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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **Silver Grant International Industries Limited**, you should at once hand this circular to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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SILVER GRANT INTERNATIONAL INDUSTRIES LIMITED
銀建國際實業有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 171)

VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION AND NOTICE OF EXTRAORDINARY GENERAL MEETING

Independent Financial Adviser to the Independent Board Committee and Independent Shareholders

Quam CAPITAL 華富嘉洛企業融資

A letter from the Board is set out on pages 9 to 30 of this circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 31 to 32 of this circular.

A letter from Quam Capital Limited, the independent financial adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 33 to 63 of this circular.

A notice convening an extraordinary general meeting of Silver Grant International Industries Limited (the "Company") to be held at Salon IV, Mezzanine Floor, Grand Hyatt Hong Kong, 1 Harbour Road, Wanchai, Hong Kong on Wednesday, 20 July 2011 at 10:00 a.m. or any adjournment thereof is set out on pages 64 to 67 of this circular. A proxy form for use in the extraordinary general meeting is enclosed. Whether or not you propose to attend the extraordinary general meeting, you are requested to complete the enclosed proxy form in accordance with the instructions printed thereon and return the same to the registered office of the Company at Suite 4901, 49th Floor, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding of the extraordinary general meeting or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the extraordinary general meeting or any adjournment thereof should you so wish.

30 June 2011

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In this circular, the following expressions have the following meanings unless the context requires otherwise:

"associates"	has the meaning ascribed to it under the Listing Rules
"attributable designed capacity"	designed power generation capacity of a power station (including power station under construction and power station after the design stage but yet to commence construction) proportional to the interest of Meiya Power in the power station
"attributable installed capacity"	power generation capacity of an operating power station proportional to the interest of Meiya Power in such power station
"Bank"	中國進出口銀行 (The Export-Import Bank of China)
"Bank Guarantee"	the guarantee given, in consideration of the Bank Loan advanced to CGNPC Huamei, by CGNPC in favour of the Bank upon the terms of the Bank Guarantee Agreement to secure the performance by CGNPC Huamei of its obligations under the terms and conditions of the Bank Loan Agreement
"Bank Guarantee Agreement"	《保證合同》(Guarantee Agreement) entered into between the Bank and CGNPC dated 29 October 2010, pursuant to which CGNPC has, in consideration of the Bank Loan advanced to CGNPC Huamei, provided the Bank Guarantee in favour of the Bank upon the terms thereof
"Bank Loan"	the loan in RMB equivalent to the amount of US$759,500,000.00 advanced by the Bank to CGNPC Huamei for the purpose of the MP Acquisition in accordance with the terms of the Bank Loan Agreement

"Bank Loan Agreement"	《境外投資借款合同》(Foreign Investment Loan Agreement) entered into between the Bank and CGNPC Huamei dated 29 October 2010, pursuant to which the Bank has agreed to advance the Bank Loan to CGNPC Huamei upon the terms thereof
"Board"	board of Directors
"Business Day"	a day (other than a Saturday or days on which a typhoon signal No. 8 or black rainstorm signal is hoisted in Hong Kong on or after 10:00 a.m.) on which banks are generally open for business in Hong Kong
"Capitalisation"	capitalisation of the Shareholder Loan in the principal amount of US$240,019,113.00 (equivalent to HK$1,863,566,000.00 based on the exchange rate of US$1.00=HK$7.76424) by CGNPC Huamei's allotment and issue of the Capitalisation Shares at the issue price of HK$1.00 per Capitalisation Share to CGNPC International
"Capitalisation Shares"	1,863,566,000 Target Shares to be allotted and issued by CGNPC Huamei under the Capitalisation
"CGNPC"	中國廣東核電集團有限公司 (China Guangdong Nuclear Power Holding Corporation, Ltd), a company established in the PRC and being the holding company of CGNPC International
"CGNPC International"	CGNPC International Limited, a company incorporated in Hong Kong with limited liability, being the existing shareholder of CGNPC Huamei as at the Latest Practicable Date
"CGNPC Huamei"	CGNPC Huamei Investment Limited, a company incorporated in Hong Kong with limited liability
"CGNPG"	CGNPC and its subsidiaries, known as China Guangdong Nuclear Power Group

"Company"	Silver Grant International Industries Limited, a company incorporated in Hong Kong with limited liability, the issued Shares of which are listed on the Stock Exchange
"Completion"	completion of the Subscription, the Capitalisation and the Repayment under the Subscription Agreement
"Completion Date"	a date falling on or before the fifth Business Day after fulfillment (or waiver) of Conditions Precedent or such other date as may be agreed between CGNPC Huamei and the Subscriber in writing
"Conditions Precedent"	the conditions precedent set out under the paragraph "Conditions of the Subscription"
"connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"Consideration"	the consideration payable by the Subscriber to CGNPC Huamei for the Subscription Shares on Completion in the total sum of HK$776,424,000.00, representing HK$1.00 per Subscription Share
"Daesan Power Project"	a 507.0 MW oil-fired project in Korea, carried out by the project company named MPC Daesan Power Co., Ltd.
"Director(s)"	director(s) of the Company
"EGM"	extraordinary general meeting of the Company to be held by the Company to consider and approve, among other things, the Subscription Agreement and the transactions contemplated thereunder
"Enlarged Group"	the Group immediately after Completion
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC

"Independent Board Committee"	an independent board committee of the Company, comprising all the independent non-executive Directors, for the purpose of advising the Independent Shareholders as to the fairness and reasonableness of the Subscription Agreement and the transactions contemplated thereunder
"Independent Shareholders"	Shareholders who have no material interest in the Subscription Agreement and the transactions contemplated thereunder
"IPO"	an initial public offering of shares of the direct or indirect holding company of any member of the Target Group or the MP Group, or any member of the Target Group or the MP Group (as the case may be) for subscription and/or purchase, and a listing thereof on a recognised stock exchange (including the Stock Exchange) provided that the aforesaid holding company shall only be limited to the holding company of those companies comprising principally the existing members of the Target Group or the MP Group and/or any companies as may be acquired by them hereafter and shall not include any holding company that holds other assets of CGNPC (other than the Target Group or the MP Group)
"KRW"	the lawful currency of the Republic of Korea
"Latest Practicable Date"	27 June 2011, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Long Stop Date"	30 September 2011

"Material Adverse Change"	any individual event, circumstance, effect or occurrence or any aggregation of events, circumstances, effects or occurrences (or any combination thereof) which is or would be materially adverse to the business, assets, liabilities including contingent liabilities, financial condition, results or prospects of operations of CGNPC Huamei and the Target Companies taken as a whole; for the purposes of this definition, among other things, (a) subject to subparagraph (b) below, "**Material Adverse Change**" shall be deemed to have been caused if such individual event, circumstance, effect or occurrence causes or would cause damages to be actually suffered or incurred which results in a decrease in the net asset value of the Target Group by more than US$65,000,000.00; or (b) a series of events, circumstances, effects and/or occurrences (which may arise from different subject matters) that has caused or would cause damages to be actually suffered or incurred which results in a decrease in the net asset value of the Target Group in the aggregate by more than US$90,000,000.00 (provided that each such individual event, circumstance, effect and/or occurrence has caused or would cause damages to be actually suffered or incurred which results or would result in a decrease in the net asset value of the Target Group by more than US$500,000.00).
"Meiya Power"	Meiya Power Company Limited, an exempted company incorporated in Bermuda
"MP Acquisition"	acquisition by CGNPC Huamei of, inter alia, the entire issued share capital of Meiya Power from MPC Cayman upon the terms of the Share Purchase Agreement
"MPC Cayman"	MPC Hold Co Cayman, the seller of the entire issued share capital of Meiya Power under the MP Acquisition

"MP Group"	Meiya Power and its subsidiaries
"MW"	Megawatt(s)
"PRC"	the People's Republic of China (excluding Hong Kong)
"Quam Capital"	Quam Capital Limited, a licensed corporation to carry out type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Subscription Agreement and the transactions contemplated thereunder
"Repayment"	repayment of the remainder of the Shareholder Loan (together with the interest to be accrued thereon as determined in accordance with the Shareholder Loan Agreement) in favour of CGNPC International, immediately after the Capitalisation, by utilising part of the Consideration received from the Subscription
"RMB"	Renminbi, the lawful currency of the PRC
"SASAC"	中國國務院國有資產監督管理委員會 (The State-owned Assets Supervision and Administration Commission of the State Council of the PRC)
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share Charge"	the share charge to be entered into by, inter alia, the Subscriber as chargor in favour of CGNPC as chargee upon the Completion
"Share(s)"	share(s) of HK$0.20 each in the share capital of the Company
"Share Purchase Agreement"	the share purchase agreement dated 28 April 2010 between CGNPC Huamei and MPC Cayman as amended by "Amendment No. 1 to Share Purchase Agreement" dated 26 October 2010 (as amended and supplemented from time to time)
"Shareholder(s)"	the holder(s) of the Shares

"Shareholder Loan"	the loan in the maximum principal amount of US$350,000,000.00 advanced by CGNPC International in favour of CGNPC Huamei for financing the MP Acquisition in accordance with the terms of the Shareholder Loan Agreement, pursuant to which CGNPC Huamei has drawn down part of the Shareholder Loan in the principal amount of US$325,500,000.00 and HK$35,000,000.00 as at the date of the Subscription Agreement
"Shareholder Loan Agreement"	《借款合同》(Loan Agreement) entered into between CGNPC International and CGNPC Huamei dated 2 November 2010, pursuant to which CGNPC International has agreed to advance the Shareholder Loan in favour of CGNPC Huamei upon the terms thereof
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscriber"	Gold Sky Capital Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company
"Subscription"	the subscription for the Subscription Shares by the Subscriber pursuant to the terms and conditions of the Subscription Agreement
"Subscription Agreement"	the conditional subscription agreement entered into among CGNPC Huamei, CGNPC International, the Subscriber and the Company dated 27 April 2011 in relation to the Subscription
"Subscription Shares"	776,424,000 new Target Shares to be allotted and issued under the Subscription
"Target Companies"	those companies which may be from time to time incorporated or acquired by CGNPC Huamei or any of the Target Companies on or prior to the Completion Date
"Target Group"	CGNPC Huamei and its subsidiaries

"Target Shares"	ordinary shares of HK$1.00 each in the issued share capital of CGNPC Huamei
"Yulchon Power Project"	a 577.4 MW gas-fired project in Korea with a 4.8 MW fuel cell, carried out by the project company named MPC Yulchon Generation Co., Ltd.
"Wuling Hydro Project"	a 4,685.5 MW hydro project in multiple locations in Hunan and Guizhou provinces that includes a 600.0 MW thermal plant
"US$" or "USD"	the United States dollar, the lawful currency of the United States
"%"	per cent

SILVER GRANT INTERNATIONAL INDUSTRIES LIMITED
銀建國際實業有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 171)

Executive Directors:
Gao Jian Min *(Managing Director)*
Liu Tianni *(Deputy Managing Director)*
Gu Jianguo
Tang Baoqi
Chow Kwok Wai
Li Xianli

Non-executive Directors:
Chen Xiaozhou *(Chairman)*
Hui Xiao Bing *(Vice Chairman)*
Yang Zhao *(Vice Chairman)*

Independent non-executive Directors:
Kang Dian
Zhang Lu
Hung Muk Ming

Registered Office:
Suite 4901
49th Floor
Office Tower
Convention Plaza
1 Harbour Road
Wanchai
Hong Kong

30 June 2011

To the Shareholders

Dear Sir and Madam,

VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION AND NOTICE OF EXTRAORDINARY GENERAL MEETING

INTRODUCTION

On 12 May 2011, the Board announced that (i) CGNPC Huamei, (ii) CGNPC International (as guarantor of CGNPC Huamei), (iii) the Subscriber, and (iv) the Company (as guarantor of the Subscriber) had entered into the Subscription Agreement, pursuant to which, inter

alia, CGNPC Huamei conditionally agrees to issue and the Subscriber conditionally agrees to subscribe for 776,424,000 Subscription Shares for the Consideration of HK$776,424,000.00 at the subscription price of HK$1.00 per Subscription Share.

The purpose of this circular is to provide you with, among other things, (i) further information relating to the Subscription Agreement and the transactions contemplated thereunder; (ii) a letter of advice from the Independent Board Committee to the Independent Shareholders; (iii) a letter of advice from Quam Capital to the Independent Board Committee and the Independent Shareholders; (iv) the financial and other information of the Group; (v) the financial information of the Target Group; (vi) the pro forma financial information on the Enlarged Group; (vii) the property valuation of the Enlarged Group; and (viii) a notice convening the EGM.

