMPANY SECRETARY:
Mr. Fung Chun Nam

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

Corporate Information (Continued)

REGISTERED OFFICE:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG:

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

PRINCIPAL SHARE REGISTRAR:

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE:

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

COMPANY WEBSITE:

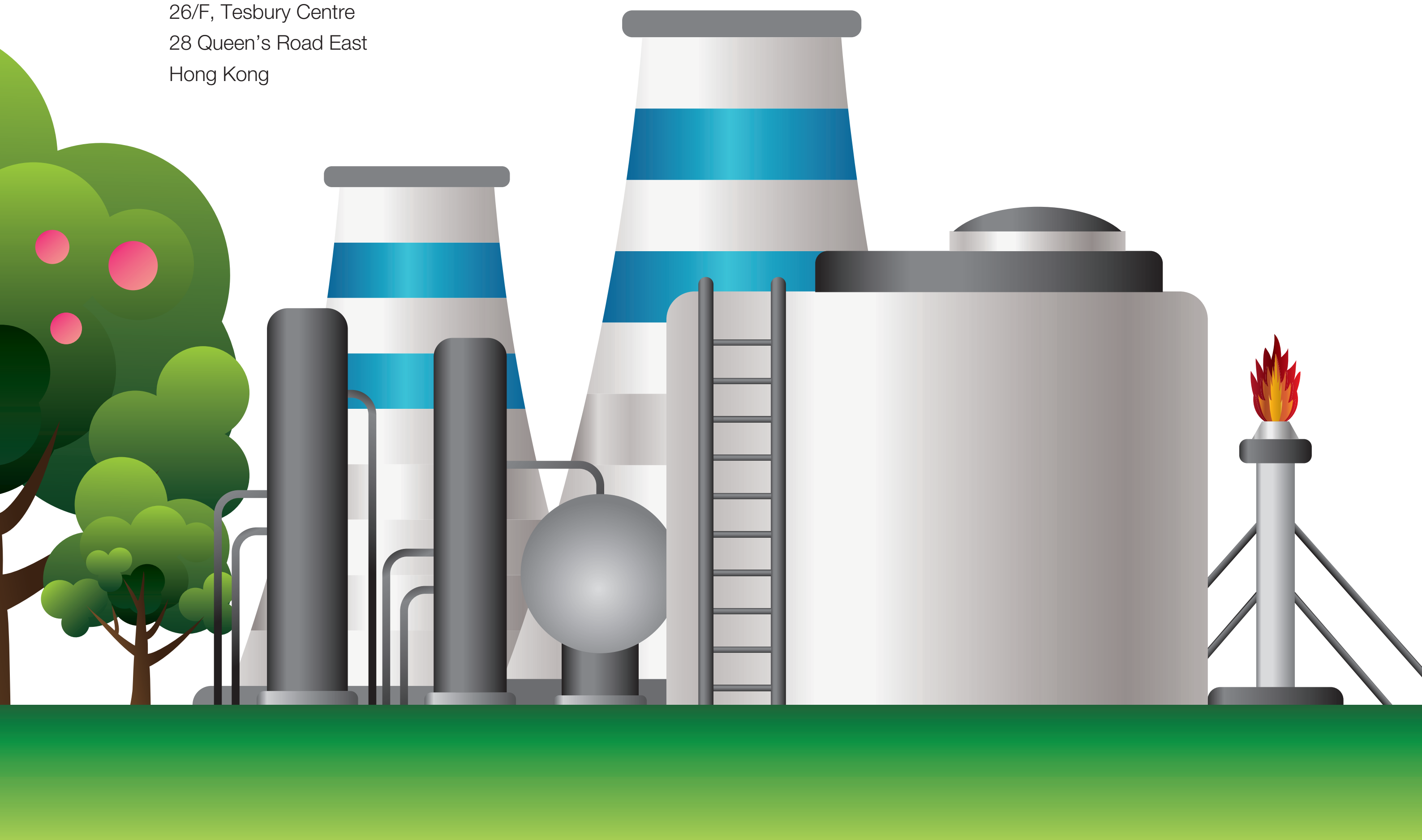
www.cpne.com.hk

STOCK CODE:

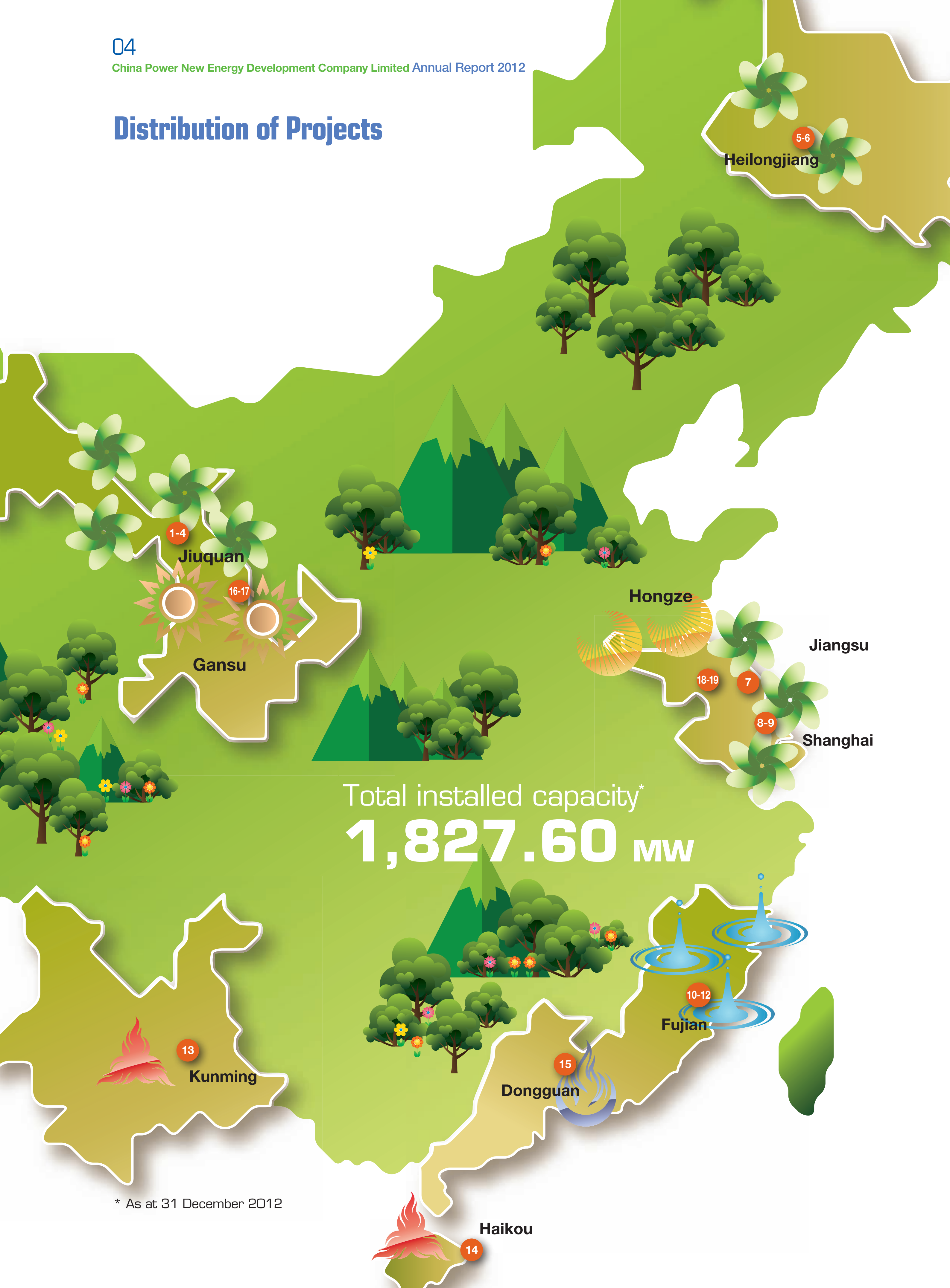
735

INVESTOR RELATIONS:

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



Distribution of Projects



* As at 31 December 2012

Distribution of Projects (Continued)

WELL-ESTABLISHED PLATFORMS WITH VARIOUS RENEWABLE PROJECTS

Wind Power

No.	Project	Installed Capacity (MW)	Interest (%)	Attributable Installed Capacity (MW)
1	Phase I of the Gansu Wind Power Project	100.50	100	100.50
2	Phase II of the Gansu Wind Power Project	49.50	100	49.50
3	Phase III of the Gansu Wind Power Project	201.00	100	201.00
4	Phase IV of the Gansu Wind Power Project	100.50	100	100.50
5	Heilongjiang Hongqi Wind Power Project	49.50	100	49.50
6	Heilongjiang Hailang Wind Power Project	49.75	100	49.75
7	China Power Dafeng Wind Power Project	200.25	100	200.25
8	Shanghai Sea Wind Power Project	102.00	24	24.48
9	Chongming Beiyan Wind Power Project	48.00	20	9.60
	Sub-total	**901.00**		**785.08**

Hydro Power

No.	Project	Installed Capacity (MW)	Interest (%)	Attributable Installed Capacity (MW)
10	Fujian Shaxikou Hydro-electric Power Plant	300.00	100	300.00
11	Niu Tou Shan Power Stations	115.00	52	59.80
12	Zhangping Huakou Hydro Power Plant	36.60	100	36.60
	Sub-total	**451.60**		**396.40**

Waste-to-energy Power

No.	Project	Installed Capacity (MW)	Interest (%)	Attributable Installed Capacity (MW)
13	Kunming Waste Incineration Power Plant	30.00	100	30.00
14	Haikou Waste Incineration Power Plant	24.00	100	24.00
	Sub-total	**54.00**		**54.00**

Natural Gas Power

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

Photovoltaic Power

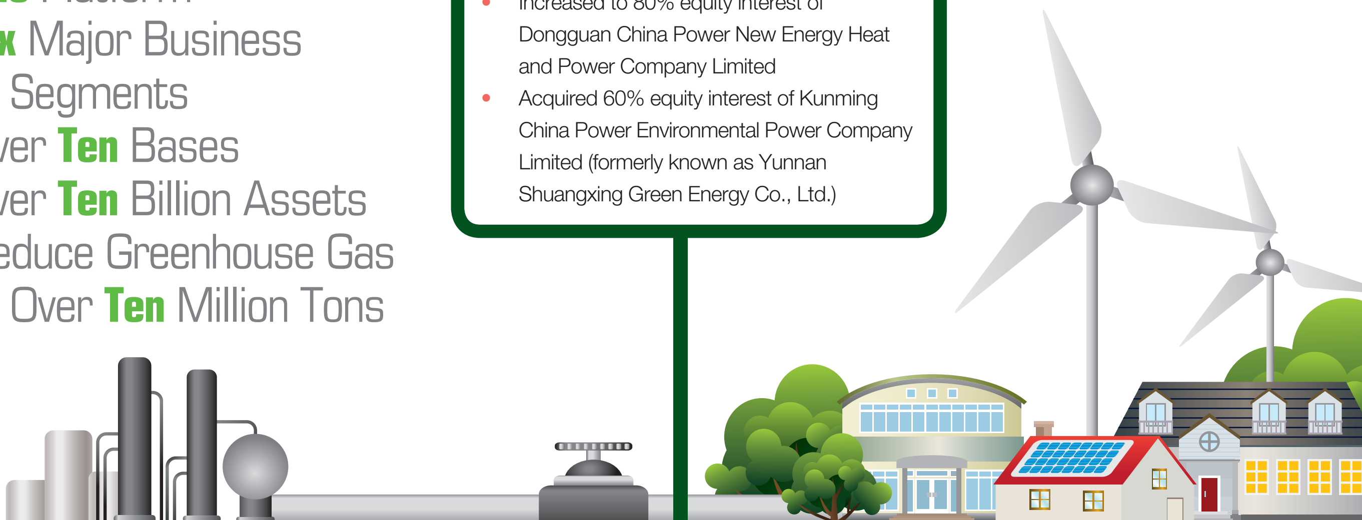
No.	Project	Installed Capacity (MW)	Interest (%)	Attributable Installed Capacity (MW)
16	Phase I of Gansu Wuwei Photovoltaic Power Project	20.00	100	20.00
17	Phase I of Gansu Baiyin Photovoltaic Power Project	20.00	100	20.00
	Sub-total	**40.00**		**40.00**

Other Power

No.	Project	Installed Capacity (MW)	Interest (%)	Attributable Installed Capacity (MW)
18	Zhongdian Hongze Reproductive Substance Thermal Power Plant	15.00	100	15.00
19	Zhongdian Hongze Thermal Plant	6.00	60	3.60
	Sub-total	**21.00**		**18.60**

Milestone

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



2006

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

2007

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

2008

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

2009

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

Milestone (Continued)

2010

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

2011

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

2012

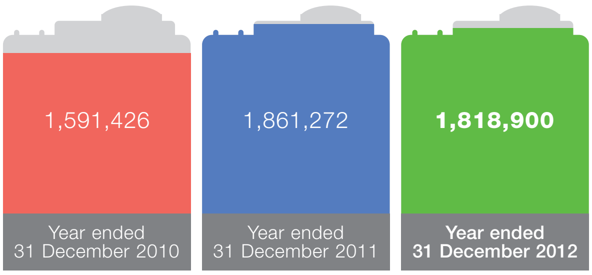
- Completed the issue of convertible bonds in the principal amount of approximately HK$236,000,000 to China Power New Energy Limited
- Completed the issue of shares to China Three Gorges Corporation
- Signed the contract to acquire 20% equity interest of Hainan Dalecheng Development Holding Limited
- Completed the issue of RMB800,000,000 6.5% RMB denominated bonds due 2017
- Entered the strategic cooperation framework agreement with Hainan Provincial Water Conservancy & Hydropower Group Co., Ltd.


▲ Dongguan China Power New Energy Heat and Power Plant
▼ Haikou Waste Incineration Power Plant
▲ Fujian Shaxikou Hydro Electric Power Plant
▼ China Power Dafeng Wind Power Project

Business and Financial Highlights

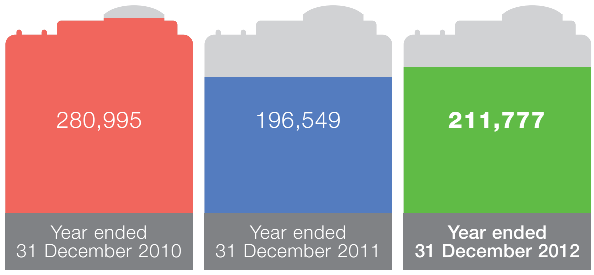
REVENUE AND TARIFF ADJUSTMENT

RMB'000



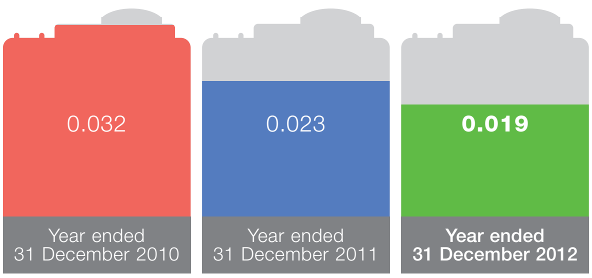
PROFIT FOR THE YEAR

RMB'000



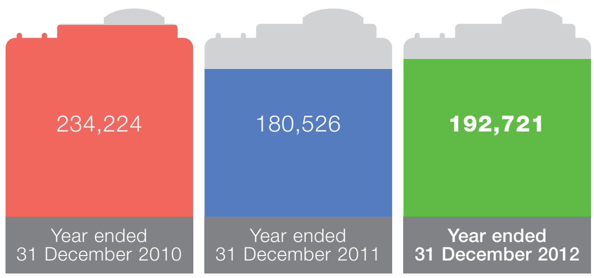
BASIC EARNINGS PER SHARE

RMB

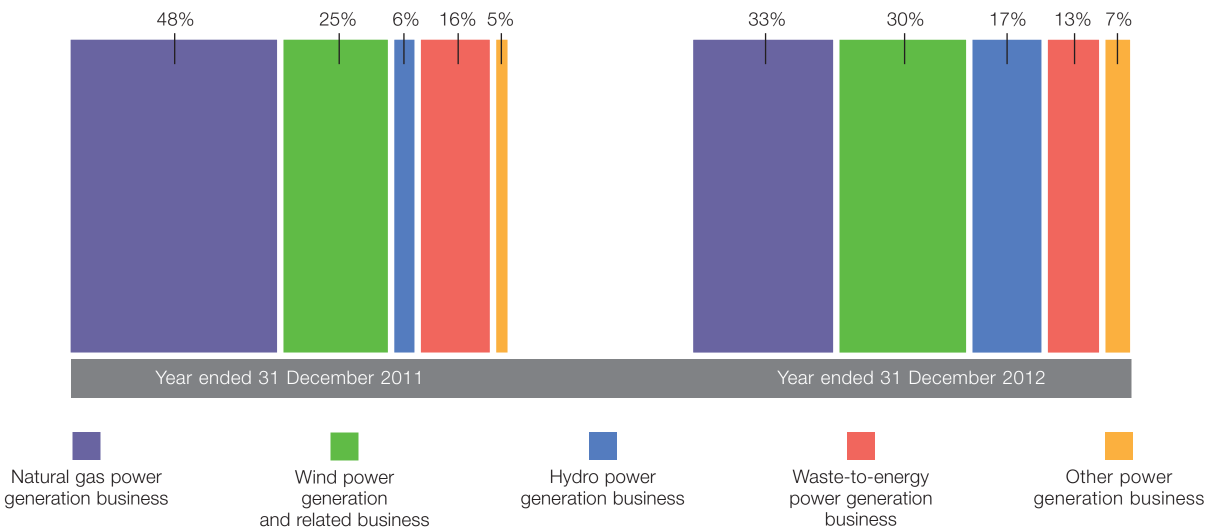


PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

RMB'000



REVENUE AND TARIFF ADJUSTMENT BY BUSINESS SEGMENTS



Letter to Shareholders

On behalf of the Board of directors (the "Board") of China Power New Energy Development Company Limited (the "Company" or "CPNE"), I am pleased to present the financial results of the Company and its subsidiaries (together, the "Group") for the year ended 31 December 2012.

Li Xiaolin
Chairman of the Board

Dear Shareholders,

As one of the pioneers in developing clean energy in the People's Republic of China (the "PRC"), the Group owned power generation projects in wind power, hydro power, waste-to-energy power, natural gas power, photovoltaic power and others with a total installed capacity of approximately 1,827.6MW as at 31 December 2012. All projects are located in regions that offer maximum strategic advantages. Strategic development of the abovementioned six segments will not only open up complementary sources of revenue, but will also effectively diversify our investment risks. The structure of the clean energy industry has consistently been optimised under the collaborative development among the five geographical regions of the PRC, thereby setting a solid foundation for future development.

In 2012, the Company faced a grim situation that underpinned by severe wind power curtailment and insufficient subsidies while there was a marked slowdown in the growth of electricity consumption in the PRC due to sluggish macroeconomic growth. In the face of these unfavourable external circumstances, the Company made continuous efforts to refine its development plan, optimise business distribution, strengthen capital utilisation, bolster dynamic management of operations, give due emphasis to cost control, improve monitoring and control systems, exploit advanced technologies and improve infrastructure such that all operational targets for the year were achieved, with electricity production for the year reaching 137.75MW and the impounding of the reservoir of the Meixi 129MW Hydropower Project starting up earlier than planned. In addition, the Haikou Waste Incineration Power Project was presented with the Silver Medal of the National Quality Engineering Award and the China Power Engineering Quality Award, making us the first ever waste-to-energy enterprise in the country to receive these distinguished awards.

For the year ended 31 December 2012, the Group recorded revenue and tariff adjustment of approximately RMB1,818,900,000 (2011: RMB1,861,272,000), a decline of 2% over the previous year. The Group's profit for the year was approximately RMB211,777,000 (2011: RMB196,549,000), an increase of 8% over the previous year. Profit attributable to

equity holders of the Company amounted to approximately RMB192,721,000 (2011: RMB180,526,000), a growth of 7% over the previous year.

As expressly stated by the government, in the face of increasing resources constraints, severe environmental pollution and a deteriorating ecosystem, the PRC government will give high priority to the pursuit of ecological progress, incorporating it into all aspects and processes in carrying out its economic, political, cultural and social development plans; endeavouring to build a beautiful country and attaining sustainable development of the Chinese nation. In particular, the smoggy weather engulfing some parts of China in 2012 further strengthened the PRC government's determination to speed up and enhance the development of various types of new energy, introducing multiple measures to promote environmental protection, and encourage the development and adoption of new energies and new technologies. Under these favourable external conditions, the Company will: maintain a reasonable structure of installed capacity of clean energy, with the aim of increasing its installed capacity to over 6,400 MW at the end of China's Twelfth Five-Year Plan; speed up the progress of the Boao Dalecheng Project to help create a low-carbon, green and healthy city that allows energy to be of better service to life and to society in line with the ideal of "Blue Sky and Clear Water"; seek innovation-driven development for the industry by enhancing technological innovation and assuring dominance in new technologies and industries, and step up with business globalisation with improved regimes and mechanisms for industrial operations through breakthroughs in and integration of new energy forms and smart grids in technology and mode so as to raise profitability and earnings. Upholding our corporate core values of "Responsibility, Integrity, Wisdom and Value", with enhancement of operating performance as the focus, domestic and international strategic development as dual drivers, and the building up of our Hong Kong and Mainland bases as dual platforms, we will carry out transformation and innovation, raise efficiency and effectiveness, and firmly move forward to become a leading enterprise in the provision of new energy.

Letter to Shareholders (Continued)

In January 2012, the Company issued the 6.5% RMB denominated bonds due 2017 with the total principal of RMB800,000,000, proceeds of which were mainly used for investments in power generation projects. In May 2012, China Three Gorges Corporation (中國長江三峽集團公司) injected a sum of HK$2,100,000,000 of capital into the Company, which was the largest capital contribution in scale subsequent to our restructuring and listing, representing a key step in shareholder diversification. In October 2012, the Company issued convertible bonds in the principal amount of approximately HK$236,000,000 to China Power New Energy Limited, a subsidiary of our shareholder, China Power International Holding Limited and the convertible bonds were fully converted into shares.

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

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

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

Li Xiaolin
Chairman of the Board

22 March 2013

Still Waters Run Deep

Responsibility, Credit, Wisdom, Value

Maximize Stakeholders' Interests

Management Discussion and Analysis

BUSINESS REVIEW

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

Business Performance for the Year Ended 31 December 2012

For the year ended 31 December 2012, the Group recorded revenue and tariff adjustment of approximately RMB1,818,900,000 (2011: RMB1,861,272,000), the change of which was primarily attributed to reduced tariff adjustment offset partly by contributions from new power projects having commenced operation.

For the year ended 31 December 2012, the Group's fuel costs amounted to approximately RMB486,029,000 (2011: RMB799,264,000), net finance costs (mainly comprised of interest payable for borrowings in respect of the new energy power projects) amounted to approximately RMB328,414,000 (2011: RMB215,060,000), and fair value gains on financial assets at fair value through profit or loss amounted to approximately RMB5,872,000 (2011: losses of approximately RMB6,974,000). The Group's profit for the year was approximately RMB211,777,000 (2011: RMB196,549,000) and the Group recorded profit attributable to equity holders of the Company amounting to approximately RMB192,721,000 (2011: RMB180,526,000). Basic and diluted earnings per share amounted to approximately RMB0.019 (2011: RMB0.023).

Business Environment

In 2012, there was a slowdown in the growth of China's power supply market, which was in general balanced and relaxed. According to the statistics of the National Energy Administration, total electricity consumption in 2012 amounted to 4,959.1 billion kWh, representing a year-on-year growth rate of 5.5% which was 6.5 percentage points lower compared to the previous year and a growth rate that lagged behind GDP growth for the first time since 2010. Given the slowdown in consumption growth, the absence of prolonged high temperature and high humidity in most regions in China, the rapid increase in hydropower output and notable improvements in the supply of coal for use in power generation, power demand and supply was generally in balance on a nationwide basis. Balanced demand and supply was maintained in North China, East China and Central China, while surplus supply was reported in Northwest China and Northeast China. The only network experiencing tension in supply was the South China power grid, which was subject to arid climatic conditions in the first half of the year and reported shortage in supply of as much as 6.53 million kW. Surplus capacity, sluggish demand and aggravated financial constraint in the industry chain, etc., have combined to put the wind power sector under severe pressure in 2012. Difficulties for on-grid electricity to be taken up and moved to abandon wind power generation and to restrict power generation in the northeastern and northwestern regions, in particular, have increased the short-term operating risk of the sector.

The "12th Five-Year Plan for National Strategic Emerging Industries" issued by the PRC government in July 2012 has laid down concrete planning for new energy industries, calling for: faster development of new energy sectors such as nuclear power, wind power and solar photovoltaic power and energy utilisation, shale gas, biomass, geothermal power and methane gas, etc., that are technically mature with strong competitiveness; vigorous drive for the industrialization of renewable energy technologies that have attained basic technical maturity and holds out strong potential for development, such as novel solar photovoltaic power and thermal power, biomass gasification, bio-fuel and ocean energy, etc.; and the implementation of key showcase projects featuring integrated application of new energy forms. By 2015, consumption of new energy as a percentage of total energy consumption is expected to increase to 4.5%, whereby annual carbon dioxide emission will be reduced by more than 400 million tonnes. Installed capacities of wind power, solar power and biomass power generation are expected to reach 100 million kW, 21 million kW and 13 million kW, respectively.

Moreover, the PRC government has also called for strengthened efforts in the building of an eco-friendly civilization to ensure sustainable development. The new energy sector is set to embrace a new cycle of significant development with broad prospects when the current difficulties are overcome.

In view of the positive outlook of the new energy sector, the Group will actively conduct pre-development work for new projects to provide a firm foundation for its sustainable development.

Management Discussion and Analysis (Continued)

As at 31 December 2012, power projects in operation or in progress owned by the Group through its subsidiaries, associated company and jointly-controlled entities were as follows:

No.	Project Name	Nature of Business	Installed Capacity (MW)	Interest (%)	Attributable Installed Capacity (MW)	Average Tariff (RMB/MWh)	Average Utilisation Hours	Gross Generation (MWh)
Projects in Operation								
1	Phase I of the Gansu Wind Power Project (甘肅風力發電項目一期)	Wind power generation	100.50	100.00	100.50	462.00	1,605	161,340
2	Phase II of the Gansu Wind Power Project (甘肅風力發電項目二期)	Wind power generation	49.50	100.00	49.50	540.00	1,432	70,900
3	Phase III of the Gansu Wind Power Project (甘肅風力發電項目三期)	Wind power generation	201.00	100.00	201.00	520.00	1,621	325,750
4	Phase IV of the Gansu Wind Power Project (甘肅風力發電項目四期)	Wind power generation	100.50	100.00	100.50	520.00	1,912	192,140
5	Heilongjiang Hongqi Wind Power Project (黑龍江紅旗風力發電項目)	Wind power generation	49.50	100.00	49.50	620.00	2,062	102,060
6	Heilongjiang Hailang Wind Power Project (黑龍江海浪風力發電項目)^	Wind power generation	49.75	100.00	49.75	620.00	1,070	53,220
7	China Power Dafeng Wind Power Project (中電大豐風力發電項目)	Wind power generation	200.25	100.00	200.25	488.00	1,812	362,780
8	Shanghai Sea Wind Power Project (上海海風發電項目)	Wind power generation	102.00	24.00	24.48	975.00	2,627	268,010
9	Chongming Beiyan Wind Power Project (崇明北沿風力發電項目)^	Wind power generation	48.00	20.00	9.60	610.00	563	27,022
10	Fujian Shaxikou Hydro-electric Power Plant (福建沙溪口水力發電廠)	Hydro-electric power generation	300.00	100.00	300.00	210.00	4,483	1,344,750
11	Niu Tou Shan Power Stations (牛頭山發電廠)	Hydro-electric power generation	115.00	52.00	59.80	341.75	3,433	394,800
12	Zhangping Huakou Hydro Power Plant (漳平市華口水電廠)	Hydro-electric power generation	36.60	100.00	36.60	354.35	3,433	125,660
13	Kunming Waste Incineration Power Plant (昆明廢物焚化發電廠)	Waste-to-energy power generation	30.00	100.00	30.00	597.37	6,361	190,840
14	Haikou Waste Incineration Power Plant (海口廢物焚化發電廠)	Waste-to-energy power generation	24.00	100.00	24.00	644.20	6,839	164,140
15	Dongguan China Power New Energy Heat and Power Plant (東莞中電新能源熱電廠)	Natural gas power generation	360.00	90.10	324.36	975.00	1,748	629,170
16	Phase I of Gansu Wuwei Photovoltaic Power Project (甘肅武威光伏發電項目一期)*	Photovoltaic power generation	20.00	100.00	20.00	809.90	–	–
17	Phase I of Gansu Baiyin Photovoltaic Power Project (甘肅白銀光伏發電項目一期)*	Photovoltaic power generation	20.00	100.00	20.00	826.50	–	–

No.	Project Name	Nature of Business	Installed Capacity (MW)	Interest (%)	Attributable Installed Capacity (MW)	Average Tariff (RMB/MWh)	Average Utilisation Hours	Gross Generation (MWh)
18	Zhongdian Hongze Reproductive Substance Thermal Power Plant (中電洪澤生物質發電廠)	Biomass power generation	15.00	100.00	15.00	760.00	5,089	76,330
19	Zhongdian Hongze Thermal Plant (中電洪澤熱電廠)	Coal-fired power generation and heat supply	6.00	60.00	3.60	519.00	2,888	17,330
			1,827.60		**1,618.44**			
Projects in Progress								
20	Chongqing Meixi Hydro Power Plant (重慶梅溪河水電廠)	Hydro-electric power generation	129.00	100.00	129.00	Unconfirmed		
21	Inner Mongolia Chayou Zhongqi Wind Power Project (內蒙古察右中旗風電項目)	Wind power generation	49.50	100.00	49.50	510.00		
22	Jiuquan Wind Power Project Phase V (酒泉五期風力發電項目)	Wind power generation	20.00	100.00	20.00	540.00		
23	Phase II of Gansu Wuwei Photovoltaic Power Project (甘肅武威光伏發電項目二期)	Photovoltaic power generation	30.00	100.00	30.00	809.90		
24	Phase II of Gansu Baiyin Photovoltaic Power Project (甘肅白銀光伏發電項目二期)	Photovoltaic power generation	30.00	100.00	30.00	826.50		
			258.50		**258.50**			
	Total		**2,086.10**		**1,876.94**			

^ Operation commenced in 2012

* Operation commenced at the end of December 2012 and on-grid power generation is scheduled to start in 2013

The above power plants had a total installed capacity of 1,827.60MW, out of which 1,618.44MW represented the installed capacity attributable to the Group.

The commissioning of new projects in 2013 is expected to increase the total installed capacity by 258.50MW, and the installed capacity attributable to the Group will also be increased by 258.50MW.

Wind Power Generation Projects

Electricity sales of Phases I to IV of Gansu Wind Power Project were unfavourably affected by reduced wind resources available in Gansu Province in 2012 as compared to the previous year. Phase V of Gansu Wind Power Project started on-grid power generation in 2013, while Phases VI-VII with an installed capacity of 600MW were approved by the National Development and Reform Commission in September 2012 and Phase VIII with an installed capacity of 40MW is undergoing pre-development.

Wind resources in Dafeng, Jiangsu increased in 2012 as compared to the previous year, contributing to higher power generation volume at China Power Dafeng Wind Power Project.

Heilongjiang Hongqi Wind Power Project was under normal operation, while Heilongjiang Hailang Wind Power Project commenced on-grid power generation during the year and started to contribute revenue to the Group's wind power generation segment.

Jiangsu Sea Wind Power Project, with an installed capacity of 300MW, is currently under pre-development.

Inner Mongolia Chayou Zhongqi Wind Power Generation Project, with an installed capacity of 49.50MW, is currently under pre-development.

Chongming Beiyan Wind Power Project in Shanghai has commenced on-grid power generation and started to contribute revenue to the Group's wind power generation segment.

Phase II of China Power Dafeng Wind Power Project, Shandong Wendeng Wind Power Generation Project, Yunnan Kunming Wind Power Project and Phase II of Shanghai Donghai Daqiao Sea Wind Power Project are currently under pre-development.

Hydro Power Generation Projects

Driven by the significant increase in the volume of power generation at Fujian Shaxikou Hydro-electric Power Plant, Niu Tou Shan Power Stations and Zhangping Huakou Hydro Power Plant with the benefit of substantially larger volume of water supply from the reservoir area of the water power stations in Fujian district, operating revenue from the hydro power segment in 2012 increased by approximately 176% over the previous year to provide solid assurance for stable growth in the Group's profit.

Chongqing Meixi Hydropower Plant Project, with an installed capacity of 129MW, scheduled to start on-grid power generation in 2013.

Waste-to-energy Power Generation Projects

Haikou Waste Incineration Power Plant Project Phase II, with a planned installed capacity of 24MW, is currently under pre-development.

Tangshan Waste Incineration Power Plant Project is currently under pre-development.

Natural Gas Power Generation Projects

The Dongguan Heat and Power Expansion Project, with a total installed capacity of 780MW, is currently under pre-development.

In addition, preliminary preparations are being carried out in respect of the Group's natural gas power projects in Ninghe, Tianjin and Hongze, Jiangsu, each with a planned installed capacity of 780MW.

Photovoltaic Power Generation Projects

Phase I of Gansu Wuwei Photovoltaic Power Project and Phase I of Gansu Baiyin Photovoltaic Power Project, each with an installed capacity of 20MW, commenced operation during the year and on-grid power generation is scheduled to start in 2013.

Phase II of Gansu Wuwei Photovoltaic Power Project and Phase II of Gansu Baiyin Photovoltaic Power Project, each with an installed capacity of 30MW, have been approved by the Gansu Provincial Development and Reform Commission and construction is scheduled to commence in 2013.

Yunnan Yuanjiang Photovoltaic Power Generation Project and Hainan Changjiang Photovoltaic Power Generation Project, each with an installed capacity of 20MW, is currently under pre-development.

Clean Development Mechanism

The Company's China Power Dafeng Wind Power Project and Zhangping Huakou Hydro Power Plant have been successfully registered with the United Nations as Clean Development Mechanism projects during the year. Based on the revenue generated from the voluntary emission reduction of Phase I of the Gansu Wind Power Project, the Company will continue to file applications for projects which fulfil the requirement of Clean Development Mechanism to boost its revenue and bring significant contribution.

FUTURE PLANS

As the Twelfth Five-Year Plan of the PRC has clearly defined the direction for the development of new energy, while the PRC government has called for the building of an eco-friendly civilisation, the Group believes that there is enormous development potential for the sector of new energy. On this basis, the Group will follow the direction of establishing itself as a leading enterprise in the new energy sector, focusing on enhancing business performance and safeguarding investors' interests. Strategic development will be rolled out both in China and in the global market, to be flanked by respective business platforms in Hong Kong and in the Mainland. In brief, our direction is well guided and our goals are clearly set out, as we drive development at home and abroad with the support of two efficient platforms.

The Group's future efforts will be focused on:

1. Implementing safety management to reinforce the foundation for development;
2. Enhancing treasury operations to enhance corporate capabilities;
3. Implementing quality management to ensure completion of infrastructure projects according to targeted schedules;
4. Implementing developments plans to drive structural realignments;
5. Implementing business controls to achieve annual business targets; and
6. Implementing technological innovation to accelerate the building of capabilities to innovate.

FINANCIAL REVIEW

Revenue and Tariff Adjustment

For the year ended 31 December 2012, revenue and tariff adjustment were approximately RMB1,818,900,000 (2011: approximately RMB1,861,272,000), a decrease of 2% over last year, which was primarily attributed to reduced tariff adjustment offset partly by contributions from new energy power projects having commenced operation.

Fuel Costs

For the year ended 31 December 2012, fuel costs of the Group were approximately RMB486,029,000 (2011: approximately RMB799,264,000), a decrease of 39% over last year, which was mainly attributed to decreased consumption of coal and natural gas during the year.

Depreciation and Amortization

For the year ended 31 December 2012, depreciation and amortization of the Group were approximately RMB402,415,000 (2011: approximately RMB342,599,000), an increase of 17% over last year, which was mainly attributed to depreciation incurred in connection with power generation units of new projects having commenced operation during the year.

Staff Costs

For the year ended 31 December 2012, staff costs of the Group were approximately RMB136,176,000 (2011: approximately RMB130,787,000), an increase of 4% over last year which was mainly attributed to slight increase in headcount and salary during the year.

Repairs and Maintenance

For the year ended 31 December 2012, repairs and maintenance expenses of the Group were approximately RMB48,093,000 (2011: approximately RMB40,114,000), an increase of 20% over last year, which was mainly attributed to the Group's business expansion and larger installed capacities.

Operating Profit

For the year ended 31 December 2012, operating profit of the Group was approximately RMB575,228,000 (2011: approximately RMB432,306,000), an increase of 33% over last year, which was primarily attributed to contributions from new energy power projects having commenced operation and the improved performance of hydro-power projects.

Finance Costs, Net

For the year ended 31 December 2012, net finance costs of the Group amounted to approximately RMB328,414,000 (2011: approximately RMB215,060,000), an increase of 53% over last year, which was primarily due to finance costs incurred in connection with the issuance of corporate bonds and new project loans.

Income Tax Expense

For the year ended 31 December 2012, income tax expense of the Group was approximately RMB63,579,000 (2011: approximately RMB30,454,000), an increase of 109% over last year. The increase in income tax expense was primarily attributed to the end of tax holiday for some subsidiaries.

Profit Attributable to the Equity Holders of the Company

For the year ended 31 December 2012, profit attributable to equity holders of the Company was approximately RMB192,721,000 (2011: approximately RMB180,526,000), an increase of 7% over last year, which was mainly due to contributions from new energy power projects having commenced operation.

Liquidity and Financial Resources

As at 31 December 2012, the Group had cash and cash equivalents of approximately RMB2,692,592,000. The Group's principal sources of funds include cash inflow generated from operations, capital injection, issuance of corporate bonds, as well as the working capital and project financing of its respective subsidiaries from financial institutions such as banks.

Capital Expenditure

For the year ended 31 December 2012, capital expenditure of the Group was approximately RMB2,767,895,000, spent mainly on development of new projects, procurement of equipment and technical renovation projects, which were primarily financed by the Group's cash balances and project financing by bank loans.

Borrowings

As at 31 December 2012, total borrowings and corporate bonds of the Group amounted to approximately RMB7,421,963,000 (2011: approximately RMB5,188,365,000), consisting of short-term bank and other borrowings and current portion of long-term bank and other borrowings of approximately RMB1,154,839,000, long-term bank and other borrowings of approximately RMB4,975,658,000 and corporate bonds of approximately RMB1,291,466,000.

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

In January 2012, the Company completed the issue of RMB800,000,000 6.50% coupon RMB denominated bonds due in 2017, details of which were set out in the announcements of the Company dated 30 December 2011 and 9 January 2012.

Gearing Ratio

As at 31 December 2012, the gearing ratio of the net debt divided by total capital was 40% (2011: 47%).

Foreign Exchange and Currency Risks

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

Investment Risk of the Capital Market

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

For the year ended 31 December 2012, the Group's fair value gains on financial assets at fair value through profit or loss amounted to approximately RMB5,872,000 (2011: losses of approximately RMB6,974,000).