SUBSCRIPTION AGREEMENT

The principal terms of the Subscription Agreement are set out below:

Date

27 April 2011

Parties

(1) CGNPC Huamei;

(2) CGNPC International, as guarantor of CGNPC Huamei;

(3) the Subscriber; and

(4) the Company, as guarantor of the Subscriber

Subscription

Pursuant to the Subscription Agreement, subject to the fulfillment of the Conditions Precedent (or waiver thereof) as mentioned herein, the Subscriber shall subscribe for and CGNPC Huamei shall allot and issue 776,424,000 Subscription Shares for the Consideration at the subscription price of HK$1.00 per Subscription Share.

As at the Latest Practicable Date, the authorised share capital of CGNPC Huamei is HK$10,000.00 divided into 10,000 Target Shares, all of which have been issued and are fully paid or credited as fully paid, and CGNPC International is the beneficial owner of the entire issued share capital of CGNPC Huamei. To anticipate for the Subscription and the Capitalisation (as mentioned below), the authorised share capital of CGNPC Huamei will be increased from HK$10,000.00 divided into 10,000 Target Shares to HK$3,500,000,000.00 divided into 3,500,000,000 Target Shares upon Completion. At Completion, both the Subscription Shares and the Capitalisation Shares will be allotted and issued. The Subscription Shares will represent approximately 29.41% of the enlarged issued share capital of CGNPC Huamei immediately after Completion.

Consideration

The Consideration payable by the Subscriber to CGNPC Huamei for the Subscription Shares on Completion is HK$776,424,000.00, representing HK$1.00 per Subscription Share, which was arrived at after arm's length negotiations between the parties to the Subscription Agreement after taking into account, among other things, the business prospects of the Target Group as well as the original purchase price of the entire issued share capital of Meiya Power from MPC Cayman. The Subscription is to be funded by the Group's internal resources.

The Consideration shall be partially utilised for the Repayment of the remainder of the Shareholder Loan in the manner as described under the paragraph headed "Repayment" below, with the remainder thereof to be applied as general working capital of CGNPC Huamei.

Conditions of the Subscription

Pursuant to the Subscription Agreement, the Completion is conditional upon the satisfaction in full or (at the sole and absolute discretion of the Subscriber) the waiver of the following Conditions Precedent (other than (b) below which cannot be waived):

(a) the Subscriber not notifying CGNPC Huamei in writing that any Material Adverse Change has occurred prior to the Completion Date or are likely to occur whether before or after the Completion Date, and/or that there has not been, any breach of the warranties by CGNPC Huamei at any time before the Completion Date; and

(b) the passing of the Shareholders (other than those who are abstained from voting under the Listing Rules, where applicable) of the relevant resolutions at a general meeting of the Company approving the Subscription Agreement, the Share Charge, the Repayment and the transactions contemplated thereunder.

In the event that any of the Conditions Precedent is deemed not to have been fulfilled or waived (as the case may be) or are not fulfilled or waived (as the case may be), in each case, at or before 5:00 p.m. on the Long Stop Date or such later date as the parties to the Subscription Agreement may from time to time agree in writing, the Subscription Agreement and everything contained in it shall terminate and be null and void and of no further effect; and thereafter no party to the Subscription Agreement shall have any liability to any other party, save in respect of any prior breaches of the terms of the Subscription Agreement.

Capitalisation

Subject to the terms and conditions of the Subscription Agreement, CGNPC Huamei shall on Completion capitalise the Shareholder Loan in the principal amount of US$240,019,113.00 (equivalent to HK$1,863,566,000.00 based on the exchange rate of US$1.00=HK$7.76424) by allotment and issue of the Capitalisation Shares at the issue price of HK$1.00 per Capitalisation Share to CGNPC International.

Repayment

CGNPC Huamei shall on Completion and immediately after the Capitalisation utilize part of the Consideration to repay the remainder of the Shareholder Loan (together with the interest to be accrued thereon as determined in accordance within the Shareholder Loan Agreement) in favour of CGNPC International.

Completion

Subject to the fulfillment of the Conditions Precedent, Completion shall take place on the Completion Date.

Further disclosure

CGNPC Huamei has the right to further disclose information relating to the Target Companies from time to time after the signing of the Subscription Agreement up to the Completion Date to limit those representations and warranties under the Subscription Agreement and that the Subscriber shall not be entitled to make any claim in respect of such disclosed matters and if the further disclosure of information relating to the Target Companies constitutes Material Adverse Change, the Subscriber can choose not to proceed with Completion under Condition Precedent (a) under paragraph headed "Conditions of the Subscription" above. Up to the Latest Practicable Date, CGNPC Huamei has not made further disclosure relating to the Target Companies.

Principal rights and obligations of the CGNPC Huamei shareholders

Board Composition

The board of directors of CGNPC Huamei shall, after Completion, comprise three (3) members. Each of the Subscriber and CGNPC International shall have the right to appoint and remove up to one (1) and two (2) directors, respectively. Such rights and obligations of the Subscriber shall cease in the event that the Subscriber's shareholding percentage in CGNPC Huamei falls below 10% of the total issued share capital of CGNPC Huamei.

The right to appoint a director in CGNPC Huamei is a protection of its shareholder's right. The Group will participate in the strategic level and CGNPC International will involve in daily management of the Target Group.

Pre-emptive Rights

In the event of future issuance of equity securities by CGNPC Huamei, any of its shareholders shall have the first right to purchase in such issuance or sale on a pro-rata basis and the rights of entitlement of its shareholders is calculated on fully diluted basis.

Tag-along Right

In the event that (i) CGNPC International shall propose to transfer, in one or more transactions, any of its interests in CGNPC Huamei; or (ii) CGNPC shall dispose of any of its direct or indirect interests in CGNPC International to a third party or third parties which, in either case, reduces or may reduce the direct or indirect shareholding interests of CGNPC in CGNPC Huamei to a percentage falling below 51% of the total issued share capital of CGNPC Huamei, the Subscriber shall have the right and option, but not the obligation to participate in such proposed transfer by disposing of its entire interests in CGNPC Huamei at the same price and on the same terms and conditions agreed between the CGNPC International or CGNPC (as the case may be) and such third party(ies). Alternatively, the Company shall have the right and option, but not the obligation to dispose of its direct or indirect interests in the Subscriber at the same price and on the same terms and conditions agreed between CGNPC International or CGNPC (as the case may be) and such third party(ies).

IPO

The shareholders of CGNPC Huamei shall use their reasonable endeavours to procure that an IPO shall take place as soon as possible or in such other period of time as agreed by them provided that such IPO is in the best interests of the shareholders of CGNPC Huamei as a whole and the business of the Target Group, and the shareholders of CGNPC Huamei agree that an IPO shall be approved by the board of directors of CGNPC Huamei provided that the terms of such IPO shall only be proceeded in the best interests of the shareholders of CGNPC Huamei as a whole.

There is an understanding that the shareholders of CGNPC Huamei have an intention for an IPO and that it is at the preliminary stage and that the IPO will take place as and when it is feasible.

Whether the IPO proceeds or not, the Group's investment in CGNPC Huamei will be treated as a medium to long term investment for profit sharing.

Cooperation in good faith for the reorganisation of the Target Group

Each of the shareholders of CGNPC Huamei agrees that it shall cooperate in good faith and shall use its reasonable endeavours to take such other action as may be reasonably necessary to give effect to reorganisation of the Target Group as the SASAC may require.

As at the Latest Practicable Date, there is no material progress on the reorganisation of the Target Group.

SHARE CHARGE

As mentioned in the section headed "Information of the Target Group" below, part of the consideration of the Share Purchase Agreement was financed by the Bank Loan. CGNPC has, in consideration of the Bank Loan advanced to CGNPC Huamei, provided the Bank Guarantee Agreement in favour of the Bank for all amounts due and owing under the Bank Loan Agreement. Pursuant to the Subscription Agreement, the Subscriber has agreed to enter into the Share Charge on Completion to secure the Relevant Chargee Indebtedness (as hereinafter defined) of CGNPC under the Bank Guarantee Agreement. The Subscriber will charge as first fixed charge the Subscription Shares and any shares in CGNPC Huamei other than the Subscription Shares that the Subscriber acquires after the date of the Share Charge as a continuing security to CGNPC for any payment of moneys which may become due by CGNPC to the Bank under the Bank Guarantee upon the delivery of a bank demand against CGNPC for discharge of liabilities which may become due by CGNPC to the Bank under the Bank Guarantee in respect of any default by CGNPC Huamei to make payment of moneys which may become due by CGNPC Huamei to the Bank under the Bank Loan (the "Bank Demand") (collectively, the "Chargee Indebtedness"), as may be attributable to the Subscriber, in the proportion equal to the percentages of shareholding of the respective shareholders of CGNPC Huamei as at the date of payment by CGNPC to the Bank of the Chargee Indebtedness (the "Enforcement Date") of the Subscriber (the "Relevant Chargee Indebtedness") .

Even though the Share Charge covers all Subscription Shares and any shares in CGNPC Huamei subsequently acquired by the Subscriber, the Share Charge is a continuing security to CGNPC for any payment of the Relevant Chargee Indebtedness, i.e. those liabilities become due by CGNPC to the Bank under the Bank Guarantee upon the delivery of a Bank Demand, as may be attributable to the Subscriber, in the proportion equal to its relevant shareholding percentage of CGNPC Huamei as at the Enforcement Date, and not the Chargee Indebtedness.

CGNPC Huamei undertakes to CGNPC that it shall comply with the terms of the Bank Loan Agreement and shall use all available resources of the Target Group for repayment of the Bank Loan in accordance with the terms of the Bank Loan Agreement and shall take all necessary actions to avoid or resist any Bank Demand.

DUE DILIGENCE REVIEW

Meiya Power has invested in over 20 power projects. Part of these investments are associated companies of Meiya Power in which Meiya Power has no majority shareholding interests. The Company was only entitled to conduct limited scope of due diligence on these associated companies as Meiya Power has minority interests in these associated companies and that the coverage of the scope of the due diligence will be limited. Different levels of due diligence were conducted on areas such as their corporate structure, incorporation, interests in land and properties and principal business and previous audited accounts of certain operating associates of the MP Group but information and documents on these areas were not complete for certain members of the MP Group. Nevertheless, most of these associated companies are subsidiaries of listed companies in Hong Kong and the PRC, such as Huaneng Power International Inc., China Power International Development Limited and SDIC Huajing Power Holdings Company Ltd. Information about these associated companies has been publicly disclosed in the 2010 annual reports of those listed companies. Huaneng Hunan Yueyang Power Generation Co., Ltd ("Huaneng") is a subsidiary of Huaneng Power International Inc. ("Huaneng Power"), the shares of which are listed on the Stock Exchange (stock code: 902). According to the 2010 annual report of Huaneng Power, Huaneng is a limited liability company incorporated in the PRC with registered capital of RMB1,055,000,000 and engaged in power generation. Huaneng Power is interested in 55% of the equity interests in Huaneng. Wu Ling Power Corporation ("Wu Ling") is a subsidiary of China Power International Development Limited ("China Power"), the shares of which are listed on the Stock Exchange (stock code: 2380). According to the 2010 annual report of China Power, Wu Ling is a sino-foreign equity joint venture established and operated in the PRC with registered capital of RMB4,030,000,000 and engaged in generation and sale of electricity. China Power is interested in 63% of the equity interests in Wu Ling. Jingyuan Second Power Co., Ltd. ("Jingyuan Second Power") and SDIC Qujing Power Generation Co., Ltd ("SDIC Qujing") are subsidiaries of SDIC Huajing Power Holdings Co., Ltd ("SDIC Huajing"), the shares of which are listed on Shanghai Stock Exchange (stock code: 600886). According to the 2010 annual report of SDIC Huajing, Jingyuan second Power has a registered capital of RMB1,305,000,000 and engaged in thermal power and SDIC Qujing has a registered capital of RMB 1,000,000,000 and engaged in thermal power. SDIC Huajing is interested in 51.22% and 55.4% of the equity interests in Jingyuan Second Power and SDIC Qujing respectively. After considering all the various factors, such as the background of CGNPG, the business prospects of the Target Group and the financial performance of the MP Group for the three years ended 31 December 2010, and notwithstanding the limited scope of the due diligence, the Directors consider that it is in the interests of the Company to proceed with the Subscription as the Company can enhance the strategic business relationship with CGNPG, provide an opportunity for the Group to extend its business to the power industry in the PRC and Korea and the financial results of the Target Group will add contribution to the Group's share of results of associates in proportion to the percentages of shareholding of the Group in the Target Group.

REASONS FOR THE SUBSCRIPTION

The Group is principally engaged in the investment in coal, property, financial assets and the production and trading of petrochemical products.

As disclosed in the annual report of the Company for the year ended 31 December 2010, the Board has decided to concentrate its effort on investing in the natural resources and energy sectors, and the Group is currently exploring certain investment opportunities in, for example, power projects for the purpose of extending the source of recurring income and expanding the magnitude of recurring earnings of the Group. As CGNPC International became the substantial shareholder of the Company in early 2010 and given the strong background of CGNPG as described in the paragraph headed "Information on CGNPC Huamei and CGNPC International" below whereas CGNPC is a clean energy enterprise under the supervision of the SASAC, the Company has decided to concentrate its effort on investing in the natural resources and energy sectors and to enhance the strategic business relationship with CGNPG (as hereinafter defined). The Directors believe that the Subscription will provide an opportunity for the Group to extend its business to the power industry in the PRC and Korea, which will diversify the Groups' source of income and increase its financial returns. The Group will invest in the natural resources and energy sectors through participating in the strategic level of the Target Group.

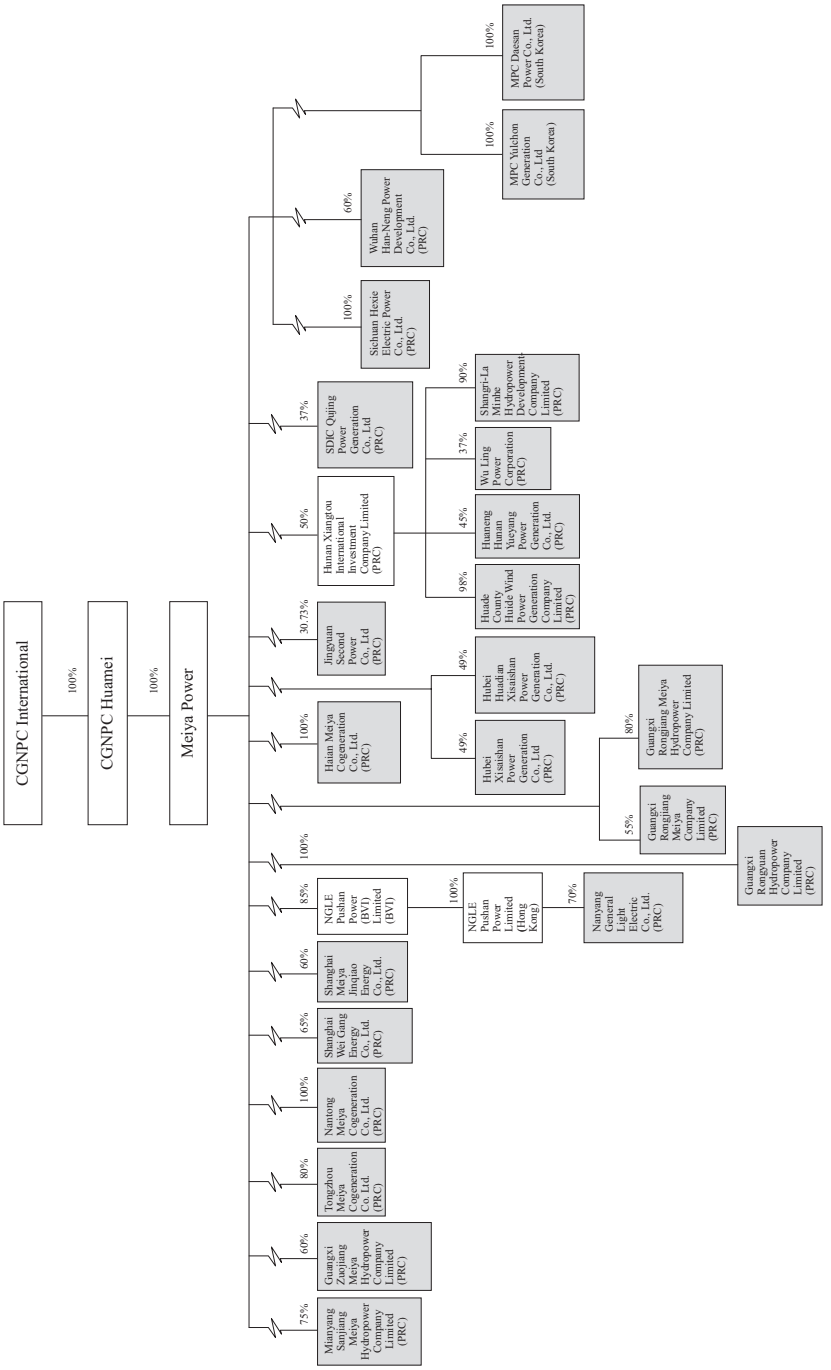
Potential investor(s) has/have approached CGNPC Huamei for potential investment(s) in Meiya Power and as at the Latest Practicable Date, no legally binding agreement has been entered into for the potential investment(s).

Mr. Yang Zhao, being a non-executive Director, is a director of CGNPC International, has abstained voting on the relevant resolution(s) relating to the Subscription and the transactions contemplated thereunder. Therefore, save for Mr. Yang Zhao, no Director has a material interest in the transactions under the Subscription Agreement and the transactions contemplated thereunder. Save for Mr. Yang Zhao, the other Directors (including the independent non-executive Directors) consider that the Subscription is in the interests of the Group and the Shareholders as a whole and the terms of the Subscription Agreement (including the Consideration) are fair and reasonable.

INFORMATION ON THE TARGET GROUP

Shareholding structure of the Target Group

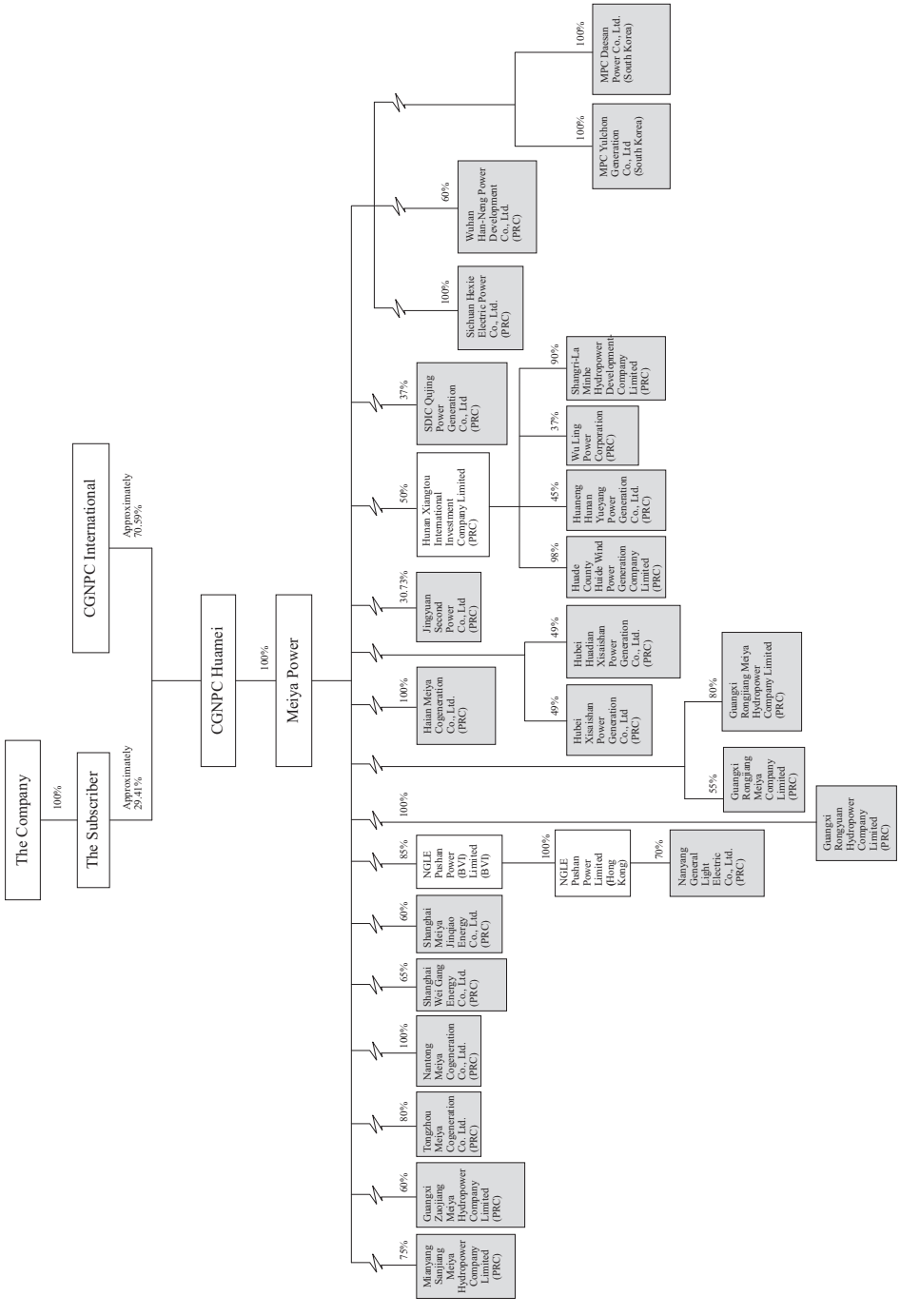
As at the Latest Practicable Date and immediately before Completion:



Note: (1) Meiya Power is interested in various power projects and the above companies in grey colour are the project companies.

(2) ⫽ denotes intermediate companies of 100% interests.

Immediately after Completion:



Note: (1) Meiya Power is interested in various power projects and the above companies in grey colour are the project companies.

(2) ⫽ denotes intermediate companies of 100% interests.

Information on CGNPC Huamei and CGNPC International

CGNPC Huamei, a company incorporated in Hong Kong with limited liability being principally engaged in investment holding, is a wholly-owned subsidiary of CGNPC International.

CGNPC International, a company incorporated in Hong Kong with limited liability being principally engaged in investment holding, is a wholly-owned subsidiary of CGNPC.

CGNPC was established in September 1994 with a registered capital of RMB10.2 billion and is a clean energy enterprise under the supervision of the SASAC.

CGNPC and its subsidiaries, known as CGNPG, currently owns Guangdong Daya Bay Nuclear Power Station, Ling Ao Nuclear Power Station Phase I and Ling Ao Nuclear Power Station Phase II with nearly 5,000 MW of installed capacity. An aggregate of 19 nuclear power units at Ling Ao Nuclear Power Station Phase II, Liaoning Hongyanhe Phase I, Fujian Ningde Nuclear Power Station Phase I, Yangjiang Nuclear Power Station, Taishan Nuclear Power Station Phase I, Guangxi Fangchenggang Power Station Phase I has been approved by the government, out of which, 16 nuclear power units have commenced construction. An aggregate of 6 nuclear power units at Hubei Xianning Nuclear Power Station project, Liaoning Hongyanhe Phase II, Guangdong Lufeng Project Phase I have commenced early-stage preparation. In addition to the said nuclear projects, CGNPC also possesses plenty of resources in other renewable energy in China. Over 2,350MW wind power units have been put into operation, with an additional 1,400MW under construction. The solar power resources possessed by CGNPC have exceeded 8,900MW, Gansu Dunhuang 10MW Photovoltaic Power Project and Qinghai Xitie Mountain 10MW Photovoltaic Power Project have been put into operation and Ningxia Qingtongxia project and Xizang Sangri project with a total capacity of 70MW are now under construction. As of 31 January 2011, the total assets of CGNPG stood at RMB 202.5 billion with its net assets valued at RMB 62.7 billion.

Information on Meiya Power and Business prospects of the Target Group

CGNPC Huamei had acquired from MPC Cayman, inter alia, the entire issued share capital of Meiya Power in November 2010 pursuant to the Share Purchase Agreement. The consideration for the entire issued share capital of Meiya Power under the Share Purchase Agreement was US$1,045,000,000.00 and was financed by the Shareholder Loan and the Bank Loan.

To the best of the Directors' knowledge, information and belief, Meiya Power is a diversified power producer in Asia in terms of fuel type and geography, with a portfolio of gas-fired, hydro, wind, coal-fired, oil-fired and co-generation projects in the PRC and Korea. Through Meiya Power's wholly-owned offshore holding companies, companies or joint ventures have been formed to develop, construct, own and operate each of such power projects.