Charges on the Group's Assets

As at 31 December 2012, certain bank deposits, accounts receivable, lease prepayments, property, plant and equipment and investment properties of the Group with an aggregate amount of approximately RMB3,692,541,000 (2011: approximately RMB2,580,488,000) were pledged as securities for certain borrowings of the Group and notes payable facilities granted by a bank.

Contingent Liabilities

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

Subsequent events

On 16 January 2013, the Company granted 136,500,000 share options to certain directors and employees of the Company to subscribe for up to a total of 136,500,000 ordinary shares of HK$0.10 each of the Company under the Company's share option scheme adopted on 21 May 2012. The exercise price of the share options granted is HK$0.514 per ordinary share and the exercise period is from 16 January 2013 to 15 January 2023. For more information, please refer to an announcement of the Company dated 16 January 2013.

EMPLOYEE AND REMUNERATION POLICIES

As at 31 December 2012, the Group had approximately 1,013 employees in Hong Kong and the PRC (2011: 987).

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

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

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

CHANGES OF DIRECTORS

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

Mr. Liu Genyu has resigned as an executive director, chief executive officer, member of the executive committee and authorized representative of the Company with effect from 21 December 2012 due to his decision to pursue his personal interests. For more information, please refer to an announcement of the Company dated 21 December 2012.

Directors and Senior Management Profiles

EXECUTIVE DIRECTORS

Ms. Li Xiaolin, aged 51, joined the Group in May 2007. She is an executive director and the Chairman of the Board and of the Executive Committee and the Nomination Committee of the Company. She is also a director of certain subsidiaries of the Company. Ms. Li is a senior engineer. She graduated from Tsinghua University with a Master of Engineering degree in power systems and automation. She was also a visiting scholar at the Sloan Business School of Massachusetts Institute of Technology in the United States. She has been the chairman of the board of China Power New Energy Limited (a substantial shareholder of the Company) since August 2006. Ms. Li also acts as the chairman of the board and chief executive officer of China Power International Development Limited (a company listed on the Main Board of The Stock Exchange of Hong Kong Limited, stock code: 2380); the chairman of China Power International Holding Limited (the holding company of China Power New Energy Limited); and a director of Companhia de Electricidade de Macau. She has served in various positions including head of the International Economic and Trade Division of the Ministry of Electric Power Industry and deputy commissioner of the International Economic and Trade Division of the Ministry of Energy.

Mr. Yin Lian, aged 59, was appointed as a non-executive director of the Company in July 2011 and re-designated as an executive director and the Vice Chairman of the Company on 21 March 2012. He is a member of the Executive Committee of the Company. He is also the general manager of China Power International New Energy Holdings Limited, an indirect wholly-owned subsidiary of the Company. Mr. Yin graduated from Tsinghua University with a bachelor of gas turbine degree. He has served as the general manager of Hainan Power Grid Company, a wholly-owned subsidiary of China Southern Power Grid Co., Ltd.

Mr. Bi Yaxiong, aged 50, joined the Group in April 2013. He is an executive director, the Vice Chairman and a member of the Executive Committee of the Company. He graduated from South China University of Technology with a Bachelor Degree in Electric System and Automation and obtained a PhD in Technology Economics and Management from Chongqing University. Mr. Bi joined China Gezhouba Power Plant (葛洲垻電廠) in August 1982 and was the head of the power plant when he left China Gezhouba Power Plant (葛洲垻電廠) in September 2002. Mr. Bi then joined China Yangtze Power Co., Ltd. as the deputy general manager from September 2002 to December 2003 and was appointed as the general manager of China Yangtze Power Co., Ltd. from December 2003 to January 2006. Mr. Bi is currently a director of China Yangtze Power Co., Ltd., a joint stock limited company whose shares are listed on the Shanghai Stock Exchange (stock code: 600900). At the same time, Mr. Bi has acted as the deputy general manager of China Three Gorges Corporation (the substantial shareholder of the Company) since December 2003.

Mr. Zhao Xinyan, aged 50, joined the Group in May 2007. He is an executive director and a member of the Executive Committee of the Company. He is also a director of certain subsidiaries of the Company. Mr. Zhao is a senior engineer. He graduated from Chongqing University with a Bachelor's degree in materials engineering and from Guanghua School of Management, Peking University with a Master of Business Administration (MBA) degree. He has been a director of China Power New Energy Limited (a substantial shareholder of the Company) since August 2006. Mr. Zhao is also the vice president of China Power International Holdings Limited (the holding company of China Power New Energy Limited) and China Power International Development Limited (a company listed on the Main Board of The Stock Exchange of Hong Kong Limited, stock code: 2380). He has served as a manager in various departments of China Power International Development Limited.

Mr. He Hongxin, aged 42, joined the Group in April 2013. He is an executive director and a member of the Executive Committee of the Company. He graduated from Zhongnan University of Finance and Economics with a Bachelor Degree in Financial Accounting. From August 1991 to December 1997, Mr. He served in the accounting department of Maanshan Iron & Steel Company Limited. Since December 1997, Mr. He worked in the finance department of China Three Gorges Corporation (the substantial shareholder of the Company). He subsequently acted as the deputy head of the asset finance and accounting department between December 2003 and May 2008, and was then appointed as the head of asset finance, accounting and audit department between May 2008 and April 2011. Since April 2011, Mr. He has acted as the deputy manager of the capital finance department of China Three Gorges Corporation.

Mr. Wang Hao, aged 49, joined the Group in February 2002. He is an executive director and a member of the Executive Committee of the Company. He is also a director of certain subsidiaries of the Company. Mr. Wang is engaged as an investment consultant of several listed companies in the PRC and has extensive experience in investment management of companies in the PRC.

Directors and Senior Management Profiles (Continued)

NON-EXECUTIVE DIRECTOR

Mr. Cheng Chi, aged 52, joined the Group in April 2008. He is a non-executive director of the Company. Mr. Cheng has extensive experience in capital and financial operations management. Mr. Cheng graduated from Renmin University of China with a Master's degree. Currently, he also acts as the general manager of the Capital and Financial Operations Management Department of China National Offshore Oil Corporation and China National Offshore Oil Corporation Investment Co., Ltd.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chu Kar Wing, aged 55, joined the Group in December 2002. He is an independent non-executive director, the Chairman of both the Audit Committee and the Remuneration Committee, and a member of the Nomination Committee of the Company. Mr. Chu holds a bachelor's degree in social science majoring in economics. He has extensive experience in the banking and finance sector. He is also an independent non-executive director of Emperor Capital Group Limited (a company listed on the Main Board of The Stock Exchange of Hong Kong Limited, stock code: 717). In 2012, Mr. Chu was appointed as the chairman of Canada-China Culture and Education Association.

Mr. Wong Kwok Tai, aged 74, joined the Group in September 2004. He is an independent non-executive director and a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company. Mr. Wong is a Certified Public Accountant and Practising Member. He has extensive experience in the audit and finance areas in different industries. Currently, he is the director of W. Wong CPA Limited. He is also an independent non-executive director of the following companies listed on the Main Board of The Stock Exchange of Hong Kong Limited: Poly Capital Holdings Limited (name changed from Beijing Yu Sheng Tang Pharmaceutical Group Limited on 22 October 2012, stock code: 1141), Takson Holdings Limited (stock code: 918) and China Tycoon Beverage Holdings Limited (stock code: 209). Mr. Wong was an independent non-executive director of New Century Group Limited (a company listed on the Main Board of The Stock Exchange of Hong Kong Limited, stock code: 234) and resigned on 4 September 2012.

Dr. Li Fang, aged 50, joined the Group in July 2011. He is an independent non-executive director and a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company. He graduated from University of Science and Technology Beijing with a bachelor of engineering degree and received his juris doctoral degree from the College of Law of Arizona State University in the United States in 1995. Dr. Li is currently the director of Beijing Mainstreets Investment Group Corporation, a company listed on Shenzhen Stock Exchange (stock code: 000609) and an independent non-executive director of China Power International Development Limited, a company listed on the Main Board of The Stock Exchange of Hong Kong Limited (stock code: 2380). Dr. Li has extensive experience in business management and corporate finance. He has served as an executive director of Goldman Sachs (Asia) L.L.C. and a lawyer with Davis Polk & Wardwell.

SENIOR MANAGEMENT

Mr. Chen Xuezhi, aged 44, joined the Group in 2009. He is the Chief Financial Officer of the Company. Mr. Chen is a senior accountant and graduated in Fuzhou University with a major in Accountancy. He also received a master's degree in business administration from Capital University of Economics and Business. He is the financial controller of China Power International New Energy Holding Limited. He was the deputy general manager of the department of finance and ownership of China Power International Holding Limited (the holding company of China Power New Energy Limited, a substantial shareholder of the Company) and China Power International Development Limited (a company listed on the Main Board of The Stock Exchange of Hong Kong Limited, stock code: 2380).

Mr. Fung Chun Nam, aged 37, joined the Group in 2009. He is the Company Secretary of the Company. Mr. Fung has extensive experience in company secretarial, accounting and audit areas in various industries. He is a Fellow of both the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. Mr. Fung is also a charterholder of Chartered Financial Analyst.

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

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

The Company has applied the principles as contained in the former Code on Corporate Governance Practices, for the period from 1 January to 31 March 2012, and the new Corporate Governance Code (the "CG Code"), for the period from 1 April to 31 December 2012, contained in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Board considers that during the year ended 31 December 2012, the Company has complied with the code provisions set out in the former CG Code and the CG Code, except for the code provisions A.4.1, A.4.2, A.6.7 and E.1.2. Key corporate governance principles and practices of the Company as well as the details of the foregoing deviations are summarized below.

A. THE BOARD

A1. Responsibilities and Delegation

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

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

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

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

A2. Board Composition

The composition of the Board as at 31 December 2012 is as follows:

Executive directors:

Ms. Li Xiaolin	*(Chairman of the Board and of the Executive Committee and the Nomination Committee)*
Mr. Yin Lian	*(Vice Chairman and member of the Executive Committee)*
Mr. Zhao Xinyan	*(Member of the Executive Committee)*
Mr. Wang Hao	*(Member of the Executive Committee)*

Non-executive director:

Mr. Cheng Chi

Independent non-executive directors:

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

Throughout the year ended 31 December 2012, the Board has met the requirements of Listing Rules 3.10 and 3.10A of having three independent non-executive directors (representing at least one-third of the Board) with one of them possessing appropriate accounting and related financial management expertise.

Subsequent to the year end, on 1 April 2013, Mr. Bi Yaxiong was appointed as an executive director and the Vice Chairman, and Mr. He Hongxin was appointed as an executive director of the Company. Pursuant to Listing Rule 3.10A, the independent non-executive directors of a listed issuer must represent at least one-third of the board of directors. Following the said appointment of executive directors of the Company, the Board currently comprises ten members, including six executive directors, one non-executive director and three independent non-executive directors, leading to the number of independent non-executive directors falling below one-third of the Board. In order to comply with Listing Rule 3.10A, the Company is endeavoring to identify a suitable candidate to be appointed as an additional independent non-executive director as soon as practicable and in any event within three months from 1 April 2013.

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

The biographical details of the directors of the Company and the relationship between Board Members, if any, are set out under "Directors and Senior Management Profiles" in this annual report.

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

A3. Chairman and Chief Executive

The Company supports the division of responsibility between the Chairman of the Board and the Chief Executive in order to ensure a balance of power and authority and preserve a balanced judgement of views. Currently, Ms. Li Xiaolin takes up the role of Chairman of the Board and is responsible for the management of the Board and ensuring that all major and appropriate issues are discussed by the Board in a timely and constructive manner whereas Mr. Yin Lian (the former non-executive director who was re-designated as an executive director on 21 March 2012) is the Vice Chairman, who takes care of the day-to-day management of the Group's business and implementing the Group's strategic plans and business goals.

Mr. Liu Genyu has been the Chief Executive Officer until his resignation as an executive director of the Company on 21 December 2012.

A4. Appointment and Re-Election of Directors

The procedures and process of appointment and removal of directors are laid down in the Company's bye-laws (the "Bye-laws"). In accordance with the Bye-laws: (i) one-third of the directors for the time being (if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation provided that every director (excluding the Chairman of the Board) shall be subject to retirement at an annual general meeting at least once every three years; and (ii) any new director appointed to fill a casual vacancy or as an addition to the Board shall submit himself/herself for re-election by shareholders at the first general meeting of the Company held after his/her appointment.

The code provision A.4.1 of the CG Code stipulates that non-executive directors should be appointed for a specific term, subject to re-election. The non-executive directors of the Company, except Dr. Li Fang, are not appointed for a specific term, but they are subject to retirement by rotation and re-election by shareholders at annual general meeting pursuant to the Bye-laws provisions as mentioned above. Accordingly, the Board considers that the Company meets the objective of the code provision A.4.1.

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

At the forthcoming annual general meeting of the Company (the "2013 AGM"), Mr. Wang Hao, Mr. Wong Kwok Tai and Dr. Li Fang shall retire by rotation. In addition, Mr. Bi Yaxiong and Mr. He Hongxin, the newly appointed directors, will hold office until the 2013 AGM according to the Bye-laws provisions stated in the foregoing paragraph. All of the above five retiring directors, being eligible, will offer themselves for re-election at the 2013 AGM. The Board recommended the re-appointment of these five retiring directors standing for re-election at the 2013 AGM. The Company's circular, sent together with this annual report, contains detailed information of these five directors pursuant to the requirements of the Listing Rules.

A5. Induction and Continuing Development for Directors

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

The existing directors are continually updated with legal and regulatory developments, and the business and market changes to refresh their knowledge and to facilitate the discharge of their responsibilities. Continuing briefings and professional development to directors are arranged whenever necessary. In addition, reading materials on new or changes to salient laws and regulations applicable to the Group are provided to directors from time to time for their studying and reference.

During the year ended 31 December 2012, the directors have participated training as follows:

— The Company organized a training session conducted by The Hong Kong Institute of Directors on Listing Rules relating to directors' duties and responsibilities, corporate governance and connected transactions. Mr. Yin Lian, Mr. Chu Kar Wing and Dr. Li Fang have attended such training session, and the Company has provided training handouts to those who were not able to attend this training session (being Ms. Li Xiaolin, Mr. Zhao Xinyan, Mr. Wang Hao, Mr. Cheng Chi, Mr. Wong Kwok Tai and Mr. Liu Genyu).

— All directors (being Ms. Li Xiaolin, Mr. Yin Lian, Mr. Zhao Xinyan, Mr. Wang Hao, Mr. Cheng Chi, Mr. Chu Kar Wing, Mr. Wong Kwok Tai, Dr. Li Fang and Mr. Liu Genyu) received regular briefings and updates from the Company Secretary on the Group's business, operations and corporate governance matters.

— Ms. Li Xiaolin attended seminars, which are relevant to her duties and responsibilities, organized by professional firms/institutions.

A6. Directors' Attendance Records

The attendance records of each director at the Board and Board Committee meetings and the general meetings of the Company held during the year ended 31 December 2012 are set out below:

	Attendance/Number of Meetings					
Name of Director	Board	Audit Committee	Remuneration Committee	Nomination Committee *(Note 1)*	Annual General Meeting	Special General Meeting
Executive directors:						
Ms. Li Xiaolin	8/8	N/A	N/A	–	0/1	0/1
Mr. Yin Lian *(Note 2)*	8/8	N/A	N/A	N/A	1/1	0/1
Mr. Zhao Xinyan	8/8	N/A	N/A	N/A	1/1	1/1
Mr. Wang Hao	7/8	N/A	N/A	N/A	0/1	0/1
Mr. Liu Genyu *(Note 3)*	5/7	N/A	N/A	N/A	0/1	0/1
Non-executive director:						
Mr. Cheng Chi	6/8	N/A	N/A	N/A	0/1	0/1
Independent non-executive directors:						
Mr. Chu Kar Wing	8/8	2/2	1/1	–	1/1	0/1
Mr. Wong Kwok Tai	7/8	2/2	1/1	–	1/1	1/1
Dr. Li Fang	8/8	2/2	1/1	–	1/1	0/1

Notes:

1. Subsequent to the setting up of the Nomination Committee on 21 March 2012, no Nomination Committee meeting was held during the year ended 31 December 2012.

2. Mr. Yin Lian, the former non-executive director, was re-designated as an executive director of the Company on 21 March 2012.

3. Mr. Liu Genyu resigned as an executive director of the Company on 21 December 2012. Before his resignation, 7 Board meetings and 2 general meetings were held during the year ended 31 December 2012.

In addition, the Chairman of the Board held a meeting with the non-executive director and the independent non-executive directors without the presence of executive directors during the year under review.

A7. Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules as its own code of conduct regarding directors' dealings in the Company's securities. Having made specific enquiry of all the Company's directors, they confirmed that they have complied with the Model Code throughout the year ended 31 December 2012.

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

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

A8. Corporate Governance Functions

The Board is responsible for performing the corporate governance functions set out in the code provision D.3.1 of the CG Code.

The Board has reviewed and monitored the Company's corporate governance policies and practices, the training and continuous professional development of directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code and the Employee Written Guidelines, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

B. BOARD COMMITTEES

To comply with the new code provision A.5.1 of the CG Code, effective on 1 April 2012, requiring a listed issuer to establish a nomination committee, the Board approved the setting up of its Nomination Committee on 21 March 2012. Accordingly, there are currently four Board committees, namely, the Executive Committee, the Remuneration Committee, the Audit Committee and the Nomination Committee, for overseeing particular aspects of the affairs of the Company. All Board committees have been established with defined written terms of reference, which are posted on the Company's website www.cpne.com.hk and on the Stock Exchange's website www.hkexnews.hk (except for the written terms of reference of the Executive Committee which is available to shareholders upon request). All the Board committees should report to the Board on their decisions or recommendations made.

B1. Executive Committee

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

B2. Remuneration Committee

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

The principal responsibilities of the Remuneration Committee include making recommendations to the Board on the Company's remuneration policy and structure and the remuneration packages of directors and members of senior management (i.e. the model described in the code provision B.1.2(c)(ii) is adopted). The Remuneration Committee is also responsible for establishing transparent procedures for developing such remuneration policy and structure to ensure that no director or any of his/her associates will participate in deciding his/her own remuneration, which remuneration will be determined by the Board with reference to the performance of the individual and the Company as well as market practice and conditions.

During the year ended 31 December 2012, the Remuneration Committee has met once (the attendance records of each Committee member are set out in section A6 above) and generally reviewed and discussed the remuneration packages of the directors and the senior staff of the Group.

Pursuant to code provision B.1.5 of the CG Code, the annual remuneration of the members of the senior management by band for the year ended 31 December 2012 is set out below:

Remuneration band (HK$)	Number of individuals
0–1,000,000	1
1,000,001–1,500,000	1

Details of the remuneration of each director of the Company for the year ended 31 December 2012 are set out in note 15 to the consolidated financial statements contained in this annual report.

B3. Audit Committee

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

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

During the year ended 31 December 2012, the Audit Committee has held 2 meetings (the attendance records of each Committee member are set out in section A6 above) and performed the following major works:

— Review and discussion of the annual financial statements, results announcement and report for the year ended 31 December 2011, the related accounting principles and practices adopted by the Group and internal controls related matters; and recommendation of the re-appointment of the external auditor; and

— Review and discussion of the interim financial statements, results announcement and report for the six months ended 30 June 2012, and the related accounting principles and practices adopted by the Group.

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

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

B4. Nomination Committee

The Nomination Committee was set up on 21 March 2012 to comply with code provision A.5.1 of the CG Code. It comprises a total of four members, being the Chairman of the Board and the three independent non-executive directors. Accordingly, a majority of the members are independent non-executive directors. The chairman of the Nomination Committee is Ms. Li Xiaolin.

The principal responsibilities of the Nomination Committee include reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board on a regular basis and recommending any changes to the Board; identifying qualified and suitable individuals to become Board members and selecting and making recommendations to the Board on the selection of individuals nominated for directorships; assessing the independence of independent non-executive directors; and making recommendations to the Board on relevant matters relating to the appointment or re-appointment of directors and succession planning for directors, in particular the Chairman and the Chief Executive of the Company.