Since Meiya Power's establishment in 1995, it has grown significantly through greenfield developments and acquisitions in the PRC and Korea. Meiya Power has invested in over 20 power projects of different fuel types such as hydro power, coal power, wind power, natural gas and cogeneration. Such power projects are located in various countries including South Korea and the PRC. Meiya Power also has a track record of focusing on developing a portfolio of renewable and clean projects. A summary of the investments of Meiya Power in power projects as of 31 May 2011 is set out as follow:

Project company name	**Location**	**Nature of Power Project**	**Percentage of effective interest held by Meiya Power**	**Attributable installed capacity** *(MW)*
Operating Projects				
1. Wu Ling Power Corporation	Hunan, Guizhou	Hydro	18.50%	785.8
2. Shangri-La Minhe Hydropower Development Company Limited	Yunnan Xianggelila County	Hydro	45.00%	20.5
3. Guangxi Zuojiang Meiya Hydropower Company Limited	Guangxi Chongzuo	Hydro	60.00%	43.2
4. Guangxi Rongjiang Meiya Hydropower Company Limited/Guangxi Rongjiang Meiya Company Limited	Guangxi Liuzhou Rongan County	Hydro	70.00% *(Note 1)*	37.8
5. Mianyang Sanjiang Meiya Hydropower Company Limited	Sichuan Mianyang	Hydro	75.00%	38.3
6. Huade County Huide Wind Power Generation Company Limited	Inner Mongolia Huade County	Wind	49.00%	48.5
7. Shanghai Meiya Jinqiao Energy Co., Ltd.	Shanghai	Steam	60.00%	N/A
8. Nantong Meiya Cogeneration Co., Ltd.	Jiangsu Nantong	Cogeneration	100.00%	48.0

Project company name	Location	Nature of Power Project	Percentage of effective interest held by Meiya Power	Attributable installed capacity *(MW)*
9. Tongzhou Meiya Cogeneration Co., Ltd.	Jiangsu Tongzhou	Cogeneration	80.00%	21.6
10. Haian Meiya Cogeneration Co., Ltd	Jiangsu Haian	Cogeneration	100.00%	30.0
11. MPC Daesan Power Co., Ltd.	South Korea	Oil	100.00%	507.0
12. MPC Yulchon Generation Co., Ltd	South Korea	(i) Natural Gas	100.00%	577.4
		(ii) Natural Gas (Fuel Cell I)	100.00%	4.8
13. Wuhan Han-Neng Power Development Co., Ltd.	Hubei Wuhan	Natural Gas	60.00%	105.9
14. Sichuan Hexie Electric Power Co., Ltd.	Sichuan Chengdu	Natural Gas	100.00%	98.2
15. Shanghai Wei Gang Energy Co., Ltd.	Shanghai	Natural Gas	65.00%	32.5
16. SDIC Qujing Power Generation Co., Ltd.	Yunnan Qujing	Coal	37.00%	444.0
17. Hubei Xisaishan Power Generation Co., Ltd.	Hubei Huangshi	Coal	49.00%	372.4
18. Jingyuan Second Power Co., Ltd.	Gansu Lanzhou/ Baiyin	Coal	30.73%	399.5
19. Huaneng Hunan Yueyang Power Generation Co., Ltd.	Hunan Yueyang	Coal	22.50%	298.1
20. Nanyang General Light Electric Co., Ltd	Henan Nanyang	Coal	59.50%	148.8
21. Hubei Huadian Xisaishan Power Generation Co., Ltd.	Hubei Huangshi	Coal	49.00%	333.2
			Sub-total	4,395.5

Note 1: The average ownership is calculated by combining the interests held by Meiya Power in the following two project companies of Fushi project:

(i) 80% — Guangxi Rongjiang Meiya Hydropower Company Limited (which constructs, owns and operates the hydro power plant)

(ii) 55% — Guangxi Rongjiang Meiya Company Limited (which constructs, owns and operates a dam and other associated facilities for Fushi hydro plant)

Project company name	Location	Nature of Power Project	Percentage of effective interest held in Meiya Power	Attributable installed capacity *(MW)*	Attributable designed capacity *(MW)*	Status
Projects under Construction						
1. Wu Ling Power Corporation (Heimifeng 3 and 4, Baishi, Tuokou, Sichuan Lixian – Jiuyuan, Hunan Zhongshui – Luoshuidong)	Hunan, Guizhou	Hydro	18.50%	0.0	348.8	
2. Shangri-La Minhe Hydropower Development Company Limited	Yunnan Xianggelila County	Hydro	45.00%	0.0	27.0	
3. Guangxi Rongyuan Hydropower Company Limited	Guangxi Liuzhou Rongan County	Hydro	100.00%	0.0	18.0	
			Sub-total	0.0	393.8	
Projects under Development or Acquisition *(Note 2)*						
1. Xiangyun Phase I	Yunnan	Hydro	51.00%	0.0	95.8	Acquisition agreements signed, pending closing of acquisition.
2. Weixi	Yunnan	Hydro	80.00%	0.0	59.2	Acquisition agreements signed; pending closing of acquisition.
3. Zhenkang	Yunnan	Hydro	50.00%	0.0	31.9	Pending DRC approval *(Note 3)*; Project companies to be established.
4. MPC Yulchon Generation Co., Ltd	South Korea	Natural Gas (Fuel Cell II)	100.00%	0.0	5.6	Pending financial close.
5. Baoji	Shaanxi	Coal	85.00%	0.0	340.0	Pending relevant government (DRC) approval. *(Note 3)*
6. Hubei Huadian Xisaishan Power Generation Co., Ltd.	Hubei Huangshi	Coal	49.00%	0.0	333.2	Pending relevant government (NDRC) approval. *(Note 3)*
7. Huade County Huide Wind Power Generation Company Limited	Inner Mongolia Huade County	Wind	49.00%	0.0	24.3	Pending relevant government (DRC) approval. *(Note 3)*
			Sub-total	0.0	890.0	
			Total	**4,395.5**	**1,283.8**	

Note 2: To the extent the project company has not been established, only name of project is referenced.

Note 3: "NDRC" means National Development Reform Commission whereas "DRC" means Development Reform Commission at provincial level.

A track record of successfully developing, financing, operating and acquiring power projects in north Asia

The MP Group has built a large, diversified portfolio of power assets across the PRC and Korea, where it owns operational power generation assets with a total attributable installed capacity of 4,395.5 MW. The MP Group built its portfolio based on successful development of new power plants and acquisition of existing power projects of which include power projects with proven technologies (such as combined cycle gas turbines for gas-fired power plants) provided by both Chinese and international equipment manufacturers. The fleet of power projects, with approximately 75% of the attributable installed capacity commissioned after 2000 are expected to have a remaining economic life of approximately 10 years or longer. It is noted that power projects commonly have an economic life of 20 years or longer. The MP Group's track record of successfully developing, financing, operating and acquiring power projects, particularly in the PRC, makes the MP Group a preferred partner for development opportunities.

The MP Group has a diversified portfolio of power projects in terms of fuel type

The MP Group benefits from a power project portfolio that is diversified in terms of fuel type and geography. The MP Group operates gas-fired, hydro, wind, coal-fired and co-generation plants located in the PRC; and gas-fired and oil-fired plants and a fuel cell plant in Korea. Exposure to several fuel types may mitigate risks such as price increases in one particular fuel source or availability of fuel sources, including water flow and wind, as well as changes in environmental laws and overall power sector regulations which may from time to time favor one fuel type over another. The diversified fuel base limits the exposure to reduced coal supplies and increases in coal prices in the PRC. The hydro and wind based plants further reduce the exposure to market fluctuations in the price of hydrocarbon fuels.

The MP Group has diverse presence in the PRC includes regions with proximity to coal and gas reserves as well as wind resources in Inner Mongolia and hydro resources in the southwestern provinces. The MP Group has a significant presence in areas of the PRC where demand for power is driven by major industrial and commercial economies in the coastal areas near Shanghai.

Operation in regional markets in the PRC with strong power generation fundamentals and growth opportunities

Most of the MP Group's power plants are strategically located within the PRC in areas that offer strong fundamentals and opportunities for growth. The power projects in the PRC provide the MP Group with access to one of the fastest growing electricity markets in the world. Projects located in areas that are rich in fuel supplies such as Sichuan, Guangxi and Yunnan, have an abundance of hydro resources and/or gas reserves. Projects located in regions that are rich in wind resources benefit from PRC government priority dispatch policies such as Inner Mongolia. Projects located in industrial provinces, such as Gansu and Hubei, have demand which is driven by local energy intensive heavy industry. Projects in Jiangsu and Shanghai benefit from increasing demand from urban growth. Many of the regions in which the MP Group operates, such as Guangxi and Sichuan, have relatively low per capita electricity consumption compared to more developed regions, and continued economic and power demand growth is expected in these regions thus will increase the power plant utilization.

Significant growth prospects with acquisition and new green-field projects

Apart from the operating projects, the MP Group has projects under construction or to be developed or acquired that are expected to contribute an additional attributable installed capacity of 1,283.8 MW to its portfolio between 2011 and 2014. Further expansion of renewable and clean energy portfolio in the PRC may benefit from certain government policies that provide preferential government support for the MP Group projects and contribute to increased earnings stability and profitability over time. For example, renewable energy projects such as hydro and wind have no fuel cost and are assigned priority dispatch. The addition of run-of-river hydro plants in southern and southwestern China as well as wind power projects in northern China where these natural resources are abundant allow the MP Group to further benefit from priority dispatch policies.

A highly qualified international team with a track record of delivering performance over 15 years

The senior managers of the MP Group have extensive international and local experience in the development and operation of power plants. Their experience and skills enable them to work effectively with local management teams to successfully manage the Target Group's business in the PRC and Korea. Both the senior managers in Hong Kong and the local managers at the power plants of the MP Group have worked in the power industry and in the MP Group for a significant amount of time and have developed a deep understanding of the local markets with respect to operational, financial, business development and regulatory matters.

With CGNPC as the shareholder of the MP Group, there are lots of new potential business opportunities referral

As mentioned in the paragraph headed "Information on CGNPC Huamei and CGNPC International" above, CGNPG is a clean energy enterprise under the supervision of the SASAC with a lot of investments in power plants and also possesses plenty of resources in other renewable energy in China. CGNPG has strong business networks and can potentially introduce new business and/or new business partners to the MP Group that may benefit the Group as a whole.

FINANCIAL INFORMATION OF THE TARGET GROUP

Based on the audited financial statements of CGNPC Huamei, the financial information of CGNPC Huamei for the period from 21 January 2010 (date of incorporation) to 31 December 2010 are as follows:

	For the year from 21 January 2010 (date of incorporation) to 31 December 2010 (approximately) ***US$***
Net loss before taxation and extraordinary items	(27,018,000)
Net loss after taxation and extraordinary items	(27,018,000)
Net liabilities	(27,017,000)

Based on the audited consolidated financial statements of the MP Group, the financial information of the MP Group for the two years ended 31 December 2010 are as follows:

	For the year ended 31 December 2009 (approximately) ***US$***	**For the year ended 31 December 2010 (approximately)** ***US$***
Net profit before taxation and extraordinary items	61,306,000	77,553,000
Net profit after taxation and extraordinary items and minority interests	27,182,000	56,617,000
Equity attributable to owner of the MP Group	594,274,000	636,881,000

FINANCIAL EFFECT OF THE SUBSCRIPTION

The Company will be interested in approximately 29.41% of the enlarged issued share capital of CGNPC Huamei immediately after Completion.

There will be no significant material effect on the net asset value of the Group for the reason that the increase in interest in the Target Group will be offset by the decrease in bank balances and cash of the Group. As referred to in the annual results of the Group for the year ended 31 December 2010, the audited consolidated net assets of the Group as at 31 December 2010 was approximately HK$7,308,000,000, comprising total assets of approximately HK$9,112,000,000 and total liabilities of approximately HK$1,804,000,000 and the profit of the Group for the year ended 31 December 2010 was approximately HK$570,000,000.

According to the unaudited pro forma financial information of the Enlarged Group as set out in Appendix III to this circular, the unaudited pro forma net assets of the Enlarged Group would be approximately HK$7,308,000,000, comprising unaudited pro forma total assets of approximately HK$9,112,000,000 and unaudited pro forma total liabilities of approximately HK$1,804,000,000 and the unaudited pro forma profit of the Enlarged Group would be approximately HK$638,000,000.

FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Group is principally engaged in the investment in coal, property, financial assets and the production and trading of petrochemical products. As mentioned in the section headed "Reasons for the Subscription" above, the Board has decided to concentrate its effort on investing in the natural resources and energy sectors, thus through the Subscription, it provides an opportunity for the Company to start its investment in the natural resources and energy sectors.

The Subscription will diversify the Group's investments and source of income and will probably improve its earnings capacity in long run. For the year 2008, 2009 and 2010, the MP Group recorded profit for the year attributable to owner of the Company of approximately US$16.8 million, US$27.2 million and US$56.6 million respectively. The Company will be interested in approximately 29.41% of the enlarged issued share capital of CGNPC Huamei immediately after Completion. The Company will account for such interest as an interest in associate using the equity method. The financial results of the Target Group will add contribution to the Group's share of results of associates in proportion to the percentages of shareholding of the Group in the Target Group.