In selecting candidates for directorship of the Company, the Nomination Committee may make reference to certain criteria such as the Company's needs, the integrity, experience, skills, professional knowledge of the candidate and the amount of time and effort that the candidate will devote to discharge his/her duties and responsibilities. External recruitment professionals might be engaged to carry out selection process when necessary.

Prior to the setting up of the Nomination Committee, the Board as a whole was responsible for the said duties of the Nomination Committee. The Board, through its meeting held on 21 March 2012 (with the presence of all the directors at that time), performed the following works during the year ended 31 December 2012 regarding matters relating to the board composition and nomination of directors:

— Review of the structure, size and composition of the Board to ensure that it has a balance of expertise, skills and experience appropriate to the requirements for the business of the Group;

— Recommendation of the re-election of the retiring directors standing for re-election at the Company's annual general meeting held on 21 May 2012 (the "2012 AGM");

— Assessment of the independence of all the Company's independent non-executive directors; and

— Considering the re-designation of Mr. Yin Lian as an executive director and his appointment as the Vice Chairman of the Company.

After the end of the year under review, the Nomination Committee held a meeting in March 2013.

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

The directors have acknowledged their responsibilities for preparing the financial statements of the Company for the year ended 31 December 2012.

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

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

D. INTERNAL CONTROLS

The Board is responsible for maintaining an adequate internal control system to safeguard the interests of the Company's shareholders and the Group's assets.

The Board has conducted a review of the effectiveness of the internal control system of the Group for the year ended 31 December 2012. The senior personnel reviews and evaluates the control process and monitors any risk factors on a regular basis and reports to the Board and the Audit Committee on any findings and measures to address the variances and identified risks.

E. COMPANY SECRETARY

The Company Secretary of the Company is Mr. Fung Chun Nam, who fulfill the qualification requirements laid down in the Listing Rules. Biographical details of Mr. Fung are set out in the section headed "Directors and Senior Management Profiles" of this annual report. During the year ended 31 December 2012, Mr. Fung has taken not less than 15 hours of relevant professional training.

F. EXTERNAL AUDITOR AND AUDITOR'S REMUNERATION

The statement of the external auditor of the Company about their reporting responsibilities on the Company's financial statements for the year ended 31 December 2012 is set out in the section headed "Independent Auditor's Report" in this annual report.

The fees paid/payable to PricewaterhouseCoopers, the Company's auditor, in respect of audit services and non-audit services for the year ended 31 December 2012 are analyzed below:

Type of services provided by the external auditor	Fees paid/payable *HK$'000*
Audit services	
— audit fee for the year ended 31 December 2012	2,800
— audit fee for previous year	100
Non-audit services	
— interim review on financial results for the six months ended 30 June 2012	550
— tax advisory fees	30
TOTAL:	3,480

G. COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

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

The Company maintains a website at www.cpne.com.hk as a communication platform with shareholders and investors, where information on the Company's announcements, financial information and other information are available for public access. Shareholders and investors may send written enquiries or requests to the Company, for the attention of Investor Relationship Manager, as follows:

Address: Rooms 3801–05, 38/F, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong
Tel: (852) 3607 8888
Fax: (852) 3607 8899
Email: ir@cpne.com.hk

Inquiries are dealt with in an informative and timely manner.

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

Code provision E.1.2 of the CG Code stipulates that the chairman of a listed issuer should attend the issuer's annual general meeting. Ms. Li Xiaolin, the Chairman of the Company, was unable to attend the 2012 AGM due to her other business engagement. In view of her absence, Ms. Li had arranged for Mr. Zhao Xinyan, the Company's executive director who is well versed in all the business activities and operations of the Group, to attend and chair the meeting and communicate with the shareholders. The three independent non-executive directors, being the chairman/members of the Audit Committee, the Remuneration Committee and the Nomination Committee, also attended the 2012 AGM to give shareholders an opportunity of having a direct dialogue with the Board members.

Code provision A.6.7 of the CG Code stipulates that independent non-executive directors and other non-executive directors should attend general meetings. Mr. Cheng Chi was unable to attend the 2012 AGM and the Company's special general meeting held on 6 August 2012 (the "SGM"), and Mr. Chu Kar Wing and Dr. Li Fang were unable to attend the SGM due to their other business engagement.

H. SHAREHOLDERS' RIGHTS

To safeguard shareholders' interests and rights, separate resolutions are proposed at shareholders' meetings on each substantial issue, including the election of individual directors, for shareholders' consideration and voting. The Company's shareholders may convene a special general meeting or put forward proposals at shareholders' meetings as follows:

(1) Shareholder(s) holding not less than one-tenth of the paid-up capital of the Company at the date of deposit of the requisition may request the Board to convene a special general meeting pursuant to clause 58 of the Bye-laws by sending a written requisition to the Board or the Company Secretary. The objects of the meeting must be stated in the written requisition.

(2) Shareholder(s) representing not less than one-twentieth of the total voting rights of the Company at the date of the requisition or not less than 100 shareholders may put forward a proposal at a shareholders' meeting, pursuant to the Companies Act 1981 of Bermuda, by sending a written requisition to the Board or the Company Secretary at the Company's principal place of business in Hong Kong. The proposal should be stated in the written requisition and such written requisition should be submitted as early as practicable to enable the Company to make necessary arrangement (in the case of a requisition requiring notice of a resolution, not less than six weeks before the meeting; and in the case of any other requisition, not less than one week before the meeting).

(3) If a shareholder wishes to propose a person other than a retiring director for election as a director of the Company at a general meeting, the shareholder (other than the person to be proposed) duly qualified to attend and vote at the general meeting shall send a written notice, duly signed by the shareholder, of his/her intention to propose such person for election and also a notice signed by the person to be proposed of his/her willingness to be elected. These notices should be lodged at the Company's principal place of business in Hong Kong, or the Company's branch share registrar. The period for lodgement of such notices shall commence on the day after the dispatch of the notice of such general meeting and end 7 days prior to the date of such general meeting.

For the avoidance of doubt, shareholder(s) must provide their full name, contact details and identification, in the originally signed written requisition, notice or statement (as the case may be), in order to give effect thereto. Information of shareholder(s) may be disclosed as required by law.

During the year under review, the Company has not made any changes to the Bye-laws. An up-to-date version of the Bye-laws is available on the websites of the Company and the Stock Exchange. Shareholders may refer to the Bye-laws for further details of the rights of shareholders.

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

Report of the Directors

PRINCIPAL ACTIVITIES

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

SEGMENT INFORMATION

An analysis of the Group's revenue and contribution to results by principal activities and geographical area of operations for the year ended 31 December 2012 is set out in note 5 to the consolidated financial statements.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2012 is set out in the consolidated income statement on page 47.

The directors do not recommend the payment of any dividend for the year ended 31 December 2012.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets and liabilities of the Group for the last five financial years/period is set out on page 128 of this annual report. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Company and of the Group during the year ended 31 December 2012 are set out in note 16 to the consolidated financial statements.

CAPITAL STRUCTURE

Details of the movements in the Company's share capital and options during the year ended 31 December 2012, together with the reasons thereof, and details of the share option scheme of the Company are set out in note 29 to the consolidated financial statements. Further details are also disclosed under the heading "Share option scheme" below.

PRE-EMPTIVE RIGHTS

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

RESERVES

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

DISTRIBUTABLE RESERVES

As at 31 December 2012, the Company had no reserves available for distribution on page 52.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2012.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2012, sales to the Group's five largest customers accounted for approximately 59% of the total sales and sales to the largest customer included therein amounted to approximately 21% of the total sales.

Purchases from the Group's five largest suppliers accounted for approximately 100% of the total purchases for the year ended 31 December 2012 and purchases from the largest supplier included therein amounted to approximately 73% of the total purchases.

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

DIRECTORS

The directors of the Company during the year ended 31 December 2012 and up to the date of this report are:

Executive Directors:

Ms. Li Xiaolin (Chairman)
Mr. Yin Lian (re-designated from a non-executive director to an executive director and the Vice Chairman with effect from 21 March 2012)
Mr. Zhao Xinyan
Mr. Wang Hao
Mr. Liu Genyu (resigned on 21 December 2012)

Non-Executive Director:

Mr. Cheng Chi

Independent Non-Executive Directors:

Mr. Chu Kar Wing
Mr. Wong Kwok Tai
Dr. Li Fang

On 22 March 2013, the Board approved the appointment of Mr. Bi Yaxiong as the Vice Chairman and an executive director and Mr. He Hongxin as an executive director of the Company with effect from 1 April 2013.

Pursuant to clause 87 of the Bye-laws, Mr. Wang Hao, Mr. Wong Kwok Tai and Dr. Li Fang shall retire by rotation at the 2013 AGM whereas pursuant to clause 86(2)(b) of the Bye-laws, Mr. Bi Yaxiong and Mr. He Hongxin shall hold office until the 2013 AGM. All the above retiring directors, being eligible, will offer themselves for re-election at the 2013 AGM.

DIRECTORS' SERVICE CONTRACTS

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

EMOLUMENT POLICY FOR DIRECTORS

The emoluments payable to directors of the Company are determined by the Board in accordance with their duties and responsibilities within the Company and the Group's performance, and based on the recommendation of the Company's Remuneration Committee.

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance to which the Company or any of its subsidiaries was a party and in which any director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the period or at any time during the year ended 31 December 2012.

POST BALANCE SHEET EVENTS

On 16 January 2013, 136,500,000 share options to subscribe for a total of 136,500,000 ordinary shares of HK$0.10 each in the capital of the Company were granted to certain directors and employees under the share option scheme of the Company adopted on 21 May 2012.

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 31 December 2012, the directors of the Company below had the following interests in the underlying shares of the Company which were required, pursuant to Section 352 of the Securities and Futures Ordinance (the "SFO"), to be entered in the register referred to therein.

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

Pursuant to the Company's share option scheme, the Company has granted options to the following directors of the Company to subscribe for shares of the Company, details of which as at 31 December 2012 were as follows:

Name of director	Nature of interest	Number of underlying shares in respect of the share options granted	Percentage+ of underlying shares over the Company's issued share capital
Ms. Li Xiaolin	Beneficial owner	43,000,000	0.37%
Mr. Zhao Xinyan	Beneficial owner	26,000,000	0.23%
Mr. Wang Hao	Beneficial owner	38,000,000	0.33%

\+ *The percentage represents the number of underlying shares interested divided by the number of the Company's issued shares as at 31 December 2012.*

Save as disclosed above, as at 31 December 2012, none of the directors or chief executives of the Company or their associates had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were deemed or taken to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from the share option scheme operated by the Company as set out in note 29 to the consolidated financial statements and save as disclosed in the section headed "Share option scheme" below, at no time during the year ended 31 December 2012 was the Company or any of its subsidiaries a party to any arrangement to enable the Company's directors, their respective spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

SHARE OPTION SCHEME

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants for their contribution to the Group and/or to enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Company. Further details of the Company's share option scheme are disclosed in note 29 to the consolidated financial statements.

The following table discloses movements in the Company's share options during the year ended 31 December 2012:

Name or category of participant	Number of share options: Outstanding at 1 January 2012	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	Outstanding at 31 December 2012	Date of grant of share options	Exercise period of share options*	Exercise price of share options** HK$ per share
Directors									
Ms. Li Xiaolin	23,000,000	–	–	–	–	23,000,000	8 June 2007	26 June 2007 to 7 June 2017	0.836
	20,000,000	–	–	–	–	20,000,000	1 November 2010	1 November 2010 to 31 October 2020	0.78
Mr. Zhao Xinyan	18,000,000	–	–	–	–	18,000,000	8 June 2007	15 June 2007 to 7 June 2017	0.836
	8,000,000	–	–	–	–	8,000,000	1 November 2010	1 November 2010 to 31 October 2020	0.78
Mr. Wang Hao	30,000,000	–	–	–	–	30,000,000	9 March 2007	26 March 2007 to 8 March 2017	0.63
	8,000,000	–	–	–	–	8,000,000	1 November 2010	1 November 2010 to 31 October 2020	0.78
Mr. Liu Genyu[1]	18,000,000	–	–	–	–	18,000,000	8 June 2007	15 June 2007 to 7 June 2017	0.836
	15,000,000	–	–	–	–	15,000,000	1 November 2010	1 November 2010 to 31 October 2020	0.78
	140,000,000	–	–	–	–	140,000,000			
Other employees working under continuous employment contracts									
In aggregate	20,000,000	–	–	–	–	20,000,000	9 March 2007	23 March 2007 to 8 March 2017	0.63
	5,000,000	–	–	–	–	5,000,000	8 June 2007	28 June 2007 to 7 June 2017	0.836
	36,000,000	–	–	(2,500,000)	–	33,500,000	1 November 2010	1 November 2010 to 31 October 2020	0.78
	61,000,000	–	–	(2,500,000)	–	58,500,000			
	201,000,000	–	–	(2,500,000)	–	198,500,000			

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

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

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

1. *Mr. Liu Genyu has resigned as an executive director of the Company with effect from 21 December 2012. Pursuant to the share option scheme, he may exercise these share options granted by the Company within a period of three months following the date of resignation.*

A total of 198,500,000 shares (representing approximately 1.73% of the existing issued share capital of the Company as at the date of this annual report) may be issued by the Company if all the outstanding options as set out in the above table are exercised.

At the 2012 AGM, the Board was authorized to grant options to subscribe for up to 788,903,910 shares of the Company, being approximately 6.87% of the issued share capital of the Company as at the date of this annual report. As mentioned in the section headed "Post balance sheet event", options to subscribe for a total of 136,500,000 shares of the Company have been granted. Accordingly, the Board may further grant options to subscribe for up to 652,403,910 shares, representing approximately 5.68% of the issued share capital of the Company as at the date of this annual report.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at 31 December 2012, the following parties had interests of 5% or more of the issued share capital of the Company according to the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Name	Nature of interest	Notes	Number of shares interested or deemed to be interested	Percentage holding+
State-owned Assets Supervision and Administration Commission of The State Council, the PRC (中國國務院國有資產監督管理委員會)	Corporate interests	1, 2, 3&4	7,461,518,462	64.98%
China Power Investment Corporation	Corporate interests	1&2	3,330,749,231	29.01%
China Power International Holding Limited	Corporate interests	1	3,135,029,231	27.30%
	Beneficial owner	2	195,720,000	1.71%
			3,330,749,231	29.01%
Tianying Holdings Limited	Corporate interests	1	3,135,029,231	27.30%
China Power New Energy Limited	Beneficial owner	1	3,135,029,231	27.30%
China Three Gorges Corporation (中國長江三峽集團公司)	Beneficial owner	3	3,230,769,231	28.14%
China National Offshore Oil Corporation	Corporate interests	4	900,000,000	7.84%
Overseas Oil & Gas Corporation, Ltd.	Corporate interests	4	900,000,000	7.84%
Shining East Investments Limited	Beneficial owner	4	900,000,000	7.84%

Notes:

1. These 3,135,029,231 shares were held by China Power New Energy Limited, a wholly-owned subsidiary of Tianying Holdings Limited, which in turn was a wholly-owned subsidiary of China Power International Holding Limited. China Power International Holding Limited was a wholly-owned subsidiary of China Power Investment Corporation which in turn was wholly owned by State-owned Assets Supervision and Administration Commission of The State Council, the PRC (中國國務院國有資產監督管理委員會). Accordingly, Tianying Holdings Limited, China Power International Holding Limited, China Power Investment Corporation and State-owned Assets Supervision and Administration Commission of The State Council, the PRC (中國國務院國有資產監督管理委員會) were deemed to be interested in these shares pursuant to Part XV of the SFO.

2. These 195,720,000 shares were held by China Power International Holding Limited. Based on the relations set out in note 1 above, China Power Investment Corporation and State-owned Assets Supervision and Administration Commission of The State Council, the PRC (中國國務院國有資產監督管理委員會) were deemed to be interested in these shares pursuant to Part XV of the SFO.

3. These 3,230,769,231 shares were held by China Three Gorges Corporation (中國長江三峽集團公司), a wholly-owned subsidiary of State-owned Assets Supervision and Administration Commission of The State Council, the PRC (中國國務院國有資產監督管理委員會). Accordingly, State-owned Assets Supervision and Administration Commission of The State Council, the PRC (中國國務院國有資產監督管理委員會) was deemed to be interested in these shares pursuant to Part XV of the SFO.

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

† *The percentage represents the number of ordinary shares interested divided by the number of the Company's issued shares as at 31 December 2012.*

Save as disclosed above, as at 31 December 2012, no person had registered an interest or a short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

CORPORATE GOVERNANCE

The Company's corporate governance principles and practices are set out in the Corporate Governance Report on pages 25 to 36 in this annual report.

PUBLIC FLOAT

Based on information that is publicly available to the Company and to the best knowledge of the directors of the Company, there was sufficient public float of not less than 25% of the Company's issued shares as required under the Listing Rules throughout the year ended 31 December 2012.

CONNECTED TRANSACTION

On 26 June 2012, the Company entered into a Subscription Agreement with China Power New Energy Limited (a substantial shareholder of the Company), pursuant to which the Company has conditionally agreed to issue, and China Power New Energy Limited has conditionally agreed to subscribe for the convertible bond in the principal amount of HK$236,031,719.95 due five years from the date of issue, convertible into shares of the Company at the initial conversion price of HK$0.65 per conversion share. The issue of the convertible bond was completed on 22 October 2012. The Board considers that the issue of the convertible bond is an appropriate means of raising additional capital for the Company to strengthen its capital base and financial position.

The Company received a conversion notice on 25 October 2012 in respect of the exercise in full of the conversion right attached to the convertible bond and 363,125,723 conversion shares were allotted and issued to China Power New Energy Limited on 30 October 2012.

AUDITOR

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

ANNUAL REPORT

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

On behalf of the Board

Li Xiaolin
Chairman

Hong Kong
22 March 2013

Independent Auditor's Report

pwc

羅兵咸永道

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

We have audited the consolidated financial statements of China Power New Energy Development Company Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 47 to 127, which comprise the consolidated and company balance sheets as at 31 December 2012, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

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

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

羅兵咸永道

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2012 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 22 March 2013

Consolidated Income Statement

FOR THE YEAR ENDED 31 DECEMBER 2012

	Note	2012 RMB'000	2011 RMB'000
Revenue	5	1,569,693	1,518,795
Tariff adjustment	5	249,207	342,477
		1,818,900	1,861,272
Other income	6	37,310	43,113
Other gains, net	7	4,797	48,040
Fuel costs		(486,029)	(799,264)
Staff costs	11	(136,176)	(130,787)
Depreciation and amortisation		(402,415)	(342,599)
Repairs and maintenance		(48,093)	(40,114)
Fair value gains/(losses) on financial assets at fair value through profit or loss		5,872	(6,974)
Impairment losses		(17,312)	(18,522)
Other operating expenses		(201,626)	(181,859)
Operating profit	8	575,228	432,306
Finance income	9	36,461	8,913
Finance costs	9	(364,875)	(223,973)
Finance costs, net	9	(328,414)	(215,060)
Share of profit of an associated company		9,441	8,924
Share of profits of jointly controlled entities		19,101	833
Profit before tax		275,356	227,003
Income tax expense	10	(63,579)	(30,454)
Profit for the year		211,777	196,549
Attributable to:			
Equity holders of the Company	12	192,721	180,526
Non-controlling interests		19,056	16,023
		211,777	196,549
Earnings per share for profit attributable to equity holders of the Company during the year (expressed in RMB per share)			
— basic	13	0.019	0.023
— diluted	13	0.019	0.023

The notes on pages 54 to 127 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2012

	2012 *RMB'000*	2011 *RMB'000*
Profit for the year	**211,777**	196,549
Other comprehensive income		
Currency translation differences	**(2,738)**	(1,845)
Release of exchange reserve upon disposal of a subsidiary	**(4,996)**	–
	(7,734)	(1,845)
Total comprehensive income for the year	**204,043**	194,704
Attributable to:		
Equity holders of the Company	**184,987**	178,681
Non-controlling interests	**19,056**	16,023
	204,043	194,704

The notes on pages 54 to 127 are an integral part of these consolidated financial statements.

Consolidated Balance Sheet

AS AT 31 DECEMBER 2012

	Note	2012 RMB'000	2011 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	16	9,870,591	7,946,596
Lease prepayments	17	106,077	108,810
Investment properties	18	303,326	300,477
Intangible assets	19	1,051,328	1,061,399
Interest in an associated company	21	126,258	124,017
Interests in jointly controlled entities	22	221,988	209,356
Other long-term deposits and prepayments	23	487,956	158,576
Deferred income tax assets	33	27,794	30,726
		12,195,318	9,939,957
Current assets			
Inventories	24	94,128	92,004
Accounts receivable	25	651,037	360,361
Prepayments, deposits and other receivables	26	422,149	525,499
Financial assets at fair value through profit or loss	27	12,603	6,889
Pledged deposits	28	14,535	54,887
Cash and cash equivalents	28	2,692,592	645,150
		3,887,044	1,684,790
Total assets		16,082,362	11,624,747
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	29	1,046,966	754,065
Share premium	29	5,555,503	3,944,546
Reserves	30	441,276	256,289
		7,043,745	4,954,900
Non-controlling interests		176,157	157,101
Total equity		7,219,902	5,112,001

Consolidated Balance Sheet (Continued)

AS AT 31 DECEMBER 2012

	Note	2012 RMB'000	2011 RMB'000
LIABILITIES			
Non-current liabilities			
Long-term bank and other borrowings	31	4,975,658	4,288,635
Corporate bonds	32	1,291,466	496,935
Construction costs payable	35	237,965	159,402
Deferred income tax liabilities	33	36,034	26,950
		6,541,123	4,971,922
Current liabilities			
Accounts payable	34	16,253	13,002
Construction costs payable	35	948,230	979,967
Other payables and accrued charges	35	163,756	118,594
Short-term bank and other borrowings	31	510,610	63,000
Current portion of long-term bank and other borrowings	31	644,229	339,795
Income tax payable		38,259	26,466
		2,321,337	1,540,824
Total liabilities		8,862,460	6,512,746
Total equity and liabilities		16,082,362	11,624,747
Net current assets		1,565,707	143,966
Total assets less current liabilities		13,761,025	10,083,923

Li Xiaolin
Director

Zhao Xinyan
Director

The notes on pages 54 to 127 are an integral part of these consolidated financial statements.

Balance Sheet

AS AT 31 DECEMBER 2012

	Note	2012 RMB'000	2011 RMB'000
ASSETS			
Non-current assets			
Interests in subsidiaries	20	5,319,726	4,562,475
Current assets			
Prepayments, deposits and other receivables	26	1,455	1,609
Financial assets at fair value through profit or loss	27	12,404	6,731
Cash and cash equivalents	28	1,953,773	44,282
		1,967,632	52,622
Total assets		7,287,358	4,615,097
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	29	1,046,966	754,065
Share premium	29	5,555,503	3,944,546
Reserves	30	(659,693)	(603,356)
Total equity		5,942,776	4,095,255
LIABILITIES			
Non-current liability			
Corporate bonds	32	1,291,466	496,935
Current liabilities			
Other payables and accrued charges	35	53,116	22,907
Total liabilities		1,344,582	519,842
Total equity and liabilities		7,287,358	4,615,097
Net current assets		1,914,516	29,715
Total assets less current liabilities		7,234,242	4,592,190

Li Xiaolin
Director

Zhao Xinyan
Director

The notes on pages 54 to 127 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2012

	Attributable to equity holders of the Company					
	Share capital *(Note 29(a))* RMB'000	Share premium *(Note 29(b))* RMB'000	Other reserves *(Note 30)* RMB'000	Retained earnings *(Note 30)* RMB'000	Non-controlling interests RMB'000	Total RMB'000
Balance at 1 January 2012	754,065	3,944,546	(260,784)	517,073	157,101	5,112,001
Profit for the year	–	–	–	192,721	19,056	211,777
Disposal of a subsidiary *(Note 36(b))*	–	–	(4,996)	–	–	(4,996)
Currency translation differences	–	–	(2,738)	–	–	(2,738)
Total comprehensive income for the year	–	–	(7,734)	192,721	19,056	204,043
Issue of ordinary shares	263,371	1,448,540	–	–	–	1,711,911
Issue of ordinary shares upon conversion of convertible bonds	29,530	162,417	–	–	–	191,947
	292,901	1,610,957	–	–	–	1,903,858
Balance at 31 December 2012	1,046,966	5,555,503	(268,518)	709,794	176,157	7,219,902
Balance at 1 January 2011	754,065	3,944,546	(62,868)	336,547	267,384	5,239,674
Profit for the year	–	–	–	180,526	16,023	196,549
Currency translation differences	–	–	(1,845)	–	–	(1,845)
Total comprehensive income for the year	–	–	(1,845)	180,526	16,023	194,704
Acquisition of non-controlling interests *(Note 38(c))*	–	–	(175,587)	–	(18,612)	(194,199)
Disposal of subsidiaries *(Note 36(b))*	–	–	(20,484)	–	(107,694)	(128,178)
	–	–	(196,071)	–	(126,306)	(322,377)
Balance at 31 December 2011	754,065	3,944,546	(260,784)	517,073	157,101	5,112,001

The notes on pages 54 to 127 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2012

	Note	2012 RMB'000	2011 RMB'000
Cash flows from operating activities			
Cash generated from operations	36(a)	737,901	771,504
PRC income tax paid		(41,695)	(33,170)
Net cash generated from operating activities		696,206	738,334
Cash flows from investing activities			
Capital injections to jointly controlled entities		–	(18,607)
Payments for property, plant and equipment		(1,488,070)	(388,159)
Payments for lease prepayments		(7,521)	(12,460)
Payments for intangible assets		(435)	(2,007)
Proceeds from disposal of property, plant and equipment		54	337
Acquisition of a subsidiary, net of cash acquired	37	(145,320)	–
Prepayment for acquisition of a subsidiary		(90,000)	(130,000)
Prepayment for investment in an associated company		(255,000)	–
Dividend received from an associated company		7,200	14,157
Dividends received from jointly controlled entities		6,469	5,148
Disposal of subsidiaries, net of cash disposed	36(b)	36,503	(19,658)
Interest received		36,461	8,913
Decrease/(increase) in pledged deposits		40,352	(27,580)
Net cash used in investing activities		(1,859,307)	(569,916)
Cash flows from financing activities			
Issue of ordinary shares	29	1,711,911	–
Issue of convertible bonds	29(a)(ii)	191,947	–
New bank and other borrowings	31	1,842,795	378,811
Issue of corporate bond	32	794,531	496,935
Repayment of bank and other borrowings	31	(946,573)	(543,054)
Interest paid		(373,174)	(223,973)
Net cash generated from financing activities		3,221,437	108,719
Net increase in cash and cash equivalents		2,058,336	277,137
Exchange difference on cash and cash equivalents		(10,894)	–
Cash and cash equivalents at 1 January		645,150	368,013
Cash and cash equivalents at 31 December	28	2,692,592	645,150

The notes on pages 54 to 127 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

1 GENERAL INFORMATION

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

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

These consolidated financial statements are presented in Renminbi ("RMB"), and have been approved for issue by the Board of Directors on 22 March 2013.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

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

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

(a) Effect of adopting amendments to standards

The following amendments to standards are mandatory for the financial year beginning 1 January 2012, but do not have significant impact to the Group:

HKAS 12 (Amendment)	Deferred Tax: Recovery of Underlying Assets
HKFRS 1 (Amendment)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
HKFRS 7 (Amendment)	Disclosures — Transfers of Financial Assets

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

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

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

		Effective for accounting periods beginning on or after
HKAS 1 (Amendment)	Presentation of Financial Statements	1 July 2012
HKAS 19 (Amendment)	Employee Benefits	1 January 2013
HKAS 27 (Revised 2011)	Separate Financial Statements	1 January 2013
HKAS 28 (Revised 2011)	Investments in Associates and Joint Ventures	1 January 2013
HKAS 32 (Amendment)	Offsetting Financial Assets and Financial Liabilities	1 January 2014
HKFRS 7 (Amendment)	Disclosures — Offsetting Financial Assets and Financial Liabilities	1 January 2013
HKFRS 7 and 9 (Amendments)	Disclosures — Mandatory Effective date of HKFRS 9 and Transitional Disclosures	1 January 2015
HKFRS 9	Financial Instruments	1 January 2015
HKFRS 10	Consolidated Financial Statements	1 January 2013
HKFRS 11	Joint Arrangements	1 January 2013
HKFRS 12	Disclosure of Interests in Other Entities	1 January 2013
HKFRS 13	Fair Value Measurement	1 January 2013
HKFRS Amendments	2011 Annual Improvements	1 January 2013

The Group will apply the above new and revised standards and amendments to standards from 1 January 2013 or later period. The Group has already commenced an assessment of the related impact to the Group. The Group anticipates that the application of HKFRS 10 has no material impact on the results and the financial position of the Group. Save as disclosed above, the Group is not yet in a position to state whether any substantial changes to the Group's significant accounting policies and presentation of the financial statements will be resulted.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Consolidation

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

(a) Subsidiaries

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

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

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

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

On the Company's balance sheet, investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Consolidation (Continued)

(b) 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.

(c) Disposal of subsidiaries

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

(d) Associated company

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Consolidation (Continued)

(d) Associated company (Continued)

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

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

(e) Jointly controlled entities

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

2.3 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Foreign currency translation (Continued)

(c) Group companies

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

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

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

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

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

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

2.4 Property, plant and equipment

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Property, plant and equipment (Continued)

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

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

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

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

2.5 Construction in progress

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

2.6 Investment properties

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.7 Lease prepayments

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

2.8 Intangible assets

(a) Goodwill

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

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

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

(b) Patents, franchise and others

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

2.10 Financial assets

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

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

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

(b) Loans and receivables

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 Financial assets (Continued)

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

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

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

2.11 Inventories

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Accounts and other receivables

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

2.13 Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

2.14 Financial liabilities and equity

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

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

2.15 Borrowings

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.16 Current and deferred income tax

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

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

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

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

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associated company 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 right to offset current tax assets against current tax liabilities and when the deferred income taxes 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)

2.17 Employee benefits

(a) Pension obligations

The Group's contributions to the Mandatory Provident Fund Scheme established under the Hong Kong Mandatory Provident Fund Schemes Ordinance are expensed as incurred. Both the Group and its employees in Hong Kong are required to contribute 5% of each individual's relevant income with a maximum amount of HK$1,250 per month as a mandatory contribution (with effect from 1 June 2012, the maximum mandatory MPF contribution will be adjusted from $1,000 to $1,250 a month). 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 the PRC, the Group contributes on a monthly basis to various defined contribution plans organised by the relevant municipal and provincial governments in the PRC based on certain percentage of the relevant employees' monthly salaries. The municipal and provincial governments undertake to assume the retirement benefit obligations payable to all existing and future retired employees under these plans and the Group has no further constructive obligation for post-retirement benefits beyond the contributions made. Contributions to these plans are expensed as incurred.

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

(b) Bonus entitlements

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

(c) Share-based compensation

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.18 Provisions

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

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

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

2.19 Operating lease

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

2.20 Borrowing costs

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

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

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

2.21 Segment reporting

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.22 Financial guarantee contracts

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

2.23 Revenue and income recognition

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

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

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

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

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.24 Government grants

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

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

2.25 Contingent asset

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

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

2.26 Dividend distribution

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

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

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

(a) Foreign exchange risk

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

Management has a policy to require group companies to manage their foreign exchange risk against functional currency. It mainly includes managing the exposures arise from sales and purchases made by the relevant group companies in currencies other than their own functional currencies. The Group also manages its foreign exchange risk by performing regular reviews of the Group's net foreign exchange exposures. The Group has not used any forward foreign exchange contracts or currency borrowings to hedge its exposure as at 31 December 2012.

As at 31 December 2012, if HK$ had weakened/strengthened by 5% against RMB, with all other available held constant, post-tax profit for the year would have been RMB48,038,000 (2011: RMB3,757,000) lower/higher, mainly as a result of foreign exchange losses/gains on translation of HK$-denominated cash and cash equivalents.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Interest rate risks

The Group's income and operating cash flows are substantially independent of changes in market interest rates and the Group has no significant interest-bearing assets except for certain interest-bearing receivables, pledged deposits and bank balances, details of which have been disclosed in Notes 26 and 28 respectively. The Group's exposure to changes in interest rates is mainly attributable to its borrowings, details of which have been disclosed in Notes 31 and 32. Borrowings carried at floating rates expose the Group to cash flow interest rate risk whereas borrowings carried at fixed rates expose the Group to fair value interest rate risk. The Group has not used any interest rate swaps to hedge its exposure to interest rate risk.

At 31 December 2012, if the interest rates had been 50 basis points higher/lower than the prevailing rate announced by the People's Bank of China, with all other variables held constant, post-tax profit for the year would have been approximately RMB15,528,000 (2011: RMB13,683,000) lower/higher, mainly as a net result of higher/lower interest expense on floating rate bank and other borrowings and higher/lower interest income on bank deposits.

(c) Price risk

The Group is exposed to equity securities price risk in respect of investments held by the Group which are classified as financial assets at fair value through profit or loss. The Group's financial assets at fair value through profit or loss represent equity securities listed in Hong Kong and the volatility of stock market is generally significant recently. At 31 December 2012, if the quoted market price of the equity investments held by the Group had increased/decreased by 10% to 30%, with all other variables held constant, the post-tax profit for the year would have been approximately RMB1,260,000 to RMB3,781,000 (2011: approximately RMB689,000 to RMB2,067,000) higher/lower, mainly as a result of the changes in fair value of financial assets at fair value through profit or loss.

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

(d) Credit risk

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

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

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(d) Credit risk (Continued)

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

(e) Liquidity risk

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

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

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 flows (including interest payments computed using contractual rates or, if floating, based on rates at the balance sheet date).

	Within 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000
Group				
At 31 December 2012				
Bank and other borrowings	**1,533,428**	**994,314**	**2,904,572**	**4,231,249**
Corporate bonds	**70,750**	**570,750**	**852,000**	**–**
Accounts payable	**16,253**	**–**	**–**	**–**
Construction costs payable	**948,230**	**237,965**	**–**	**–**
Other payables and accrued charges	**163,756**	**–**	**–**	**–**
At 31 December 2011				
Bank and other borrowings	690,641	874,941	2,303,818	4,068,386
Corporate bond	18,750	18,750	518,750	–
Accounts payable	13,002	–	–	–
Construction costs payable	979,967	159,402	–	–
Other payables and accrued charges	118,594	–	–	–
Company				
At 31 December 2012				
Corporate bonds	**70,750**	**570,750**	**852,000**	**–**
Other payables and accrued charges	**53,116**	**–**	**–**	**–**
At 31 December 2011				
Corporate bond	18,750	18,750	518,750	–
Other payables and accrued charges	22,907	–	–	–

3 FINANCIAL RISK MANAGEMENT (Continued)

3.2 Capital risk management

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

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

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

During the year, the Group's strategy, which was unchanged from last year, was to maintain gearing ratio at a stable level. The table below analyses the Group's capital structure as at 31 December 2012 and 2011.

	2012 ***RMB'000***	2011 *RMB'000*
Total bank and other borrowings *(Notes 31 and 32)*	**7,421,963**	5,188,365
Less: Cash and cash equivalents and pledged deposits *(Note 28)*	**(2,707,127)**	(700,037)
Net debt	**4,714,836**	4,488,328
Total equity	**7,219,902**	5,112,001
Total capital	**11,934,738**	9,600,329
Gearing ratio	**40%**	47%

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation

The table below analyses financial instruments carried at fair value by valuation method. The different levels have been defined as follows:

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

The following table presents the Group's financial assets and liabilities that are measured at fair value at 31 December 2012 and 2011.

	Level 1 *RMB'000*	**Level 2** *RMB'000*	**Level 3** *RMB'000*	**Total** *RMB'000*
At 31 December 2012				
Assets				
Financial assets at fair value through profit or loss	**12,603**	**–**	**–**	**12,603**
At 31 December 2011				
Assets				
Financial assets at fair value through profit or loss	6,889	–	–	6,889

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

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

(b) Impairment of non-financial assets

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

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)

(c) Tariff adjustment

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

(d) Current and deferred income tax

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

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

(e) Fair value of investment properties

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

5 REVENUE, TARIFF ADJUSTMENT AND SEGMENT INFORMATION

(a) Revenue and tariff adjustment

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

	2012	2011
	RMB'000	*RMB'000*
Sales of electricity to provincial power grid companies *(note (i))*	**1,396,552**	1,335,629
Heat supply by thermal power plants to other companies	**95,951**	75,781
Rubbish handling income	**67,448**	99,513
Rental income from investment properties	**9,742**	7,872
Total revenue	**1,569,693**	1,518,795
Tariff adjustment *(note (ii))*	**249,207**	342,477
	1,818,900	1,861,272

Notes:

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

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

(b) Segment information

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

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

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

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

5 REVENUE, TARIFF ADJUSTMENT AND SEGMENT INFORMATION (Continued)

(b) Segment information (Continued)

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

The securities investments segment is engaged in securities trading.

No sales between operating segments are undertaken.

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

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

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

5 REVENUE, TARIFF ADJUSTMENT AND SEGMENT INFORMATION (Continued)

(b) Segment information (Continued)

The segment information provided to the CODM for the reportable segments for the year ended 31 December 2012 and 2011 is as follows:

	Natural gas power generation business *RMB'000*	Wind power generation business *RMB'000*	Hydro power generation business *RMB'000*	Waste-to-energy power generation business *RMB'000*	Photovoltaic power generation business *RMB'000*	Other power generation business *RMB'000*	Property investments *RMB'000*	Securities investments *RMB'000*	Unallocated *RMB'000*	Total *RMB'000*
For the year ended 31 December 2012										
Segment revenue	345,229	538,061	318,057	228,738	–	129,866	9,742	–	–	1,569,693
Tariff adjustment	249,207	–	–	–	–	–	–	–	–	249,207
	594,436	538,061	318,057	228,738	–	129,866	9,742	–	–	1,818,900
Results of reportable segments	141,045	52,695	137,487	53,666	–	(1,205)	(12,192)	5,872	–	377,368
A reconciliation of results of reportable segments to profit for the year is as follows:										
Results of reportable segments										377,368
Unallocated income										31,282
Unallocated expenses										(161,836)
Share of profit of an associated company										9,441
Share of profits of jointly controlled entities										19,101
Profit before tax										275,356
Income tax expense										(63,579)
Profit for the year										211,777
Segment results included:										
Depreciation and amortisation	(34,753)	(251,949)	(53,526)	(39,805)	–	(13,227)	(5,489)	–	(3,666)	(402,415)
Impairment losses	–	–	–	–	–	(17,312)	–	–	–	(17,312)
Finance income	949	3,552	569	83	–	21	5	–	31,282	36,461
Finance costs	(16,336)	(207,100)	(22,009)	(22,435)	–	(7,940)	(8,911)	–	(80,144)	(364,875)

5 REVENUE, TARIFF ADJUSTMENT AND SEGMENT INFORMATION (Continued)

(b) Segment information (Continued)

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

5 REVENUE, TARIFF ADJUSTMENT AND SEGMENT INFORMATION (Continued)

(b) Segment information (Continued)

	Natural gas power generation business RMB'000	Wind power generation business RMB'000	Hydro power generation business RMB'000	Waste-to-energy power generation business RMB'000	Photovoltaic power generation business RMB'000	Other power generation business RMB'000	Property investments RMB'000	Securities investments RMB'000	Unallocated RMB'000	Total RMB'000
As at 31 December 2012										
Segment assets	1,674,980	6,721,130	3,073,235	844,919	419,063	226,974	413,108	14,724	-	13,388,133
Interest in an associated company									126,258	126,258
Interests in jointly controlled entities									221,988	221,988
Deferred income tax assets									27,794	27,794
Other unallocated assets									2,318,189	2,318,189
Total assets per consolidated balance sheet										16,082,362
Additions to non-current assets	13,030	535,421	1,527,876	19,422	407,663	5,071	1,057	-	258,355	2,767,895

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

5 REVENUE, TARIFF ADJUSTMENT AND SEGMENT INFORMATION (Continued)

(b) Segment information (Continued)

Substantially all of the Group's revenue and assets are generated or located in the PRC except that cash and cash equivalents held at corporate level in the amount of RMB1,959,756,000 (2011: RMB69,422,000) were deposited in Hong Kong, investment properties of RMB27,326,000 (2011: RMB26,477,000) are situated in Hong Kong and certain other financial assets in the amount of RMB12,603,000 (2011: RMB6,889,000) are relating to equity securities listed in Hong Kong.