KOREAN PROPERTIES

A parcel of land, various buildings and structures located at Yulchon 1st Local Industrial Complex, Haeryong-myeon, Suncheon-Shi, Jeollanam-do, South Korea (the "Land")

The property is currently occupied by MPC Yulchon Generation Co., Ltd ("MPC Yulchon") for power generation, office and ancillary uses. As disclosed in Appendix V-38 of this circular, the property comprises a parcel of land with a site area of approximately 165,290 sq.m. and 15 buildings and various ancillary structures erected thereon completed in various stages between 2004 and 2009. The buildings have a total gross floor area of approximately 10,805.18 sq.m.. The buildings mainly include turbine buildings, composite buildings, an office building, pump rooms and gatehouses.

The ownership of the Land will be transferred to MPC Yulchon once full purchase price of the Land is paid, as at the Latest Practicable Date, the final payment in the amount of 1,366,000,000 KW (equivalent to approximately HK$9,800,000) is not yet due and such final payment is recognised as other payables which is included in trade and other payables in the financial information of the MP Group. MPC Yulchon has the right to occupy the land and operate the power plant based on the permit of prior use of the land dated 29 December 2000 issued by Cholla province (Chollanam-do).

According to the financial information of the MP Group, the revenue of the MP Group amounted to approximately US$632.4 million in 2010 of which the South Korean segment accounted for approximately US$371.1 million. The South Korean segment accounted for approximately US$341 million non-current assets as at 31 December 2010 which was mainly comprised of fixed assets of MPC Yulchon as MPC Yulchon has the right to operate the power plant thereon.

As disclosed in Appendix V-38 of this circular, no commercial value has been attributed to the property as the title document of the Land has not been obtained. The property cannot be transferred in the open market.

For further details, please refer to Appendix V of this circular.

ENVIRONMENTAL REGULATION AND PROTECTION

The establishment and operation of a power plant in Korea is subject to various environmental laws and regulations, and municipal ordinances, under which numerous permits, approvals and certificates from appropriate governmental agencies are required.

Korea's principal environmental law is the Basic Environmental Policy Law ("BEPL") which sets forth the general principles, fundamental policies and administrative framework for environmental preservation and remediation. In addition to the BEPL, major environmental protection laws and regulations that are potentially applicable to power plants in Korea includes the Assessment of Impact on Environment Law ("AIEL").

Under the AIEL, any business entity considering engaging in the power plant business in Korea must conduct an environmental impact assessment ("EIA") study and submit an EIA report to obtain approval for the implementation plan from the relevant authority. The license issuing authority consults with the Ministry of the Environment ("MOE") regarding the EIA report. If there are any discharge standards for pollutants proposed in the course of consultation with the MOE ("Consulted Standards"), the business entity must comply with those Consulted Standards. If the business entity violates the Consulted Standards, a special charge will be imposed. A power plant developer must also conduct a post-EIA study, investigating any environmental effects on the business area and its vicinity during the period beginning on the construction commencement date and ending on the fifth anniversary of the construction completion date, and submit a post EIA report to the relevant authority. The requisite approval under the AIEL was obtained prior to establishment of Yulchon Power Project in Korea, and the plant has been operated in compliance with the Consulted Standards.

IMPLICATIONS UNDER THE LISTING RULES

As the relevant percentage ratios (as defined under the Listing Rules) in respect of the Subscription exceed 100%, the Subscription constitutes a very substantial acquisition for the Company under Chapter 14 of the Listing Rules. By virtue of the fact that CGNPC Huamei is a wholly-owned subsidiary of CGNPC International and that CGNPC International is, as at the Latest Practicable Date, a substantial Shareholder being interested in 364,140,000 Shares, representing approximately 15.80% of the existing issued share capital of the Company, CGNPC Huamei is a connected person of the Company and hence the Subscription constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. The Subscription Agreement and the transactions contemplated thereunder are therefore subject to the reporting, announcement and Independent Shareholders' approval requirements pursuant to the Listing Rules. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, save for CGNPC International and its associates, no Shareholder has a material interest in the Subscription Agreement and the transactions contemplated thereunder. Therefore, save for CGNPC International and its associates, no Shareholder is required to abstain from voting in relation to the resolution(s) to be proposed for approving the Subscription Agreement and the transactions contemplated thereunder at the EGM.

An Independent Board Committee comprising Mr. Kang Dian, Mr. Zhang Lu and Mr. Hung Muk Ming (all being independent non-executive Directors) has been established to (i) advise the Independent Shareholders on whether the terms of the Subscription Agreement and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned and whether the entering into of the Subscription Agreement is in the interests of the Company and the Shareholders as a whole; and (ii) advise the Independent Shareholders on how to vote in respect of such transactions after taking into account the recommendation of Quam Capital.

EGM

A notice convening the EGM is set out on pages 64 to 67 of this circular. The EGM will be held at Salon IV, Mezzanine Floor, Grand Hyatt Hong Kong, 1 Harbour Road, Wanchai, Hong Kong on Wednesday, 20 July 2011 at 10:00 a.m. or any adjournment thereof, for the purpose of considering and, if thought fit, approving, by way of poll, among other things, the Subscription Agreement and the transactions contemplated thereunder.

A proxy form for use at the EGM is enclosed. Whether or not you propose to attend the meeting, you are requested to complete the enclosed proxy form in accordance with the instructions printed thereon and return the same to the registered office of the Company at Suite 4901, 49th Floor, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding of the EGM or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

RECOMMENDATION

Save for Mr. Yang Zhao, who is interested in the Subscription Agreement and the transactions contemplated thereunder by virtue of his being a director of CGNPC International, the other Directors (including the independent non-executive Directors whose views are set out in the section headed "Letter from the Independent Board Committee" in this circular) are of the view that the Subscription Agreement and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable and in the interest of the Company and the Shareholders as a whole.

The Independent Board Committee, having taken into account the advice from Quam Capital, considers that the Subscription Agreement and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable and in the best interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Subscription Agreement and the transactions contemplated thereunder.

Your attention is drawn to the letter from the Independent Board Committee set out on pages from 31 to 32 of this circular and the letter of advice from Quam Capital to the Independent Board Committee and Independent Shareholders in connection with the Subscription Agreement and the transactions contemplated thereunder and the principal factors and reasons considered by them in arriving such advice set out on pages 33 to 63 of this circular.

Yours faithfully,
For and on behalf of the Board
Gao Jian Min
Managing Director

SILVER GRANT INTERNATIONAL INDUSTRIES LIMITED
銀建國際實業有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 171)

The Independent Board Committee:
Kang Dian
Zhang Lu
Hung Muk Ming

30 June 2011

To the Independent Shareholders

Dear Sir or Madam,

CONNECTED TRANSACTION

We refer to the circular of the Company to the Shareholders dated 30 June 2011 (the "**Circular**"), in which this letter forms part. Unless the context requires otherwise, capitalized terms used in this letter shall have the same meanings as given to them in the section headed "Definitions" of the Circular.

We have been appointed by the Board as the Independent Board Committee to advise the Independent Shareholders on whether the terms of the Subscription Agreement and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned.

Having taken into account the advice from Quam Capital and in particular the principal factors set out in the letter from Quam Capital, we consider that the Subscription Agreement and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and in the best interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Subscription Agreement and the transactions contemplated thereunder.

The letter from Quam Capital containing its recommendations to us and the principal factors and reasons taken into account by Quam Capital in arriving at such recommendations is set out on pages 33 to 63 of this Circular.

Yours faithfully,
The Independent Board Committee of

Kang Dian **Zhang Lu** **Hung Muk Ming**
Independent non-executive Directors

The following is the full text of a letter of advice from Quam Capital, the independent financial adviser to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of incorporation into this circular, setting out its advice to the Independent Board Committee and the Independent Shareholders in respect of the transactions contemplated under the Subscription Agreement.

30 June 2011

To the Independent Board Committee and the Independent Shareholders
Silver Grant International Industries Limited
Suite 4901, 49th Floor
Office Tower
Convention Plaza
1 Harbour Road, Wanchai
Hong Kong

Dear Sir or Madam,

VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION

INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Subscription Agreement and the transactions contemplated thereunder, details of which are set out in the "Letter from the Board" contained in the circular issued by the Company to its shareholders dated 30 June 2011 (the "Circular"), of which this letter forms part. Terms used in this letter shall have the same meaning as defined in the Circular unless the context otherwise requires.

Mr. Kang Dian, Mr. Zhang Lu and Mr. Hung Muk Ming, the independent non-executive Directors, have been appointed as members of the Independent Board Committee to advise the Independent Shareholders as to whether the terms of the Subscription Agreement are in the interests of the Company and the Shareholders as a whole and are based on normal commercial terms, and are fair and reasonable so far as the Company and the Shareholders are concerned; and to advise the Independent Shareholders as to whether to vote in favour of the Subscription Agreement and the transactions contemplated thereunder. As the independent financial adviser, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders in such regard.

BASIS OF OUR RECOMMENDATION

In formulating our recommendation, we have relied on (i) the information supplied by the Company and its advisers; (ii) the opinions expressed by and the representations of the Directors and management of the Group; (iii) the information and facts contained or referred to in the Circular; and (iv) our review of the relevant public information. We have assumed that all the information provided and representations and opinions expressed to us or contained or referred to in the Circular were true, accurate and complete in all respects at the date thereof and may be relied upon. We have no reason to doubt the truth, accuracy and completeness of such information and representations provided to us by the management of the Group, the Directors and the advisers of the Company. We have also sought and received confirmation from the Directors that no material facts have been withheld or omitted from the information provided and referred to in the Circular and that all information or representations regarding the Company and the Subscription Agreement provided to us by the Company and/or the Directors and the management of the Group are true, accurate, complete and not misleading in all aspects at the time they were made and continued to be so until the date of the EGM.

We consider that we have reviewed sufficient information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification of the information, nor have we conducted any form of in-depth investigation into the business, affairs, operations, financial position or future prospects of the Company or CGNPC Huamei or any of their respective subsidiaries and associates.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our recommendation in respect of the transactions contemplated under the Subscription Agreement, we have taken into consideration the following principal factors and reasons:

1. Background of and reasons for entering into of the Subscription Agreement

On 27 April 2011, (i) CGNPC Huamei; (ii) CGNPC International; (iii) the Subscriber; and (iv) the Company entered into the Subscription Agreement pursuant to which, inter alia, CGNPC Huamei conditionally agrees to issue and the Subscriber conditionally agrees to subscribe for 776,424,000 Subscription Shares for the Consideration of HK$776,424,000.00 at the subscription price of HK$1.00 per Subscription Share.

We noted from the announcement of the Company dated 10 February 2010 that the Company entered into a subscription agreement with CGNPC International on 28 January 2010 pursuant to which CGNPC International would subscribe for and the Company would allot and issue 364,140,000 new Shares at the subscription price of HK$2.00 per Share. The completion of the said subscription took place on 10 February 2010 and CGNPC International become interested in 364,140,000 Shares, representing approximately 16.67% of the then issued share capital and approximately 15.80% of the existing issued share capital of the Company respectively. CGNPC International is a wholly owned subsidiary of CGNPC which is under the supervision of the SASAC. As disclosed in the Letter from the Board, CGNPC and its subsidiaries, known as CGNPG, currently owns Guangdong Daya Bay Nuclear Power Station, Ling Ao Nuclear Power Station Phase I and Ling Ao Nuclear Power Station Phase II with nearly 5,000 MW of installed capacity. An aggregate of 19 nuclear power units at Ling Ao Nuclear Power Station Phase II, Liaoning Hongyanhe Phase I, Fujian Ningde Nuclear Power Station Phase I, Yangjiang Nuclear Power Station, Taishan Nuclear Power Station Phase I, Guangxi Fangchenggang Power Station Phase I has been approved by the government, out of which, 16 nuclear power units have commenced construction. An aggregate of 6 nuclear power units at Hubei Xianning Nuclear Power Station project, Liaoning Hongyanhe Phase II, Guangdong Lufeng Project Phase I have commenced early-stage preparation. In addition to the said nuclear projects, CGNPC also possesses plenty of resources in other renewable energy in China. Over 2,350MW wind power units have been put into operation, with an additional 1,400MW under construction. The solar power resources possessed by CGNPC have exceeded 8,900MW, Gansu Dunhuang 10MW Photovoltaic Power Project and Qinghai Xitie Mountain 10MW Photovoltaic Power Project have been put into operation and Ningxia Qingtongxia project and Xizang Sangri project with a total capacity of 70MW are now under construction. As of 31 January 2011, the total assets of CGNPG stood at RMB202.5 billion with its net assets valued at RMB62.7 billion. We noted from the annual report of the Company for the year ended 31 December 2010 ("2010 Annual Report) that CGNPC International has become a strategic Shareholder on 10 February 2010 with an equity interest of approximately 16.67% of the then issued share capital of the Company. On the same date, the Company entered into a non-legally binding letter of intent with CGNPC International for the purpose of co-investing in projects recommended by CGNPC International. The projects would be resources, energy and nuclear related such as new nuclear power assets, general power assets, uranium mine resources and application of nuclear technology. The Board decided to concentrate its effort on investing in the natural resources and energy sectors. As advised by the Company, the Board believes that the strong background of CGNPG would bring in quality projects to the Group which would broaden the Group's sources and magnitude of recurring income in the future.