For the year ended 31 December 2012, external revenue of approximately RMB927,784,000 (2011: RMB823,365,000) is generated from 3 (2011: 2) major customers, each of which accounts for 10% or more of the Group's external revenue. The revenue is attributable to the power generation segment.

6 OTHER INCOME

	2012 *RMB'000*	2011 *RMB'000*
Government grants *(note (i))*	**20,011**	28,837
Repairs and maintenance management fee income	**7,525**	8,619
Income from Voluntary Emission Reductions ("VER") projects *(note (ii))*	**1,572**	–
Others	**8,202**	5,657
	37,310	43,113

Notes:

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

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

7 OTHER GAINS, NET

	2012 RMB'000	2011 RMB'000
Fair value gains on investment properties *(Note 18)*	3,460	21,487
(Losses)/gains on disposals of subsidiaries *(Note 36(b))*	(5,096)	26,131
Gain on sale of power generation quota *(note)*	23,100	–
Exchange losses	(15,676)	–
Others	(991)	422
	4,797	48,040

Note:

On 5 March 2012, the Group entered into an agreement with a third party pursuant to which the Group agreed to close down certain power generation units starting from 31 March 2012 and sell the power generation quota to this third party at a cash consideration of RMB23,100,000 resulting in a gain of the same amount and an impairment loss on the property, plant and equipment relating to these power generating units of RMB7,180,000 (Note 16) recognised in profit or loss during the year ended 31 December 2012.

8 OPERATING PROFIT

Operating profit is stated after charging the following:

	2012 RMB'000	2011 RMB'000
Amortisation of lease prepayments	2,592	3,381
Amortisation of intangible assets	374	276
Auditor's remuneration	2,797	2,482
Depreciation of property, plant and equipment	399,449	338,942
Impairment loss of intangible assets	10,132	18,522
Impairment loss of property, plant and equipment	7,180	–
Loss on disposals of property, plant and equipment	757	42
Operating lease rental in respect of leasehold land and buildings	10,619	9,435
Staff costs including directors' emoluments *(Note 11)*	136,176	130,787

Notes to the Consolidated Financial Statements (Continued)

9 FINANCE COSTS, NET

	2012 RMB'000	2011 RMB'000
Interest income from		
— bank deposits	36,461	7,525
— loan to a jointly controlled entity *(Note 40(i)(a))*	—	1,388
	36,461	8,913
Interest expense on		
— bank borrowings wholly repayable within five years	(56,300)	(49,790)
— bank borrowings not wholly repayable within five years	(257,331)	(233,067)
— other borrowings wholly repayable within five years	(13,488)	(1,805)
— corporate bonds wholly repayable within five years	(72,092)	(13,559)
	(399,211)	(298,221)
Less: Amounts capitalised in property, plant and equipment	34,336	74,248
	(364,875)	(223,973)
Finance costs, net	(328,414)	(215,060)

The weighted average interest rate on capitalised borrowing costs is approximately 5.74% (2011: 6.29%) per annum.

10 INCOME TAX EXPENSE

No Hong Kong profits tax has been provided for as the Group did not have any assessable profit in Hong Kong for the year (2011: Nil).

The provision for PRC current income tax is calculated based on the statutory tax rate of 25% (2011: 25%) on the estimated assessable income for the year.

Certain subsidiaries of the Group are entitled to a three-year exemption from income tax when their power generation started, followed by a 50% reduction in income tax rate at 12.5% for another three years, and then taxed at 25% thereafter.

There is no tax impact relating to components of other comprehensive income for the year ended 31 December 2012 (2011: Nil).

10 INCOME TAX EXPENSE (Continued)

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

	2012 RMB'000	2011 RMB'000
PRC current income tax	51,563	34,550
Deferred income tax	12,016	(4,096)
	63,579	30,454

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

	2012 RMB'000	2011 RMB'000
Profit before tax	275,356	227,003
Less: Share of profit of an associated company	(9,441)	(8,924)
Less: Share of profits of jointly controlled entities	(19,101)	(833)
	246,814	217,246
Tax calculated at domestic tax rates applicable to profits in respective jurisdictions	61,903	53,877
Effect of lower tax rate for companies under tax holiday	(37,525)	(44,432)
Income not subject to taxation	(2,585)	(1,422)
Expenses not deductible for taxation purposes	5,241	3,558
Tax losses not recognised	36,545	18,873
Income tax expense	63,579	30,454

The weighted average applicable tax rate for the year ended 31 December 2012 is 25.1% (2011: 24.8%).

Share of taxation attributable to an associated company and jointly controlled entities for the year ended 31 December 2012 of RMB4,186,000 (2011: RMB1,322,000) are included in the Group's share of profits of an associated company and jointly controlled entities for the year.

11 STAFF COSTS

	2012 *RMB'000*	2011 *RMB'000*
Wages, salaries and bonuses	99,087	96,761
Pension costs — defined contribution plans	12,333	10,855
Staff welfare	24,756	23,171
	136,176	130,787

12 LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The loss attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of RMB56,337,000 (2011: RMB50,166,000) *(Note 30)*.

13 EARNINGS PER SHARE

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.

	2012	2011
Profit attributable to equity holders of the Company *(RMB'000)*	192,721	180,526
Weighted average number of shares in issue *(shares in thousands)*	9,907,325	7,889,039
Basic earnings per share *(RMB)*	0.019	0.023

As there were no dilutive potential ordinary shares outstanding during the year (2011: Nil), the diluted earnings per share for the year is equal to basic earnings per share.

14 DIVIDEND

The Board does not recommend the payment of a dividend for the year ended 31 December 2012 (2011: Nil).

15 EMOLUMENTS FOR DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' emoluments

The remuneration of each of the directors of the Company for the year ended 31 December 2012 is set out below:

Name of director	Fees	Basic salary, housing allowance, other allowances and benefits in kind	Share-based compensation expenses	Discretionary bonuses	Employer's contributions to pension scheme	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Chairman						
Ms. Li Xiaolin	–	–	–	–	–	–
Executive directors						
Mr. Yin Lian *(notes (i) and (v))*	–	870	–	–	–	870
Mr. Liu Genyu *(notes (ii) and (v))*	–	809	–	–	11	820
Mr. Wang Hao	–	831	–	–	12	843
Mr. Zhao Xinyan	–	–	–	–	–	–
Non-executive director						
Mr. Cheng Chi	–	–	–	–	–	–
Independent non-executive directors						
Mr. Chu Kar Wing	97	–	–	–	–	97
Mr. Li Fang	97	–	–	–	–	97
Mr. Wong Kwok Tai	97	–	–	–	–	97
Total	291	2,510	–	–	23	2,824

Notes to the Consolidated Financial Statements (Continued)

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 2011 is set out below:

Name of director	Fees *RMB'000*	Basic salary, housing allowance, other allowances and benefits in kind *RMB'000*	Share-based compensation expenses *RMB'000*	Discretionary bonuses *RMB'000*	Employer's contribution to pension scheme *RMB'000*	Total *RMB'000*
Chairman						
Ms. Li Xiaolin	–	–	–	–	–	–
Executive directors						
Mr. Liu Genyu	–	863	–	–	10	873
Mr. Wang Hao	–	755	–	–	10	765
Mr. Zhao Xinyan	–	–	–	–	–	–
Non-executive director						
Mr. Cheng Chi	–	–	–	–	–	–
Mr. Yin Lian *(note (i))*	–	–	–	–	–	–
Independent non-executive directors						
Dr. Chow King Wai *(note (iii))*	17	–	–	–	–	17
Mr. Chu Kar Wing	50	–	–	–	–	50
Mr. Li Fang	25	–	–	–	–	25
Mr. Wong Kwok Tai	50	–	–	–	–	50
Total	142	1,618	–	–	20	1,780

Notes:

(i) Mr. Yin lian was re-designated as an executive director of the Company with effective from 21 March 2012.

(ii) Mr. Liu Genyu has resigned as an executive director and the chief executive officer of the Company with effect from 21 December 2012.

(iii) Dr. Chow King Wai was retired as an independent non-executive director with effect from 28 April 2011.

(iv) None of the directors of the Company waived any emoluments during the year ended 31 December 2012 and 2011.

(v) Mr. Liu Genyu and Mr. Yin Lian, who are also the chief executives of the Company, are responsible under the immediate authority of the Board of Directors for the conduct of the business of the Group.

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 3 (2011: 2) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining 2 (2011: 3) individuals during the year are as follows:

	2012 RMB'000	2011 RMB'000
Basic salary, housing allowance, other allowances and benefits in kind	1,691	1,899
Employer's contributions to pension scheme	12	30
	1,703	1,929

The emoluments fell within the following bands:

	Number of individuals	
	2012	2011
Below RMB1,000,001	1	3
RMB1,000,001 to RMB2,000,000	1	–

(c) During the year, no emoluments have been paid by the Group to the directors or any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office (2011: Nil).

16 PROPERTY, PLANT AND EQUIPMENT

	Group						Company
	Buildings	Dam	Power generators and equipment	Others	Construction in progress	Total	Others
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost							
At 1 January 2012	1,053,460	723,075	6,397,521	162,497	369,001	8,705,554	756
Exchange differences	–	–	–	(345)	–	(345)	(17)
Additions	823	–	17,174	16,315	1,350,140	1,384,452	–
Disposals	–	–	(8,925)	(5,228)	–	(14,153)	–
Acquisition of a subsidiary *(Note 37)*	–	–	–	–	1,046,107	1,046,107	–
Disposal of a subsidiary *(Note 36(b))*	(38,184)	–	(64,234)	(1,327)	(355)	(104,100)	–
Transfer	18,453	–	879,509	5,961	(903,923)	–	–
At 31 December 2012	1,034,552	723,075	7,221,045	177,873	1,860,970	11,017,515	739
Accumulated depreciation							
and impairment losses	98,813	48,994	579,765	31,386	–	758,958	756
At 1 January 2012							
Exchange differences	–	–	–	(270)	–	(270)	(17)
Depreciation charge for the year	50,158	16,225	322,940	10,126	–	399,449	–
Impairment loss *(Note 7)*	–	–	7,180	–	–	7,180	–
Written back on disposals	–	–	(2,206)	(1,206)	–	(3,412)	–
Acquisition of subsidiary *(Note 37)*	–	–	–	–	–	–	–
Disposal of a subsidiary *(Note 36(b))*	(2,483)	–	(4,776)	(7,722)	–	(14,981)	–
At 31 December 2012	146,488	65,219	902,903	32,314	–	1,146,924	739
Net book value							
At 1 January 2012	954,647	674,081	5,817,756	131,111	369,001	7,946,596	–
At 31 December 2012	888,064	657,856	6,318,142	145,559	1,860,970	9,870,591	–

16 PROPERTY, PLANT AND EQUIPMENT (Continued)

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

16 PROPERTY, PLANT AND EQUIPMENT (Continued)

Notes:

(i) As at 31 December 2012, certain of the Group's property, plant and equipment with carrying values of RMB928,247,000 (2011: RMB944,132,000) were situated on leasehold land in the PRC leased from China Power Investment Corporation (中國電力投資集團公司) ("CPI Group") which held the rights on the leasehold land under long-term leases. The remaining period of the Group's rights on the leasehold land as at 31 December 2012 was 43 years (2011: 44 years).

(ii) As at 31 December 2012, the legal titles of certain of the Group's buildings and construction in progress with RMB1,197,374,000 (2011: RMB367,184,000) had not been transferred to the Group subject to certain administrative procedures to be completed by the relevant local government authorities. However, the Directors are of the opinion that the risks and rewards of using these assets have been transferred to the Group.

(iii) As at 31 December 2012, property, plant and equipment amounting to RMB3,195,503,000 (2011: RMB2,102,843,000) were pledged as securities for certain bank and other borrowings of the Group (Note 31(a)).

(iv) During 2012, the Group entered into a sale and leaseback arrangement with a bank which the Group sold its property, plant and equipment amounting to RMB187,901,000 (2011: Nil) to the bank and immediately leased these assets back for 5 years. Management regards this arrangement as a finance lease (Note 31(d)).

17 LEASE PREPAYMENTS

	Group	
	2012	2011
	RMB'000	*RMB'000*
Cost		
At 1 January	**116,477**	155,256
Additions	**7,521**	12,460
Disposals of subsidiaries *(Note 36(b))*	**(8,976)**	(51,239)
At 31 December	**115,022**	116,477
Accumulated amortisation and impairment losses		
At 1 January	**7,667**	11,471
Amortisation for the year	**2,592**	3,381
Disposals of subsidiaries *(Note 36(b))*	**(1,314)**	(7,185)
At 31 December	**8,945**	7,667
Net book value		
At 31 December	**106,077**	108,810

Notes:

(i) Lease prepayments represent costs of the land use rights, coast use rights and other lease prepayments in respect of land and coast located in the PRC where certain of the Group's property, plant and equipment are built on. As at 31 December 2012, the remaining period of the land use rights and coast use right ranged between 19 to 48 years (2011: 20 to 49 years).

(ii) As at 31 December 2012, certain lease prepayments with carrying amounts of RMB2,326,000 (2011: RMB10,278,000) were pledged as security for certain bank borrowings of the Group.

18 INVESTMENT PROPERTIES

	Group	
	2012	2011
	RMB'000	*RMB'000*
At 1 January	**300,477**	280,378
Fair value gain *(Note 7)*	**3,460**	21,487
Exchange differences	**(611)**	(1,388)
At 31 December	**303,326**	300,477

The investment properties are revalued at 31 December 2012 by Roma Appraisals Limited, an independent qualified professional firm of valuers, based on current prices in an active market.

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

	Group	
	2012	2011
	RMB'000	*RMB'000*
In Hong Kong, held on leases of over 50 years	**27,326**	26,477
In the PRC, held on leases of over 50 years	**276,000**	274,000
	303,326	300,477

As at 31 December 2012, the investment properties amounting to RMB303,326,000 (2011: RMB300,477,000) were pledged as security for certain bank borrowings of the Group (Note 31(a)).

19 INTANGIBLE ASSETS

Group	Goodwill RMB'000	Patents, franchise and others RMB'000	Total RMB'000
Cost			
At 1 January 2012	**1,052,346**	**54,087**	**1,106,433**
Additions	**–**	**435**	**435**
At 31 December 2012	**1,052,346**	**54,522**	**1,106,868**
Accumulated amortisation and impairment losses			
At 1 January 2012	**18,522**	**26,512**	**45,034**
Amortisation charge for the year	**–**	**374**	**374**
Impairment loss *(note)*	**10,132**	**–**	**10,132**
At 31 December 2012	**28,654**	**26,886**	**55,540**
Net book value			
At 31 December 2012	**1,023,692**	**27,636**	**1,051,328**
Cost			
At 1 January 2011	1,177,026	52,080	1,229,106
Additions	–	2,007	2,007
Disposals of subsidiaries *(Note 36(b))*	(124,680)	–	(124,680)
At 31 December 2011	1,052,346	54,087	1,106,433
Accumulated amortisation and impairment losses			
At 1 January 2011	–	26,236	26,236
Amortisation charge for the year	–	276	276
Impairment loss *(note)*	18,522	–	18,522
At 31 December 2011	18,522	26,512	45,034
Net book value			
At 31 December 2011	1,033,824	27,575	1,061,399

Note:

In 2012, the Group assessed the recoverable amount of goodwill and determined that goodwill associated with a subsidiary operating in other power generation segment to be fully impaired, resulting in a recognition of impairment loss amounted to RMB10,132,000 (2011: RMB18,522,000).

19 INTANGIBLE ASSETS (Continued)

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

	Group	
	2012	2011
	RMB'000	*RMB'000*
Natural gas power generation	**521,398**	521,399
Wind power generation	**502,294**	502,294
Other power generation	**–**	10,131
	1,023,692	1,033,824

For the purposes of impairment reviews, the recoverable amount of goodwill is determined based on value-in-use calculations. The value-in-use calculations use pre-tax cash flow projections based on financial budgets approved by management for the purposes of impairment reviews covering a five-year period.

There are a number of assumptions and estimates involved in the preparation of cash flow projections for the period covered by the approved budget. Management prepared the financial budgets taking into account actual and prior year performance and market development expectations. The revenue growth rate in electricity output and pre-tax discount rate used for value-in-use calculations for goodwill is of 3% (2011: 3%) and 9% (2011: 9%) respectively.

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

At 31 December 2012, if the budgeted growth rate in electricity output applied to the discounted cash flows had been 2% lower, with all other variables held constant, goodwill will be impaired by approximately RMB40,819,000 (2011: RMB18,119,000) or otherwise no additional impairment charge will be required.

At 31 December 2012, if the pre-tax discount rate applied to the discounted cash flows had been 1% higher, with all other variables held constant, goodwill will be impaired by approximately RMB48,079,000 (2011: RMB27,532,000) or otherwise no additional impairment charge will be required.

At 31 December 2012, if the budgeted fuel costs applied to the discounted cash flows had been 8% higher with all other variables held constant, goodwill will be impaired by approximately RMB10,132,000 (2011: RMB10,132,000) or otherwise no additional impairment charge will be required.

20 INTERESTS IN SUBSIDIARIES

	Company	
	2012	2011
	RMB'000	*RMB'000*
Unlisted investments, at cost	**137**	129
Less: Impairment losses *(note (i))*	**(137)**	(129)
	–	–
Amounts due from subsidiaries *(note (ii))*	**5,399,970**	4,630,756
Less: Impairment losses *(note (i))*	**(80,244)**	(68,281)
	5,319,726	4,562,475
	5,319,726	4,562,475

Notes:

(i) Movements in the impairment losses:

	Company	
	2012	2011
	RMB'000	*RMB'000*
At 1 January	**68,410**	46,531
Provision for impairment during the year	**11,971**	21,879
At 31 December	**80,381**	68,410

(ii) The amounts due from subsidiaries are unsecured, interest-free and capital in nature.

Notes to the Consolidated Financial Statements (Continued)

20 INTERESTS IN SUBSIDIARIES (Continued)

Notes: (Continued)

(iii) The following is a list of principal subsidiaries as at 31 December 2012:

Name of companies	Place of establishment and operation	Paid up/ issued capital	Equity interest attributable to the Group	Type of legal entity	Principal activities
Interests held directly:					
Lucky Talent Limited	British Virgin Islands/ Hong Kong	1 share of US$1	100%	Limited liability company	Securities trading
Interests held indirectly:					
Delux Vantage Limited	British Virgin Islands/ Hong Kong	1 share of US$1	100%	Limited liability company	Property holdings
上海中電新能源置業發展有限公司	PRC	RMB60,000,000	100%	Wholly-owned foreign enterprise	Property holdings
China Power (New Energy) Holdings Limited	Hong Kong	1 share of HK$1	100%	Limited liability company	Investment holdings
中電國際新能源控股有限公司	PRC	US$56,250,000	100%	Wholly-owned foreign enterprise	Investment holdings
中電(洪澤)熱電有限公司	PRC	RMB30,000,000	60%	Sino-foreign equity joint venture	Generation and sales of electricity
中電(洪澤)生物質熱電有限公司	PRC	RMB26,000,000	100%	Wholly-owned foreign enterprise	Generation and sales of electricity
中電(福建)電力開發有限公司	PRC	RMB632,750,000	100%	Wholly-owned foreign enterprise	Generation and sales of electricity
甘肅中電酒泉風力發電有限公司	PRC	RMB154,450,000	100%	Wholly-owned foreign enterprise	Generation and sales of electricity
甘肅中電酒泉第二風力發電有限公司	PRC	RMB147,160,000	100%	Wholly-owned foreign enterprise	Generation and sales of electricity
甘肅中電酒泉第三風力發電有限公司	PRC	RMB244,475,369	100%	Wholly-owned foreign enterprise	Generation and sales of electricity
甘肅中電酒泉第四風力發電有限公司	PRC	RMB139,764,464	100%	Wholly-owned foreign enterprise	Generation and sales of electricity
甘肅中電武威光伏發電有限公司	PRC	RMB44,264,853	100%	Wholly-owned foreign enterprise	Development of power plant
甘肅中電白銀光伏發電有限公司	PRC	RMB44,343,557	100%	Wholly-owned foreign enterprise	Development of power plant
東莞中電新能源熱電有限公司	PRC	US$43,435,965	90.1%	Foreign enterprise	Generation and sales of electricity

20 INTERESTS IN SUBSIDIARIES (Continued)

Notes: (Continued)

(iii) The following is a list of principal subsidiaries as at 31 December 2012: *(Continued)*

Name of companies	Place of establishment and operation	Paid up/ issued capital	Equity interest attributable to the Group	Type of legal entity	Principal activities
Interests held indirectly: (Continued)					
China Power Dafeng Wind Power Company Limited	PRC	RMB361,618,000	100%	Wholly-owned foreign enterprise	Generation and sales of electricity
昆明中電環保電力有限公司	PRC	RMB116,800,000	100%	Wholly-owned foreign enterprise	Generation and sales of electricity
漳平市華口水電有限公司	PRC	RMB80,000,000	100%	Wholly-owned foreign enterprise	Generation and sales of electricity
中電內蒙古風力發電有限公司	PRC	RMB121,604,910	100%	Wholly-owned foreign enterprise	Development of power plant
重慶梅溪河流域水電開發有限公司	PRC	RMB35,000,000	100%	Wholly-owned foreign enterprise	Development of power plant
海林中電海浪風力發電有限公司	PRC	US$12,612,000	100%	Wholly-owned foreign enterprise	Generation and sales of electricity
海林中電紅旗風力發電有限公司	PRC	US$14,254,000	100%	Wholly-owned foreign enterprise	Generation and sales of electricity
海口中電新能源環保電力有限公司	PRC	RMB120,001,456	100%	Wholly-owned foreign enterprise	Generation and sales of electricity

21 INTEREST IN AN ASSOCIATED COMPANY

	Group	
	2012	2011
	RMB'000	*RMB'000*
Share of net assets	**126,258**	124,017

21 INTEREST IN AN ASSOCIATED COMPANY (Continued)

Notes:

(i) The following are the details of the associated company as at 31 December 2012:

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

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

	2012 *RMB'000*	2011 *RMB'000*
Operating results		
Revenue	216,111	189,735
Profit before tax	43,706	48,598
Profit for the year	43,706	48,598
Financial position		
Non-current assets	1,892,198	1,995,495
Current assets	364,733	322,230
Non-current liabilities	(1,587,625)	(1,693,587)
Current liabilities	(127,447)	(91,125)
Net assets	541,859	533,013

(iii) Dividend income of RMB7,200,000 was received from the associated company for the year (2011: RMB14,157,000).

22 INTERESTS IN JOINTLY CONTROLLED ENTITIES

	Group	
	2012 *RMB'000*	2011 *RMB'000*
Share of net assets	221,510	208,878
Goodwill	478	478
	221,988	209,356

22 INTERESTS IN JOINTLY CONTROLLED ENTITIES (Continued)

Notes:

(i) The following are the details of the jointly controlled entities as at 31 December 2012:

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

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

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

	2012 *RMB'000*	2011 *RMB'000*
Operating results		
Revenue	830,745	856,505
Profit before tax	102,267	61,868
Profit for the year	85,561	56,011
Financial position		
Non-current assets	1,174,369	1,101,300
Current assets	985,037	1,063,141
Non-current liabilities	(688,548)	(646,644)
Current liabilities	(946,570)	(1,029,346)
Net assets	524,288	488,451

(iii) Dividend income of RMB6,469,000 was received from the jointly controlled entities for the year (2011: RMB5,148,000).

23 OTHER LONG-TERM DEPOSITS AND PREPAYMENTS

	Group	
	2012	2011
	RMB'000	*RMB'000*
Prepayments for construction of power plants	**132,744**	28,576
Non-current pledged deposits *(Note 31(d))*	**8,043**	–
Rental deposits	**2,169**	–
Prepayment for investment in an associated company *(note (i))*	**255,000**	–
Prepayment for acquisition of a subsidiary *(note (ii))*	**90,000**	130,000
	487,956	158,576

Notes:

(i) On 3 April 2012, the Group entered into an equity interests transfer agreement with a third party to acquire 20% equity interest in Hainan Dalecheng Development Holding Limited ("Dalecheng Company") for cash consideration of RMB455,000,000. Pursuant to the agreement, the Group prepaid amounts of RMB$255,000,000 during the year ended 31 December 2012. Up to the date of these consolidated financial statements, the acquisition has not been completed. The outstanding amount is disclosed as capital commitments (Note 39(a)).

(ii) On 16 September 2012, the Group signed a letter of intent with a third party to acquire 100% equity interests in Yingjiang Huimin Hydropower Company Limited. Pursuant to the letter, the Group prepaid an amount of RMB90,000,000 during the year ended 31 December 2012. Up to the date of these consolidated financial statements, the acquisition has not been completed as the Group is in the process of negotiation with the third party to conclude the final purchase consideration.

On 15 December 2011, the Group entered into a sale and purchase agreement with a third party to acquire 100% equity interests in Chongqing Meixi River Hydropower Company Limited for cash consideration of RMB348,000,000. Pursuant to the agreement, the Group prepaid amounts of RMB130,000,000 during tye year ended 31 December 2011. The acquisition was completed in 2012 (Note 37).

24 INVENTORIES

	Group	
	2012	2011
	RMB'000	*RMB'000*
Raw materials	**15,872**	16,568
Spare parts and consumables	**78,256**	75,436
	94,128	92,004

25 ACCOUNTS RECEIVABLE

	Group	
	2012	2011
	RMB'000	*RMB'000*
Accounts receivable from provincial power grid companies	**478,606**	273,499
Accounts receivable from other companies	**17,099**	32,217
	495,705	305,716
Tariff adjustment receivable from the relevant government authorities	**121,440**	43,739
Notes receivable *(note (i))*	**33,892**	10,906
	651,037	360,361

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

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

As at 31 December 2012, the accounts receivable amounting to RMB191,386,000 (2011: RMB118,810,000) are pledged as security for certain bank borrowings of the Group (note 31(a)).

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

	Group	
	2012	2011
	RMB'000	*RMB'000*
Less than 3 months	**192,482**	194,156
4 to 6 months	**73,647**	79,537
7 to 12 months	**123,204**	31,123
Over 1 year	**106,372**	900
	495,705	305,716

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

25 ACCOUNTS RECEIVABLE (Continued)

As of 31 December 2012, receivables of RMB322,560,000 (2011: RMB131,018,000) were past due but not considered to be impaired because the relevant debtors have no recent history of default. The ageing analysis of these receivables is as follows:

	Group	
	2012	2011
	RMB'000	*RMB'000*
Overdue		
Less than 3 months	**74,277**	75,221
4 to 6 months	**66,444**	42,838
7 to 12 months	**75,467**	12,059
Over 1 year	**106,372**	900
	322,560	131,018

Notes:

(i) As at 31 December 2011 and 2012, notes receivable represent commercial acceptance notes and are with maturity period of 180 to 360 days.

(ii) During the year, no provision for impairment of accounts receivable was made by the Group (2011: Nil) and there was no write-off of accounts receivable during the year (2011: Nil).

26 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2012	2011	**2012**	2011
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Prepayments and deposits	**27,426**	107,503	**–**	78
Value added tax receivable	**351,365**	371,394	**–**	–
Amount due from a shareholder *(note (i))*	**7,349**	7,381	**–**	1,328
Amount due from a non-controlling interest *(note (ii))*	**20,000**	–	**–**	–
Dividend receivable from a joint controlled entity	**–**	3,087	**–**	–
Amount due from CPI Finance Company ("CPIF") *(note (iii))*	**50**	133	**–**	–
Other receivables	**15,959**	36,001	**1,455**	203
	422,149	525,499	**1,455**	1,609
Denominated in:				
RMB	**420,165**	522,045	**–**	–
HK$	**1,984**	3,454	**1,455**	1,609
	422,149	525,499	**1,455**	1,609

Notes:

(i) The amount due from a shareholder is unsecured, interest-free and repayable on demand.

(ii) The amount due from a non-controlling interest is secured by the shares of this non-controlling interest in one of the Group's subsidiary, interest bearing at prevailing market rate and repayable within one year.

(iii) The amount due from CPIF, a subsidiary of a shareholder, is unsecured, carries interest at 0.36% per annum (2011: 0.36% per annum) and is repayable on demand.

27 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group		Company	
	2012 RMB'000	2011 RMB'000	2012 RMB'000	2011 RMB'000
Equity securities listed in Hong Kong	12,603	6,889	12,404	6,731

28 PLEDGED DEPOSITS AND CASH AND CASH EQUIVALENTS

	Group		Company	
	2012 RMB'000	2011 RMB'000	2012 RMB'000	2011 RMB'000
Cash at bank and in hand	1,057,321	698,983	305,664	44,282
Time deposits with initial terms of less than three months	1,649,806	1,054	1,648,109	–
	2,707,127	700,037	1,953,773	44,282
Less: Pledged deposits *(note (iii))*	(14,535)	(54,887)	–	–
Cash and cash equivalents	2,692,592	645,150	1,953,773	44,282
Denominated in:				
RMB	1,768,487	660,622	1,021,116	30,007
HK$	931,640	38,310	926,719	14,274
US$	7,000	1,105	5,938	1
	2,707,127	700,037	1,953,773	44,282

Notes:

(i) The weighted average effective interest rate on time deposits, with maturity ranging from 1 to 3 months, was 2.20% per annum (2011: 0.01% per annum). Cash at bank earns interest at floating rates based on daily bank deposit rates.

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

(iii) As at 31 December 2012, the pledged deposits of the Group with carrying amounts of approximately RMB14,535,000 (2011: RMB54,887,000) were pledged as security for certain notes payable facilities granted by a bank to the Group.

29 SHARE CAPITAL AND SHARE PREMIUM

(a) Authorised and issued capital

	Company	
	Number of shares (of HK$0.10 each)	Nominal amount
		RMB'000
Authorised:		
At 1 January 2011	10,000,000,000	879,577
Increase in authorised capital	10,000,000,000	879,577
At 31 December 2011 and 31 December 2012	20,000,000,000	1,759,154
Issued and fully paid:		
At 1 January 2011 and 31 December 2011	7,889,039,108	754,065
Issue of ordinary shares *(note (i))*	3,230,769,231	263,371
Issue of ordinary shares upon conversion of convertible bonds *(note (ii))*	363,125,723	29,530
At 31 December 2012	11,482,934,062	1,046,966

Notes:

(i) On 30 May 2012, the Company issued 3,230,769,231 new shares of HK$0.10 each (the "New Shares") to China Three Gorges Corporation. These New Shares rank pari passu in all respects with the existing shares. The proceeds from the issuance of the New Shares amounted to HK$2,100,000,000 resulting in a share premium of approximately RMB1,448,540,000 *(Note 29(b))*.

(ii) On 22 October 2012, the Company issued approximately HK$236,032,000 zero coupon bonds at par to China Power New Energy Limited, the immediate holding company ("CPNEL"). The bonds mature five years from the issue date and can be converted into the ordinary shares of the Company at HK$0.65 per ordinary share. On 25 October 2012, the Company received a conversion notice from CPNEL in respect of the exercise in full of the conversion right attached to the bonds. Accordingly, 363,125,723 ordinary shares of HK$0.10 each were allotted and issued to CPNEL on 30 October 2012, resulting in a share premium of approximately RMB162,417,000 (Note 29(b)). These shares rank pari passu in all respects with the existing shares.

29 SHARE CAPITAL AND SHARE PREMIUM (Continued)

(b) Share premium

	Company	
	2012	2011
	RMB'000	*RMB'000*
At 1 January	**3,944,546**	3,944,546
Issue of ordinary shares *(Note 29(a)(i))*	**1,448,540**	–
Issue of ordinary shares upon conversion of convertible bonds *(Note 29(a)(ii))*	**162,417**	–
At 31 December	**5,555,503**	3,944,546

(c) Share option scheme

The Company operates a share option scheme (the "Scheme"). The purpose of the Scheme is to enable the Company to grant options to eligible participants, thereby as an incentive or rewards for their contribution to the Group. Eligible participants of the Scheme include the directors, employees, suppliers, customers and shareholders of the Group. In accordance with the resolution passed in the annual general meeting held on 21 May 2012, the share option scheme adopted on 31 October 2002 was terminated while a new share option scheme was adopted. Unless otherwise terminated or amended, the Scheme will remain in force for ten years from date of adoption to 21 May 2022.

Pursuant to the Scheme, the total number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme shall not exceed 30% of the issued share capital of the Company from time to time. The maximum number of shares issued and to be issued upon exercise of the options granted to each participant in any 12-month period must not exceed 1% of the issued share capital of the Company at any time. Any grant or further grant of share options in excess of this limit is subject to shareholders' approval in advance in a general meeting of the Company. In addition, any grant of share options to a substantial shareholder or an independent non-executive directors of the Company, or to any of their associates, resulting in the shares issued and to be issued upon exercise of all options already granted and to be granted including options exercised, cancelled and outstanding, to such person, in a 12-month period up to and including the date of such grant in excess of 0.1% of the shares of the Company in issue and with an aggregate value (based on the closing price of the Company's shares at the date of grant) in excess of HK$5 million, is subjected to shareholders' approval in advance in a general meeting. The offer of a grant of options may be accepted within 21 days from the date of the offer with signed acceptance letter comprising consideration of HK$1.00 received by the Company. The exercise period of the share options granted is determinable by the directors, but no later than 10 years from the date of the offer. The subscription price for the shares in respect of which options are granted is determinable by the directors, but in any case must be not lower than the highest of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the date of the grant; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's shares.

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

29 SHARE CAPITAL AND SHARE PREMIUM (Continued)

(c) Share option scheme (Continued)

Details of the options granted under the Scheme outstanding as at 31 December 2012 and 2011 are as follows:

Date of grant	Expiry date	Exercise price	Number of shares subject to the options at 31 December 2012	Number of shares subject to the options at 31 December 2011
Directors				
9 March 2007	8 March 2017	0.630	30,000,000	30,000,000
8 June 2007	7 June 2017	0.836	59,000,000	59,000,000
1 November 2010	31 October 2020	0.780	51,000,000	51,000,000
			140,000,000	140,000,000
Senior management and other employees				
9 March 2007	8 March 2017	0.630	20,000,000	20,000,000
8 June 2007	7 June 2017	0.836	5,000,000	5,000,000
1 November 2010	31 October 2020	0.780	33,500,000	36,000,000
			58,500,000	61,000,000
			198,500,000	201,000,000

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

	For the year ended 31 December 2012		For the year ended 31 December 2011	
	Average exercise price in HK$ per share	Number of options	Average exercise price in HK$ per share	Number of options
Granted at 1 January	0.760	201,000,000	0.760	201,000,000
Lapsed	–	(2,500,000)	–	–
At 31 December	0.760	198,500,000	0.760	201,000,000

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

30 RESERVES

Group

	Capital redemption reserve RMB'000	Statutory reserves *(note (i))* RMB'000	Contributed surplus RMB'000	Other reserve *(note (ii))* RMB'000	Share-based compensation reserve RMB'000	Exchange reserve RMB'000	Retained earnings RMB'000	Total RMB'000
At 1 January 2012	**3,121**	**446**	**7,155**	**(181,202)**	**30,616**	**(120,920)**	**517,073**	**256,289**
Currency translation differences	**–**	**–**	**–**	**–**	**–**	**(2,738)**	**–**	**(2,738)**
Disposal of a subsidiary *(Note 36(b))*	**–**	**–**	**–**	**–**	**–**	**(4,996)**	**–**	**(4,996)**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**192,721**	**192,721**
At 31 December 2012	**3,121**	**446**	**7,155**	**(181,202)**	**30,616**	**(128,654)**	**709,794**	**441,276**
At 1 January 2011	3,121	3,949	7,155	(7,814)	30,616	(99,895)	336,547	273,679
Currency translation differences	–	–	–	–	–	(1,845)	–	(1,845)
Acquisition of non-controlling interests *(Note 38(c))*	–	–	–	(173,388)	–	(2,199)	–	(175,587)
Disposals of subsidiaries *(Note (36(b))*	–	(3,503)	–	–	–	(16,981)	–	(20,484)
Profit for the year	–	–	–	–	–	–	180,526	180,526
At 31 December 2011	3,121	446	7,155	(181,202)	30,616	(120,920)	517,073	256,289

Company

	Capital redemption reserve RMB'000	Share-based compensation reserve RMB'000	Exchange reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2012	**3,121**	**30,616**	**(286,051)**	**(351,042)**	**(603,356)**
Loss for the year	**–**	**–**	**–**	**(56,337)**	**(56,337)**
At 31 December 2012	**3,121**	**30,616**	**(286,051)**	**(407,379)**	**(659,693)**
At 1 January 2011	3,121	30,616	(286,051)	(300,876)	(553,190)
Loss for the year	–	–	–	(50,166)	(50,166)
At 31 December 2011	3,121	30,616	(286,051)	(351,042)	(603,356)

Notes:

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

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

31 BANK AND OTHER BORROWINGS

Bank and other borrowings are analysed as follows:

	Group	
	2012	2011
	RMB'000	*RMB'000*
Non-current borrowings		
Long-term bank borrowings, secured *(note (a))*	**2,551,573**	1,771,299
Long-term bank borrowings, unsecured *(note (b))*	**2,903,129**	2,691,521
Long-term other borrowing, unsecured *(note (c))*	**–**	165,610
Obligation under finance lease *(note (d))*	**165,185**	–
	5,619,887	4,628,430
Less: Current portion of long-term borrowings		
— secured bank borrowings	**(298,209)**	(175,835)
— unsecured bank borrowings	**(308,570)**	(163,960)
— obligation under finance lease	**(37,450)**	–
	(644,229)	(339,795)
Non-current portion	**4,975,658**	4,288,635
Current		
Short-term bank borrowings, unsecured	**310,000**	48,000
Short-term other borrowing, secured *(note (e))*	**15,000**	15,000
Short-term other borrowings, unsecured *(notes (c) and (f))*	**185,610**	–
	510,610	63,000
Current portion of long-term borrowings	**644,229**	339,795
Current portion	**1,154,839**	402,795
Total borrowings	**6,130,497**	4,691,430

31 BANK AND OTHER BORROWINGS (Continued)

Movements in bank and other borrowings are analysed as follows:

	Group	
	2012	2011
	RMB'000	*RMB'000*
At 1 January	**4,691,430**	4,927,173
Acquisition of a subsidiary *(Note 37)*	**581,600**	–
Disposal of a subsidiary *(Note 36(b))*	**(38,755)**	(71,500)
Additions	**1,842,795**	378,811
Repayments	**(946,573)**	(543,054)
At 31 December	**6,130,497**	4,691,430

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

	Group	
	2012	2011
	RMB'000	*RMB'000*
Wholly repayable within five years	**987,414**	808,811
Not wholly repayable within five years	**4,632,473**	3,819,619
	5,619,887	4,628,430

31 BANK AND OTHER BORROWINGS (Continued)

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

	Group	
	2012	2011
	RMB'000	*RMB'000*
Within one year	**644,229**	339,795
In the second year	**636,687**	591,406
In the third to fifth year	**1,977,032**	1,448,588
After the fifth year	**2,361,939**	2,248,641
	5,619,887	4,628,430

Except for the long-term bank borrowings of RMB7,302,000 (2011: RMB7,829,000) which are denominated in HK$, all borrowings are denominated in RMB.