The Group is principally engaged in the investment in coal, property, financial assets and the production and trading of petrochemical products. As stated in the Letter from the Board, the Directors believe that the Subscription will provide an opportunity for the Group to extend its business to the power industry in the PRC and Korea, which will diversify the Groups' source of income and increase its financial returns.

2. Information on the Target Group

CGNPC Huamei

CGNPC Huamei, a company incorporated in Hong Kong with limited liability and principally engaged in investment holding, is a wholly-owned subsidiary of CGNPC International.

CGNPC International

CGNPC International, a company incorporated in Hong Kong with limited liability and principally engaged in investment holding, is a wholly-owned subsidiary of CGNPC.

CGNPC

CGNPC was established in September 1994 with a registered capital of RMB10.2 billion and is a clean energy enterprise under the supervision of the SASAC.

For details on the background of CGNPC and its subsidiaries, known as CGNPG, please refer to the paragraph headed "Background of and reasons for entering into of the Subscription Agreement" above.

Meiya Power

CGNPC Huamei had acquired from MPC Cayman, inter alia, the entire issued share capital of Meiya Power in November 2010 pursuant to the Share Purchase Agreement. The consideration for the entire issued share capital of Meiya Power under the Share Purchase Agreement was US$1,045,000,000.00 and was financed by the Shareholder Loan and the Bank Loan.

To the best of the Directors' knowledge, information and belief, Meiya Power is a diversified power producer in Asia in terms of fuel type and geography, with a portfolio of gas-fired, hydro, wind, coal-fired, oil-fired and cogen projects in the PRC and Korea. Through Meiya Power's wholly-owned offshore holding companies, companies or joint ventures have been formed to develop, construct, own and operate each of such power projects.

Since Meiya Power's establishment in 1995, it has grown significantly through greenfield developments and acquisitions in the PRC and Korea. Meiya Power has invested in over 20 power projects of different fuel types such as hydro power, coal power, wind power, natural gas and cogeneration. Such power projects are located in various countries including South Korea and the PRC. Meiya Power also has a track record of focusing on developing a portfolio of renewable and clean projects. The following table sets out the investments of Meiya Power in power projects as at 31 May 2011:

	Project company name	**Location**	**Nature of Power Project**	**Percentage of effective interest held by Meiya Power**	**Attributable installed capacity** *(MW)*
Operating Projects					
1.	Wu Ling Power Corporation	Hunan, Guizhou	Hydro	18.50%	785.8
2.	Shangri-La Minhe Hydropower Development Company Limited	Yunnan Xianggelila County	Hydro	45.00%	20.5
3.	Guangxi Zuojiang Meiya Hydropower Company Limited	Guangxi Chongzuo	Hydro	60.00%	43.2
4.	Guangxi Rongjiang Meiya Hydropower Company Limited/Guangxi Rongjiang Meiya Company Limited	Guangxi Liuzhou Rongan County	Hydro	70.00% *(Note 1)*	37.8
5.	Mianyang Sanjiang Meiya Hydropower Company Limited	Sichuan Mianyang	Hydro	75.00%	38.3

	Project company name	Location	Nature of Power Project	Percentage of effective interest held by Meiya Power	Attributable installed capacity *(MW)*
6.	Huade County Huide Wind Power Generation Company Limited	Inner Mongolia Huade County	Wind	49.00%	48.5
7.	Shanghai Meiya Jinqiao Energy Co., Ltd.	Shanghai	Steam	60.00%	N/A
8.	Nantong Meiya Cogeneration Co., Ltd.	Jiangsu Nantong	Cogeneration	100.00%	48.0
9.	Tongzhou Meiya Cogeneration Co., Ltd.	Jiangsu Tongzhou	Cogeneration	80.00%	21.6
10.	Haian Meiya Cogeneration Co., Ltd	Jiangsu Haian	Cogeneration	100.00%	30.0
11.	MPC Daesan Power Co., Ltd.	South Korea	Oil	100.00%	507.0
12.	MPC Yulchon Generation Co., Ltd	South Korea	(i) Natural Gas	100.00%	577.4
			(ii) Natural Gas (Fuel Cell I)	100.00%	4.8
13.	Wuhan Han-Neng Power Development Co., Ltd.	Hubei Wuhan	Natural Gas	60.00%	105.9
14.	Sichuan Hexie Electric Power Co., Ltd.	Sichuan Chengdu	Natural Gas	100.00%	98.2
15.	Shanghai Wei Gang Energy Co., Ltd.	Shanghai	Natural Gas	65.00%	32.5
16.	SDIC Qujing Power Generation Co., Ltd.	Yunnan Qujing	Coal	37.00%	444.0
17.	Hubei Xisaishan Power Generation Co., Ltd.	Hubei Huangshi	Coal	49.00%	372.4
18.	Jingyuan Second Power Co., Ltd.	Gansu Lanzhou/ Baiyin	Coal	30.73%	399.5
19.	Huaneng Hunan Yueyang Power Generation Co., Ltd.	Hunan Yueyang	Coal	22.50%	298.1

	Project company name	Location	Nature of Power Project	Percentage of effective interest held by Meiya Power	Attributable installed capacity *(MW)*
20.	Nanyang General Light Electric Co., Ltd	Henan Nanyang	Coal	59.50%	148.8
21.	Hubei Huadian Xisaishan Power Generation Co., Ltd.	Hubei Huangshi	Coal	49.00%	333.2
				Sub-total	4,395.5

Note 1: The average ownership is calculated by combining the interests held by Meiya Power in the following two project companies of Fushi project:

(i) 80% — Guangxi Rongjiang Meiya Hydropower Company Limited (which constructs, owns and operates the hydro power plant)

(ii) 55% — Guangxi Rongjiang Meiya Company Limited (which constructs, owns and operates a dam and other associated facilities for Fushi hydro plant)

	Project company name	Location	Nature of Power Project	Percentage of effective interest held in Meiya Power	Attributable installed capacity *(MW)*	Attributable designed capacity *(MW)*	Status
Projects under Construction							
1.	Wu Ling Power Corporation (Heimifeng 3 and 4, Baishi, Tuokou, Sichuan Lixian – Jiuyuan, Hunan Zhongshui – Luoshuidong)	Hunan, Guizhou	Hydro	18.50%	0.0	348.8	

	Project company name	Location	Nature of Power Project	Percentage of effective interest held in Meiya Power	Attributable installed capacity *(MW)*	Attributable designed capacity *(MW)*	Status
2.	Shangri-La Minhe Hydropower Development Company Limited	Yunnan Xianggelila County	Hydro	45.00%	0.0	27.0	
3.	Guangxi Rongyuan Hydropower Company Limited	Guangxi Liuzhou Rongan County	Hydro	100.00%	0.0	18.0	
				Sub-total	0.0	393.8	
Projects under Development or Acquisition *(Note 2)*							
1.	Xiangyun Phase I	Yunnan	Hydro	51.00%	0.0	95.8	Acquisition agreements signed, pending closing of acquisition.
2.	Weixi	Yunnan	Hydro	80.00%	0.0	59.2	Acquisition agreements signed; pending closing of acquisition.
3.	Zhenkang	Yunnan	Hydro	50.00%	0.0	31.9	Pending DRC approval *(Note 3)*; Project companies to be established.
4.	MPC Yulchon Generation Co., Ltd	South Korea	Natural Gas (Fuel Cell II)	100.00%	0.0	5.6	Pending financial close.
5.	Baoji	Shaanxi	Coal	85.00%	0.0	340.0	Pending relevant government (DRC) approval. *(Note 3)*

	Project company name	Location	Nature of Power Project	Percentage of effective interest held in Meiya Power	Attributable installed capacity *(MW)*	Attributable designed capacity *(MW)*	Status
6.	Hubei Huadian Xisaishan Power Generation Co., Ltd.	Hubei Huangshi	Coal	49.00%	0.0	333.2	Pending relevant government (NDRC) approval. *(Note 3)*
7.	Huade County Huide Wind Power Generation Company Limited	Inner Mongolia Huade County	Wind	49.00%	0.0	24.3	Pending relevant government (DRC) approval. *(Note 3)*
				Sub-total	0.0	890.0	
				Total	4,395.5	1,283.8	

Note 2: To the extent the project company has not been established, only name of project is referenced.

Note 3: "NDRC" means National Development Reform Commission whereas "DRC" means Development Reform Commission at provincial level.

As illustrated in the tables above, Meiya Power has projects under construction or to be developed or acquired that are expected to contribute an additional attributable designed capacity of 1,283.8MW to its portfolio between 2011 and 2014. For further details on the Target Group, please refer to the paragraph headed "Information on Meiya Power and Business prospects of the Target Group" in the Letter from the Board. We noted from the Letter from the Board that potential investor(s) has/have approached CGNPC Huamei for potential investment(s) in Meiya Power and as at the Latest Practicable Date, no legally binding agreement has been entered into for the potential investment(s). We also noted that there is an understanding that the shareholders of CGNPC Huamei have an intention for an IPO. The IPO plan is at the preliminary stage and that the IPO will take place as and when it is feasible.

Financial information of the Target Group

The financial information of the Target Group has been presented in the accountants' reports of CGNPC Huamei and MP Group as set out in Appendix IIA and Appendix IIB to the Circular. As CGNPC Huamei is solely an investment holding company and incorporated on 21 January 2010. The financial performance of the Target Group for the past three years can be referred to in the financial information of the MP Group. The following table summarises the audited financial information of the MP Group for the three years ended 31 December 2010 as extracted from the Accountants' Report of the MP Group as set out in Appendix IIB to the Circular.

	For the year ended 31 December		
	2010	**2009**	**2008**
	US$'000	*US$'000*	*US$'000*
Revenue	632,368	419,149	565,919
Operating expenses	(552,400)	(355,569)	(508,558)
Operating profit	79,968	63,580	57,361
Other income	10,097	9,085	7,740
Other gains and losses	(3,679)	(5,054)	(787)
Finance costs	(44,498)	(39,881)	(42,875)
Discount on acquisition arising on acquisition of subsidiaries	16,479	—	—
Share of results of associates	19,186	33,576	19,956
Profit before tax	77,553	61,306	41,395
Income tax expense	(12,704)	(27,436)	(17,937)
Profit for the year	64,849	33,870	23,458
Profit for the year attributable to:			
Owner of the company	56,617	27,182	16,832
Non-controlling interests	8,232	6,688	6,626
Earnings per share (in US dollar)	566	272	168

For the year ended 31 December 2010, the MP Group's revenue and profit attributable to owners of the company increased to approximately US$632.4 million and US$56.6 million respectively from approximately US$419.1 million and US$27.2 million respectively for the year ended 31 December 2009, representing a growth of approximately 51% and 108% respectively. As disclosed in Appendix IV to the Circular, an increase in revenue was mainly attributable to (i) an increase in revenue from Yulchon Power Project as a result of higher generation of electricity demand attributable to economic recovery from global financial crisis in Korea; (ii) full year contribution from Daesan Power Project with its acquisition in August 2009 and (iii) contribution from Puguang Power Project, which was acquired in April 2010.

The MP Group recorded an increase of approximately 108% in its profit attributable to owners of the company in 2010, which doubled the increase in revenue of approximately 51% in 2009. As disclosed in Appendix IV to the Circular, such increase was primarily due to the net effect of acquisition of 59.5% interest of Puguang Power Project in 2010 and share of results of associates. Upon its acquisition of Puguang Power Project, there was an amount of discount on acquisition arising on acquisition of subsidiaries of approximately US$16.5 million recorded in the consolidated statement of comprehensive income of the MP Group. Notwithstanding, the MP Group would still record an increase of approximately 48% in its profit attributable to owners of the company in 2010, if the discount on acquisition arising on acquisition of subsidiaries was excluded from the analysis. Share of results of associates of the MP Group dropped for the year ended 31 December 2010 to approximately US$19.2 million, representing a decrease of approximately 43% as compared with that for the year ended 31 December 2009. As disclosed in Appendix IV to the Circular, earnings from those minority-owned coal-fired plants dropped mainly due to higher coal price in 2010 and the contribution from Wuling Hydro Project decreased due to lower waterflow caused by severe drought in the Hunan region in the first quarter of 2010.

For the year ended 31 December 2009, the MP Group recorded revenue of approximately US$419.1 million, representing a decrease of approximately 26% as compared with that for the year ended 31 December 2008, while it recorded profit attributable to owners of the company of approximately US$27.2 million, representing an increase of approximately 61% as compared with thatfor the year ended 31 December 2008. As disclosed in Appendix IV to the Circular, The decrease in revenue was mainly due to the drop in generation and tariff of Yulchon Power Project. Lower demand of electricity in 2009 as a result of a slowdown in Korea's economic growth accounted for reduced utilization hours during the global financial crisis. Lower tariff reflected primarily the market trend of fuel price. This was partially offset by an increase in revenue from the coal-fired and cogen, hydro and

renewable energy projects in PRC attributable to increasing demand, and additional income from Daesan Power Project acquired during 2009. As disclosed in Appendix IV to the Circular, an increase in profit attributable to owners of the company was mainly due to an increase in share of results of associates in 2009 as a result of higher electricity demand in certain PRC provinces.

Financial position of MP Group

The following table summarises the audited financial position of the MP Group as of 31 December 2008, 2009 and 2010 as extracted from the Accountants' Report of the MP Group as set out in Appendix IIB to the Circular.

	For the year ended 31 December		
	2010	**2009**	**2008**
	US$'000	*US$'000*	*US$'000*
Interests in associates	500,709	526,569	513,102
Pledged bank deposits and restricted cash	90,506	73,272	75,395
Bank balances and cash	95,246	60,361	155,027
Bank borrowings — due within one year	63,629	117,702	70,406
Bank borrowings — due after one year	734,652	640,015	566,072
Current assets	351,000	249,699	324,976
Current liabilities	228,365	272,609	239,446
Net current assets (liabilities)	122,635	(22,910)	85,530
Non-current assets	1,386,624	1,359,750	1,182,969
Non-current liabilities	777,987	678,290	606,126
Total assets	1,737,624	1,609,449	1,507,945
Total liabilities	1,006,352	950,899	845,572
Net assets	731,272	658,550	662,373
Equity attributable to owner of the company	636,881	594,274	600,726
Return on equity	8.9%	4.6%	2.8%
Current ratio	1.5	0.9	1.4
Gearing ratio	86%	97%	64%

As of 31 December 2010, net asset value and equity attributable to owner of the company amounted to approximately US$731.3 million and US$636.9 million respectively, and total assets and total liabilities of the MP Group amounted to approximately US$1,737.6 million and US$1,006.4 million respectively.

As of 31 December 2010, pledged bank deposits and restricted cash, and bank balances and cash of the MP Group amounted to approximately US$90.5 million and US$95.2 million respectively, the total balance of bank and cash of the MP Group amounted to approximately US$185.7 million.

As of 31 December 2010, the MP Group's interest in associates decreased to approximately US$500.7 million from US$526.6 million, which was the combined effect of decrease in both cost of investment in unlisted associates as of year-end and share of post-acquisition profits/losses and other comprehensive income, net of dividends received during the year of 2010 according to the disclosure in Appendix IV to the Circular.

We noted from the Accountants' Report of the MP Group as set out in Appendix IIB to the Circular, the MP Group declared dividend for the past two years. For the year ended 31 December 2009, an interim dividend of US$158.36 per share, amounting to approximately US$16 million in aggregate, a special dividend of US$400 per share, amounting to approximately US$40 million in aggregate, and a special dividend of US$70 per share, amounting to approximately US$7 million in aggregate were approved by the board of directors of Meiya Power and paid on 19 February 2009, 6 May 2009 and 5 November 2009, respectively. On 3 November 2010, the board of directors of Meiya Power declared a dividend of US$511.69 per share to be satisfied by way of a distribution in specie of shares in Meiya (Tao Yuan) Power Company Limited, a wholly-owned subsidiary of Meiya Power before the disposal on 5 November 2010, to MPC Cayman, the then sole shareholder of Meiya Power, amounting to approximately US$51,169,000.

For the year ended 31 December 2008, 2009 and 2010, return on equity amounted to approximately 2.8%, 4.6% and 8.9% respectively, which is calculated as profit for the year attributable to owner of the company divided by equity attributable to owner of the company. By excluding the consideration of the discount on acquisition, return on equity would become approximately 6.3% for the year ended 31 December 2010. Despite the fluctuations noted in the MP Group's share of results of associates in the past three years ended 31 December 2010, the return on equity increased over the past three years.

As at 31 December 2008, 2009 and 2010, the current ratio amounted to 1.4 times, 0.9 times and 1.5 times. The relatively lower total bank and cash balance of MP Group as at 31 December 2009 decreased the current ratio. Nevertheless, at the latest financial year end, MP Group maintained a net current assets position.

As disclosed in Appendix IV of the Circular, the gearing ratio, which is calculated as net debt divided by total equity, amounted to 64%, 97% and 86% as at 31 December 2008, 2009 and 2010 respectively. As at 31 December 2010, the bank balances and cash of MP Group could well cover the current portion of bank borrowings.

Based on the analysis above, it is noted that the financial performance of the MP Group has been improving for the past three years, which is indicated by the increase in revenue and profit attributable to owners of the company for the three years ended 31 December 2010 and the equity attributable to owner of the company as at 31 December 2010 increased by 7.2% as compared with that in 2009. Notwithstanding the timing of the capital investment to and contribution from newly setup power plants projects may not be matched, given the number of MP Group's existing projects which would contribute to the revenue of MP Group in different stages, the financial performance of MP Group could be maintained.

3. Overview of power industry

Development of power industry in the PRC

The State Power Corporation, the largest electric power transmission and distribution company in the PRC, was established to take ownership of state-owned power generation assets and virtually all of the high voltage power transmission grids and local electricity distribution networks in the PRC. The State Power Corporation was responsible for the investment, development, construction, management, operation and ownership of power plants, the inter-connections of interprovincial and interregional electricity grids and the transmission of electricity across regions. In 2002, the State Power Corporation was reorganized into two power grid companies and five electric power generation groups. The two power grid companies are the State Grid Corporation of China ("State Grid") and the China Southern Power Grid Corporation Ltd. ("Southern Grid"). Under the auspices of the State Grid, there are Northeast China, North China, East China, Central China and Northwest China five regional power grids, managed respectively by corresponding power grid corporations. The State Grid is the sponsor of the five power grid corporations, while Southern Grid is a state-owned enterprise organized on the basis of Guangdong and Hainan power grid assets together with those power grid assets in Guangxi, Guizhou and Yunnan belonged to the State Grid.

According to an article "China's Power Installed Capacity to Increase 100GW Annually in the Eleventh Five-Year Plan" released in January 2011 from the website of State Grid, it states that "China's power installed capacity is to hit 950 GW, with about 100 GW of newly added capacity each year during the Eleventh Five-Year Plan. In the next five years, it is expected to maintain higher rate than GDP growth and newly add installed capacity of 495GW. The power industry development will be characterized by rapid development, structure adjustment, energy conservation and emission reduction, and overall technology enhancement. The annual newly added capacity will reach 100 GW. Green power generation will account for more than a quarter of the total amount and half of China's coal production was used for power generation. Therefore, energy conservation and emission reduction is essentially important".

Electricity generation in the PRC has grown rapidly in recent years. From 2000 to 2009, electricity generation in the PRC grew from 1,355.6 TWh to 3,725.1 TWh, represents a CAGR of 11.89%.

According to the statistics released on the website of National Energy Administration, the total power consumption in February 2011 reached 313.6 TWh, increased by 15.82% year on year. The cumulative total power consumption in January 2011 and February 2011 was 702.5 TWh, up by 12.32%.

According to the Twelfth Five-Year Plan for 2011 to 2015, the PRC government will develop seven new strategic industries, namely, new generation information technology, energy-saving and environment protection, new energy, biology, high-end equipment manufacturing, new materials and new-energy cars with favourable policies in the next five years. The PRC government is supportive in the clean energy industry.

Development of power industry in Korea

The power generation market in Korea is dominated by the state-owned company, Korea Electric Power Corporation ("KEPCO"), which has a total installed capacity of approximately 73,470MW in 2009, including nuclear, thermal, hydro and internal combustion units. KEPCO, a government-controlled entity, has six power generation subsidiaries and is the sole electricity transmission and distribution company in Korea. KEPCO is by far the most important participant in the Korean power generation market. The balance of the generation market consists of a number of independent power producers as well as various private companies and government-affiliated entities.

Accordingly to the 5th basic plan for long-term electricity supply and demand (2010 – 2024) published by the Ministry of Knowledge Economy (a branch of the South Korean government) and Korea Power Exchange (a nonprofit organization, plays a key role in South Korea's power industry) in December 2010, electricity consumption has continuously increased due to its convenience and stable cost. Electricity consumption per capita has increased from 859kWh/year in 1980 to 8,092kWh/year in 2009, an increase of approximately 9 times. The installed capacity has increased from 9,391MW in 1980 to 73,470MW in 2009, an increase of approximately 8 times, due to the increase in electricity demand.

Recent status of electricity supply and demand in Korea

Year	**1980**	**1990**	**2000**	**2005**	**2006**	**2007**	**2008**	**2009**
Peak Load (MW)	5,457	17,252	41,007	54,631	58,994	62,285	62,794	66,797
Generating Capacity (MW)	9,391	21,021	48,451	62,258	65,514	68,268	72,491	73,470
Reserve (%)	72.1	21.8	16.8	13	9.8	7.9	12	9.8
Consumption per capita (kWh/year)	859	2,206	5,067	6,883	7,191	7,607	7,922	8,092
Nominal Electricity Price (Korean Won/kWh)	50.9	52.9	74.7	74.5	76.4	77.9	78.8	83.6

The table below sets out the electricity generation in China and South Korea from 2000 to 2009 as extracted from BP Statistical Review of World Energy June 2010:

Electricity generation

Terawatt-hours ("TWh")	**2000**	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**Change 2009 over 2008**	**2009 share of total**
China	1,355.6	1,480.8	1,654.0	1,910.6	2,203.3	2,500.3	2,865.7	3,281.6	3,494.5	3,725.1	6.9%	18.5%
South Korea	290.4	309.9	332.0	347.8	368.0	389.5	403.6	426.6	446.7	455.9	2.3%	2.3%
Total World	15,379.8	15,626.5	16,183.1	16,792.6	17,553.6	18,311.6	19,025.5	19,907.8	20,336.3	20,093.6	-0.9%	100.0%

Source:BP Statistical Review of World Energy June 2010

In the long term, power industry in China and Korea, boosted by accelerated process of industrialization and urbanization, is expected to have a continuous growth in the next decade. Moreover, with the supportive policy of the PRC government in the clean energy industry, we consider that the power industry will require a great deal of investment in the future.

For each of the Target Group's power plants, the sale of electricity is primarily determined by tariffs, planned output and dispatch order. For nearly all of the Target Group's projects, electricity is sold directly to the relevant local grid company at tariffs based on planned output amounts and pursuant to a dispatch order determined by the relevant government authorities.

Shareholders should note that governmental regulations and policies in the PRC and Korea, where the power projects of the Target Group are located, may affect all aspects of the power plant operations. In particular, the PRC power industry is a highly regulated industry, many aspects such as the amount and timing of electricity generation, the setting of tariffs, electricity price, compliance with power grid control, dispatch directives and environmental protection are subject to regulation by the relevant PRC government authorities.

There can be no assurance that the changes in regulations and policies will not have a material adverse effect on the Target Group's business, financial condition and results of operations.

Having considered (i) the strong background of CGNPG and the power projects that the Target Group invested in as stated above, which the Board believes that CGNPC International will bring in quality projects to the Group which will broaden the Group's sources and magnitude of recurring income in the future; (ii) the principally businesses of the Target Group are in line with the Group's business focus in natural resources and energy sectors; (iii) the financial performance of the MP Group has been improving for the past three years; (iv) the power industry is expected to have a continuous growth in future; and (v) the risks relating to the governmental regulations and policies in the PRC and Korea as mentioned above, we consider that such risks are not specific to the Target Group but are instead general to other market players operating in the power industry in the PRC and Korea, including the Comparables (as defined in section (4) below), we concur with the Directors' view that the Subscription is in the interests of the Company and the Shareholders as a whole.

4. Principal terms of the Subscription Agreement

The principal terms of the Subscription Agreement are set out below:

Date

27 April 2011

Parties

1. CGNPC Huamei;
2. CGNPC International, as guarantor of CGNPC Huamei;
3. the Subscriber; and
4. the Company, as guarantor of the Subscriber

Subscription

Pursuant to the Subscription Agreement, subject to the fulfillment of the Conditions Precedent, which set out under the paragraph "Conditions of the Subscription" below, the Subscriber shall subscribe for and CGNPC Huamei shall allot and issue 776,424,000 Subscription Shares for the Consideration at the subscription price of HK$1.00 per Subscription Share.