All of the bank and other borrowings, other than the obligation under finance lease, are interest bearing at floating rates. The effective interest rate of the Group's HK$-denominated long-term bank borrowing is 0.78% per annum (2011: 0.73% per annum). The effective interest rates of the Group's RMB-denominated bank and other borrowings are as follows:

	2012	2011
Long-term bank borrowings	**6.37%**	6.14%
Long-term other borrowing	**–**	6.56%
Short-term bank borrowings	**5.93%**	6.76%
Short-term other borrowings	**6.18%**	7.43%
Obligation under finance lease	**6.40%**	–

Notes:

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

— all investment properties of the Group with carrying amounts of RMB303,326,000 (2011: RMB300,477,000);

— certain property, plant and equipment (2011: certain lease prepayments and property, plant and equipment) of the Group with carrying amounts of RMB3,115,603,000 (2011: RMB2,103,697,000);

— accounts receivable with carrying amounts of RMB191,386,000 (2011: RMB118,810,000);

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

— corporate guarantee given by a shareholder, CPIH.

31 BANK AND OTHER BORROWINGS (Continued)

Notes: (Continued)

(b) Unsecured long-term bank borrowings amounting to RMB1,317,465,000 (2011: RMB1,041,000,000) are guaranteed by CPIH.

(c) The balance includes an entrusted loan amounted to RMB165,610,000 borrowed from a subsidiary of CPI Group which was originally repayable within one year from 31 December 2011 in accordance with the terms of the loan agreement. The Group has obtained the unconditional right from the lender to defer the repayment of the loan for one year upon the original maturity date. Thus, the Group has classified such borrowing as non-current liability as at 31 December 2011. The loan has been renewed during the year and is payable within one year. The balance is unsecured and carries interest at 6.00% per annum (2011: 6.56% per annum).

(d) As at 31 December 2012, the cost and accumulated depreciation of property, plant and equipment held by the Group under finance lease amounted to RMB282,622,000 (2011: Nil) and RMB94,721,000 (2011: Nil) respectively (Note 16(iii)). The obligation under finance lease is secured by a long-term deposit with a carrying amount of RMB8,043,000 (2011: Nil) (Note 23).

The rights to the leased assets are reverted to the lessor in the event of default of the lease liabilities by the Group. At 31 December 2012, the Group's obligation under finance lease is repayable as follows:

	2012 RMB$'000	2011 RMB$'000
Gross finance lease liabilities — minimum lease payments		
Not later than one year	47,637	–
Later than one year and no later than five years	142,910	–
	190,547	–
Future finance charges on finance leases	(25,362)	–
Present value of finance lease liabilities	165,185	–
The present value of finance lease liabilities is as follows:		
Not later than one year	37,450	–
Later than one year and no later than five years	127,735	–
	165,185	–

(e) As at 31 December 2012, short-term other borrowings to the extent of RMB15,000,000 were secured by certain lease prepayments of the Group with a carrying amount of RMB2,326,000 (2011:RMB 2,617,000).

(f) Balance includes a loan borrowed from a jointly controlled entity amounted to RMB20,000,000 (2011: Nil). The balance is unsecured, carries interest at 5.60% per annum (2011: Nil) and is repayable within one year.

32 CORPORATE BONDS

	Group and Company	
	2012	2011
	RMB'000	*RMB'000*
RMB denominated corporate bonds — unsecured	**1,291,466**	496,935

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

On 9 January 2012, the Company issued RMB800,000,000 corporate bond, due in April 2017. The bond is unsecured and carries an effective interest rate of 6.78% per annum, with the interest being payable semi-annually.

As at 31 December 2012, the fair value of the corporate bonds amounted to approximately RMB1,321,520,000 (2011: RMB500,060,000).

33 DEFERRED INCOME TAX

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

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

	Group	
	2012	2011
	RMB'000	*RMB'000*
Deferred income tax assets	**27,794**	30,726
Deferred income tax liabilities	**(36,034)**	(26,950)
Net deferred income tax (liabilities)/assets	**(8,240)**	3,776

33 DEFERRED INCOME TAX (Continued)

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

	Group	
	2012	2011
	RMB'000	*RMB'000*
At 1 January	**3,776**	6,402
Disposals of subsidiaries *(Note 36(b))*	**–**	(6,722)
(Charged)/credit to the consolidated income statement *(Note 10)*	**(12,016)**	4,096
At 31 December	**(8,240)**	3,776

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

Deferred tax assets:

	Group			
	Depreciation allowances	**Tax losses**	**Others**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2012	**19,009**	**9,463**	**2,254**	**30,726**
Charged to the consolidated income statement	**(184)**	**(2,328)**	**(420)**	**(2,932)**
At 31 December 2012	**18,825**	**7,135**	**1,834**	**27,794**
At 1 January 2011	25,619	–	1,834	27,453
Disposals of subsidiaries *(Note 36(b))*	(6,722)	–	–	(6,722)
Credited to the consolidated income statement	112	9,463	420	9,995
At 31 December 2011	19,009	9,463	2,254	30,726

33 DEFERRED INCOME TAX (Continued)

Deferred tax liabilities:

	Group			
	Depreciation allowances	Fair value gains	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2012	**(14,647)**	**(11,703)**	**(600)**	**(26,950)**
Charged to the consolidated income statement	**–**	**(500)**	**(8,584)**	**(9,084)**
At 31 December 2012	**(14,647)**	**(12,203)**	**(9,184)**	**(36,034)**
At 1 January 2011	(13,911)	(7,140)	–	(21,051)
Charged to the consolidated income statement	(736)	(4,563)	(600)	(5,899)
At 31 December 2011	(14,647)	(11,703)	(600)	(26,950)

Deferred income tax assets are recognised for tax losses carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. As at 31 December 2012, the Group had unrecognised tax losses of RMB110,667,000 (2011: RMB107,206,000) for Hong Kong profits tax purposes with no expiry date and unrecognised tax losses of RMB154,971,000 (2011: RMB122,038,000) for the PRC corporate income tax that will expire within five years.

Deferred income tax liabilities to the extent of RMB95,277,000 (2011: RMB85,080,000) have not been recognised for the withholding tax and other taxes that would be payable on the unremitted earnings of certain subsidiaries because the directors consider that the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Unremitted earnings totalled RMB1,045,523,000 (2011: RMB756,335,000) as at 31 December 2012.

34 ACCOUNTS PAYABLE

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

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

	Group	
	2012	2011
	RMB'000	*RMB'000*
Current to 3 months	**12,106**	2,929
4 to 6 months	**4,147**	207
7 to 12 months	**–**	8,229
Over 1 year	**–**	1,637
	16,253	13,002

35 CONSTRUCTION COSTS PAYABLE, OTHER PAYABLES AND ACCRUED CHARGES

	Group		Company	
	2012	2011	2012	2011
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Construction costs payable	**1,186,195**	1,139,369	**–**	–
Salaries and staff welfare payable	**8,988**	5,200	**–**	–
Value added tax payable	**406**	448	**–**	–
Repairs and maintenance expenses payable	**17,265**	45,759	**–**	–
Considerations payable for acquisitions of subsidiaries	**57,721**	17,027	**–**	–
Other payables and accrued operating expenses	**25,157**	21,800	**12,135**	8,594
Interest payable	**40,225**	14,188	**30,056**	–
Amounts due to a shareholder and its subsidiaries *(note (i))*	**13,451**	13,629	**–**	3,125
Amounts due to subsidiaries *(note (i))*	**–**	–	**10,925**	11,188
Amounts due to non-controlling interests *(note (i))*	**543**	543	**–**	–
	1,349,951	1,257,963	**53,116**	22,907
Less: non-current portions *(note (ii))*	**(237,965)**	(159,402)	**–**	–
Current portions	**1,111,986**	1,098,561	**53,116**	22,907
Denominated in:				
RMB	**1,307,760**	1,243,284	**–**	–
HK$	**42,191**	14,679	**53,116**	22,907
	1,349,951	1,257,963	**53,116**	22,907

Notes:

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

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

36 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

	2012 RMB'000	2011 RMB'000
Profit before tax	275,356	227,003
Adjustments for:		
Finance costs, net	328,414	215,060
Depreciation and amortisation	402,415	342,599
Fair value gains on investment properties	(3,460)	(21,487)
Losses/(gains) on disposals of subsidiaries	5,096	(26,131)
Impairment losses	17,312	18,522
Share of profit of an associated company	(9,441)	(8,924)
Share of profits of jointly controlled entities	(19,101)	(833)
Fair value (gain)/loss on financial assets at fair value through profit or loss	(5,872)	6,974
Operating profit before working capital changes	990,719	752,783
(Increase)/decrease in inventories	(7,639)	50,368
Increase in accounts receivable	(293,588)	(51,311)
Decrease/(increase) in prepayments, deposits and other receivables	204,939	(53,992)
Increase/(decrease) in accounts payable	8,050	(28,321)
(Decrease)/increase in other payables and accrued charges	(164,580)	101,977
Cash generated from operations	737,901	771,504

(b) Disposals of subsidiaries

On 23 April 2012, the Group entered into a sale and purchase agreement with a third party to dispose of its entire 100% equity interests in a subsidiary engaging in the waste-to-energy power generation business in the PRC for a cash consideration of RMB37,000,000, resulting in a loss on disposal of RMB5,096,000 recognised in the profit or loss during the year ended 31 December 2012.

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

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

36 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

(b) Disposals of subsidiaries (Continued)

	2012 *RMB'000*	2011 *RMB'000*
Net assets disposed of:		
Property, plant and equipment *(Note 16)*	**89,119**	142,315
Lease prepayments *(Note 17)*	**7,662**	44,054
Intangible assets *(Note 19)*	**–**	124,680
Deferred income tax assets *(Note 33)*	**–**	6,722
Inventories	**5,515**	13,756
Accounts receivable	**2,912**	62,518
Prepayments, deposits and other receivables	**–**	57,033
Pledged deposits	**–**	804
Cash and cash equivalents	**497**	26,868
Long-term bank and other borrowings *(Note 31)*	**(38,755)**	(71,500)
Accounts payable	**(4,799)**	(20,248)
Other payables and accrued charges	**(16,984)**	(80,666)
Income tax recoverable/(payable)	**1,925**	(6,383)
Exchange reserve *(Note 30)*	**(4,996)**	(16,981)
Non-controlling interests	**–**	(107,694)
	42,096	175,278
Consideration	**37,000**	201,409
(Losses)/gains on disposals of subsidiaries *(Note 7)*	**(5,096)**	26,131
Satisfied by:		
Cash	**37,000**	7,210
Equity interest in another subsidiary *(Note 38(b))*	**–**	194,199
	37,000	201,409
Cash consideration	**37,000**	7,210
Less: cash and cash equivalents disposed of	**(497)**	(26,868)
Cash inflow/(outflow) on disposals of subsidiaries	**36,503**	(19,658)

36 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

(c) Significant non-cash transaction

In 2011, the Group disposed of its entire equity interest in Worldtron for RMB192,000,000 and acquired the entire equity interest in of Fortune Jade Limited ("Fortune Jade") for RMB192,000,000. Both transactions were with the same non-controlling interest and were settled on a net basis (Note 38(a)).

37 ACQUISITION OF A SUBSIDIARY

Effective from 31 March 2012, the Group acquired 100% equity interest in Meixi Hydropower for a consideration of RMB348,000,000. Management regards such transaction as acquisition of asset instead of business combination, resulting in no goodwill or discount on acquisition being recognised during the year.

The following table summarises the assets acquired and liabilities assumed at the acquisition date.

	RMB'000
Cash consideration	348,000
Recognised amount of identifiable assets acquired and liabilities assumed	
Property, plant and equipment *(Note 16)*	1,046,107
Prepayments, deposits and other receivables	103,494
Cash and cash equivalents	31,986
Other payables and accrued charges	(67,805)
Long-term bank borrowings *(Note 31)*	(581,600)
Other long-term payables	(184,182)
Total identifiable net assets	348,000
Cash consideration	348,000
Less: Prepayment for acquisition in prior year	(130,000)
Balance payment included in consideration payable for acquisitions of subsidiaries	(48,000)
Cash and cash equivalents acquired	(31,986)
Net cash outflow on acquisition of Meixi Hydropower	138,014
Settlement of consideration relating to acquisitions in prior year	7,306
Cash outflow on acquisitions	145,320

38 TRANSACTIONS WITH A NON-CONTROLLING INTERESTS

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

Worldtron held 40% equity interests in 東莞市科偉環保電力有限公司 ("科偉") and Fortune Jade held 10.1% equity interests in 東莞中電新能源熱電有限公司 ("東莞熱電"), a subsidiary of the Group. Upon completion of the transaction, the Group effectively disposed of its 40% equity interests in 科偉 and increased its equity interests in 東莞熱電 from 80% to 90.1%.

(b) Disposal of Worldtron

The effect of disposal of Worldtron is summarised as below:

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

(c) Acquisition of Fortune Jade

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

38 TRANSACTIONS WITH A NON-CONTROLLING INTEREST (Continued)

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

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

39 COMMITMENTS

(a) Capital commitments

	Group		Company	
	2012	2011	**2012**	2011
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Contracted but not provided for in respect of				
— property, plant and equipment	**565,631**	1,948,608	**–**	–
— investment in a subsidiary *(Note 23(ii))*	**–**	218,000	**–**	–
— investment in an associated company *(Note 23(i))*	**200,000**	–	**–**	–
	765,631	2,166,608	**–**	–

39 COMMITMENTS (Continued)

(b) Commitments under operating leases

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

	Group		Company	
	2012	2011	**2012**	2011
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Land and buildings				
Not later than one year	**9,882**	5,847	**–**	–
Later than one year and not later than five years	**10,754**	5,229	**–**	–
	20,636	11,076	**–**	–

The Group's operating leases are for terms of 1 to 6 years (2011: 1 to 7 years).

(c) Future operating lease agreements

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

	Group		Company	
	2012	2011	**2012**	2011
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Land and buildings				
Not later than one year	**9,555**	7,806	**–**	–
Later than one year and not later than five years	**19,040**	22,421	**–**	–
Later than five years	**233**	3,624	**–**	–
	28,828	33,851	**–**	–

The Group's operating leases are for terms of 1 to 9 years (2011: 1 to 10 years).

40 RELATED PARTY TRANSACTIONS

As at 31 December 2012, CPI Group and China Three Gorges Corporation held a 29.01% (2011: 35.14%) and 28.14% (2011: Nil) equity interests in the Company respectively. The remaining shares are widely held. Majority of the directors of the Company were appointed by CPI Group. Accordingly, the directors are of the opinion that CPI Group is able to exercise control over the Company.

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

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

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

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

(i) Transactions with related parties

(a) Income

	Note	**2012** ***RMB'000***	2011 *RMB'000*
Interest income from a jointly controlled entity	(I)	**–**	1,388
Service income from a jointly controlled entity	(II)	**3,827**	3,873

Notes:

(I) Interest income from a jointly controlled entity was charged on terms mutually agreed between the parties.

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

40 RELATED PARTY TRANSACTIONS (Continued)

(i) Transactions with related parties (Continued)

(b) Expenses

	Note	2012 RMB'000	2011 RMB'000
Repair and maintenance expenses to a subsidiary of a shareholder	(I)	**24,380**	26,560
Interest expenses to a subsidiary of a shareholder	(II)	**10,899**	1,358

Notes:

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

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

(ii) Period-end balances with related parties

	Note	2012 RMB'000	2011 RMB'000
Included in:			
Other receivables			
Amount due from a shareholder	(I)	**7,349**	7,381
Amount due from a non-controlling interest	(I)	**20,000**	–
Dividend receivable from a jointly controlled entity	(I)	**–**	3,087
Amount due from CPIF	(I)	**50**	133
Other payables			
Amounts due to a shareholder and certain of its subsidiaries	(II)	**13,451**	13,961
Amounts due to non-controlling interests	(II)	**543**	543
Bank and other borrowings			
Loan to from a jointly controlled entity	(III)	**20,000**	–
Loan from a subsidiary of a shareholder	(III)	**165,610**	165,610

40 RELATED PARTY TRANSACTIONS (Continued)

(ii) Period-end balances with related parties (Continued)

Notes:

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

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

(III) Details of terms of the balances are set out in Notes 31(c) and (f).

Transactions with government-related enterprises

For the years ended 31 December 2012 and 2011, the Company and its domestic subsidiaries sold substantially all their products to local government-related power grid companies. Please refer to Note 5 for details of sales information to major power grid companies. The Company and its domestic subsidiaries maintained most of its bank deposits in government-related financial institutions while lenders of most of the Company and its subsidiaries' loans are also government-related financial institutions, associated with the respective interest income or interest expense incurred.

For the years ended 31 December 2012 and 2011, other collectively-significant transactions with government-related enterprises also included a large portion of fuel purchases, property, plant and equipment construction and related labour employed.

(iii) Key management compensation

	2012 *RMB'000*	2011 *RMB'000*
Basic salary, housing allowance, other allowances and benefits in kind	**4,481**	2,731
Employer's contributions to pension scheme	**35**	30
	4,516	2,761

41 SUBSEQUENT EVENTS

On 16 January 2013, the Company granted 136,500,000 share options to certain directors and employees of the Company to subscribe for up to a total of 136,500,000 ordinary shares of HK$0.10 each of the Company under the share option scheme adopted on 21 May 2012. The exercise price of the share options granted is HK$0.514 per ordinary share and the exercise period is from 16 January 2013 to 15 January 2023.

42 APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Board of Directors on 22 March 2013.

Financial Summary

RESULTS

	Year ended 2012 RMB'000	Year ended 2011 RMB'000	Year ended 2010 RMB'000	Year ended 2009 RMB'000	Eight months period ended 31 December 2008 RMB'000
Revenue and tariff adjustment	**1,818,900**	1,861,272	1,591,426	1,389,669	1,118,287
Operating profit	**575,228**	432,306	380,917	290,100	115,790
Profit before tax	**275,356**	227,003	345,747	211,022	49,514
Income tax expense	**(63,579)**	(30,454)	(64,752)	(20,229)	(11,755)
Profit for the year/period	**211,777**	196,549	280,995	190,793	37,759
Attributable to:					
Equity holders of the company	**192,721**	180,526	234,224	134,297	9,727
Non-controlling interests	**19,056**	16,023	46,771	56,496	28,032
Earnings per share for profit attributable to equity holders of the company (RMB)	**0.019**	0.023	0.032	0.019	0.001

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December 2012 RMB'000	As at 31 December 2011 RMB'000	As at 31 December 2010 RMB'000	As at 31 December 2009 RMB'000	As at 31 December 2008 RMB'000
Non-current assets	**12,195,318**	9,939,957	9,623,285	5,794,778	4,990,181
Current assets	**3,887,044**	1,684,790	1,486,785	1,194,706	1,153,563
Total assets	**16,082,362**	11,624,747	11,110,070	6,989,484	6,143,744
Current liabilities	**(2,321,337)**	(1,540,824)	(1,399,551)	(1,021,909)	(1,098,823)
Non-current liabilities	**(6,541,123)**	(4,971,922)	(4,470,845)	(1,517,165)	(835,439)
Net assets	**7,219,902**	5,112,001	5,239,674	4,450,410	4,209,482
Non-controlling interests	**176,157**	157,101	267,384	301,982	195,413