The Subscription Shares represent approximately 29.41% of the issued share capital of CGNPC Huamei as enlarged by the allotment and issue of the Subscription Shares and Capitalisation Shares immediately after Completion.

CGNPC Huamei had acquired the entire issued share capital of Meiya Power in November 2010. To the best of the Directors' knowledge, information and belief, Meiya Power is a diversified power producer in Asia in terms of fuel type and geography, with a portfolio of gas-fired, hydro, wind, coal-fired, oil-fired and cogen projects in the PRC and Korea. Through Meiya Power's wholly-owned offshore holding companies, companies or joint ventures have been formed to develop, construct, own and operate each of such power projects. Meiya Power has invested in over 20 power projects of different fuel types such as hydro power, coal power, wind power, natural gas and cogeneration. Such power projects are located in various countries including South Korea and the PRC. Meiya Power also has a track record of focusing on developing a portfolio of renewable and clean projects.

Consideration

The Consideration payable by the Subscriber to CGNPC Huamei for the Subscription Shares on Completion is HK$776,424,000, representing HK$1.00 per Subscription Share, which was arrived at after arm's length negotiations between the parties to the Subscription Agreement after taking into account, among other things, the business prospects of the Target Group as well as the original purchase price of the entire issued share capital of Meiya Power from MPC Cayman, which was US$1,045 million. The Subscription is to be funded by the Group's internal resources.

Conditions of the Subscription

Pursuant to the Subscription Agreement, the Completion is conditional upon the satisfaction in full or (at the sole and absolute discretion of the Subscriber) the waiver of the following Conditions Precedent (other than (b) below which cannot be waived):

(a) the Subscriber not notifying CGNPC Huamei in writing that any Material Adverse Change has occurred prior to the Completion Date or are likely to occur whether before or after the Completion Date, and/or that there has not been, any breach of the warranties by CGNPC Huamei at any time before the Completion Date; and

(b) the passing of the Shareholders (other than those who are abstained from voting under the Listing Rules, where applicable) of the relevant resolutions at a general meeting of the Company approving the Subscription Agreement, the Share Charge, the Repayment and the transactions contemplated thereunder.

Capitalisation

Subject to the terms and conditions of the Subscription Agreement, CGNPC Huamei shall on Completion capitalise the Shareholder Loan in the principal amount of US$240,019,113.00 (equivalent to HK$1,863,566,000.00 based on the exchange rate of US$1.00=HK$7.76424) by allotment and issue of the Capitalisation Shares at the issue price of HK$1.00 per Capitalisation Share to CGNPC International.

Repayment

CGNPC Huamei shall on Completion and immediately after the Capitalisation utilize part of the Consideration to repay the remainder of the Shareholder Loan (together with the interest to be accrued thereon as determined in accordance within the Shareholder Loan Agreement) in favour of CGNPC International.

Principal rights and obligations of the CGNPC Huamei shareholders

Board Composition

The board of directors of CGNPC Huamei shall, after Completion, comprise three (3) members. Each of the Subscriber and CGNPC International shall have the right to appoint and remove up to one (1) and two (2) directors, respectively. Such rights and obligations of the Subscriber shall cease in the event that the Subscriber's shareholding percentage in CGNPC Huamei falls below 10% of the total issued share capital of CGNPC Huamei.

The right to appoint a director in CGNPC Huamei is a protection of its shareholder's right. The Group will participate in the strategic level and CGNPC International will involve in daily management of the Target Group.

Pre-emptive Rights

In the event of future issuance of equity securities by CGNPC Huamei, any of its shareholders shall have the first right to purchase in such issuance or sale on a pro-rata basis and the rights of entitlement of its shareholders is calculated on fully diluted basis.

Tag-along Right

In the event that (i) CGNPC International shall propose to transfer, in one or more transactions, any of its interests in CGNPC Huamei; or (ii) CGNPC shall dispose of any of its direct or indirect interests in CGNPC International to a third party or third parties which, in either case, reduces or may reduce the direct or indirect shareholding interests of CGNPC in CGNPC Huamei to a percentage falling below 51% of the total issued share capital of CGNPC Huamei, the Subscriber shall have the right and option, but not the obligation to participate in such proposed transfer by disposing of its entire interests in CGNPC Huamei at the same price and on the same terms and conditions agreed between the CGNPC International or CGNPC (as the case may be) and such third party(ies).

Alternatively, the Company shall have the right and option, but not the obligation to dispose of its direct or indirect interests in the Subscriber at the same price and on the same terms and conditions agreed between CGNPC International or CGNPC (as the case may be) and such third party(ies).

IPO

The shareholders of CGNPC Huamei shall use their reasonable endeavours to procure that an IPO shall take place as soon as possible or in such other period of time as agreed by them provided that such IPO is in the best interests of the shareholders of CGNPC Huamei as a whole and the business of the Target Group, and the shareholders of CGNPC Huamei agree that an IPO shall be approved by the board of directors of CGNPC Huamei provided that the terms of such IPO shall only be proceeded in the best interests of the shareholders of CGNPC Huamei as a whole.

There is an understanding that the shareholders of CGNPC Huamei have an intention for an IPO and that it is at the preliminary stage and that the IPO will take place as and when it is feasible.

Whether the IPO proceeds or not, the Group's investment in CGNPC Huamei will be treated as a medium to long term investment for profit sharing.

Cooperation in good faith for the reorganisation of the Target Group

Each of the shareholders of CGNPC Huamei agrees that it shall cooperate in good faith and shall use its reasonable endeavours to take such other action as may be reasonably necessary to give effect to reorganisation of the Target Group as the SASAC may require.

As at the Latest Practicable Date, there is no material progress on the reorganisation of the Target Group.

Share Charge

As set out in the Letter from the Board, part of the consideration of the Share Purchase Agreement was financed by the Bank Loan. CGNPC has, in consideration of the Bank Loan advanced to CGNPC Huamei, provided the Bank Guarantee Agreement in favour of the Bank for all amounts due and owing under the Bank Loan Agreement. Pursuant to the Subscription Agreement, the Subscriber has agreed to enter into the Share Charge on Completion to secure the Relevant

Chargee Indebtedness (as hereinafter defined) of CGNPC under the Bank Guarantee Agreement. The Subscriber will charge as first fixed charge the Subscription Shares and any shares in CGNPC Huamei other than the Subscription Shares that the Subscriber acquires after the date of the Share Charge as a continuing security to CGNPC for any payment of moneys which may become due by CGNPC to the Bank under the Bank Guarantee upon the delivery of a bank demand against CGNPC for discharge of liabilities which may become due by CGNPC to the Bank under the Bank Guarantee in respect of any default by CGNPC Huamei to make payment of moneys which may become due by CGNPC Huamei to the Bank under the Bank Loan (the "Bank Demand") (collectively, the "Chargee Indebtedness"), as may be attributable to the Subscriber, in the proportion equal to the percentages of shareholding of the respective shareholders of CGNPC Huamei as at the date of payment by CGNPC to the Bank of the Chargee Indebtedness (the "Enforcement Date") of the Subscriber (the "Relevant Chargee Indebtedness").

Even though the Share Charge covers all Subscription Shares and any shares in CGNPC Huamei subsequently acquired by the Subscriber, the Share Charge is a continuing security to CGNPC for any payment of the Relevant Chargee Indebtedness, i.e. those liabilities become due by CGNPC to the Bank under the Bank Guarantee upon the delivery of a Bank Demand, as may be attributable to the Subscriber, in the proportion equal to its relevant shareholding percentage of CGNPC Huamei as at the Enforcement Date, and not the entire Chargee Indebtedness.

CGNPC Huamei undertakes to CGNPC that it shall comply with the terms of the Bank Loan Agreement and shall use all available resources of the Target Group for repayment of the Bank Loan in accordance with the terms of the Bank Loan Agreement and shall take all necessary actions to avoid or resist any Bank Demand.

Further details on the terms of the Subscription Agreement can be referred to in the Letter from the Board.

Our view on the material terms of the Subscription Agreement

Comparables analysis

In assessing the fairness and reasonableness of the Consideration, the price-to-earnings ratios ("P/E ratio") and the price-to-book ratios ("P/B ratio") have been used in the analysis. We have, based on the information available from the websites of the Stock Exchange, the Korea Exchange and Bloomberg, identified the following comparables (the "Comparables") being companies listed on the Stock Exchange and the Korea Exchange engaging in businesses similar to the Target Group. To the best of the knowledge, we have identified 12 Comparables by searching through published

information on the websites of the Stock Exchange and the Korea Exchange and Bloomberg, which (i) are principally engaged in investment in, development, construction, operation and management of power plants or projects in the PRC and/or Korea; and (ii) have revenue derived from the business segment related to power plants or projects in the PRC and/or Korea represent not less than 50% of the total revenue for their respective latest financial year. Based on the aforesaid selection criteria, the list of the Comparables and their respective P/E ratios and P/B ratios are set out below.

	Company (stock code)	Principal activities	Closing price as at the Latest Practicable Date	Market Capitalisation *(Note 1)*	P/B ratio *(Note 2)*	P/E ratio *(Note 3)*
			HK$	*HK$' million*		
Companies listed on the Stock Exchange						
1	Asia Energy Logistics Group Limited (351)	Waste incineration power generation business and railway construction and operations.	0.144	1,851	1.82	N/A *(Note 4)*
2	China Power New Energy Development Company Limited (735)	Development, construction, ownership, operation and management of clean energy power plants in the PRC, investment holding in the clean energy power industry, sale of clean energy power generating equipment and property investments.	0.485	3,826	0.64	11.94
3	China Resources Power Holdings Company Limited (836)	Invest, develop, operate and manage power plants and coal mine projects in the more affluent regions or regions with abundant coal resources in China.	14.38	67,866	1.35	11.78
4	China Power International Development Limited (2380)	Develop, construct, own, operate and manage large power plants in China, and engage in investment holdings.	1.95	9,959	0.59	10.09
5	Amber Energy Limited (90)	Development, operation and management of power plants fuelled by natural gas.	1.22	506	0.90	10.83
6	AVIC International Holding (HK) Limited (232)	Supply of electric and steam power, aero-technology related business including the development, manufacture and distribution of helicopters.	0.33	1,569	0.46	35.66
7	Huaneng Power International, Inc (902)	Generation and sale of electric power to the respective regional or provincial grid companies in the PRC.	4.06	57,065	0.80	15.07

	Company (stock code)	Principal activities	Closing price as at the Latest Practicable Date	Market Capitalisation (Note 1)	P/B ratio (Note 2)	P/E ratio (Note 3)
			HK$	*HK$' million*		
Companies listed on the Stock Exchange						
8	China Longyuan Power Group Corporation Limited (916)	Sales of wind and coal power generation, trading of coal and other related business.	7.12	19,300	0.62	6.11
9	Datang International Power Generation Co., Ltd. (991)	Power generation and power plant development in the PRC.	2.64	8,753	0.20	2.01
10	Huadian Power International Corporation Limited (1071)	Generation and sale of electricity and heat. All electricity generated is supplied to the provincial grid companies where the plants are located.	1.51	2,161	0.09	22.04
11	China Datang Corporation Renewable Power Co., Limited (1798)	Development & management of wind power & other renewable energy sources; research of low carbon technology; maintenance of renewable energy-related equipment; power generation; repair & maintenance of power projects, training & consulting.	1.87	4,407	0.37	5.71
			KRW	*KRW (billion)*		
Company listed on the Korea Exchange						
12	Korea Electric Power Corporation (015760)	Generate, transmit and distribute electricity to South Korea for a variety of use; and build and operate hydro-power, thermal-power, and nuclear power units in South Korea	28,500	18,285	0.45	N/A *(Note 4)*
				Maximum	1.82	35.66
				Minimum	0.09	2.01
				Average	0.69	13.12
	Subscription of 29.41% interest in the Target Group	**Diversified power producer in Asia in terms of fuel type and geography, with a portfolio of gas-fired, hydro, wind, coal-fired, oil-fired and cogen projects in the PRC and Korea.**			**0.53**	**6.02**

Source: The Stock Exchange's website and Bloomberg

Notes:

1. *Market Capitalisation of the Comparables are calculated based on their respective closing prices as at the Latest Practicable Date and the total number of issued shares as extracted from their respective latest published annual/interim reports or financial statements.*

2. *P/B ratio of the Comparables are calculated based on their respective closing prices as at the Latest Practicable Date and the net assets value of the Comparables as extracted from their respective latest published balance sheets divided by the total number of issued shares.*

3. *P/E ratio of the Comparables are calculated based on their respective closing prices as at the Latest Practicable Date and the net profit of the Comparables as extracted from their respective latest annual reports or financial statements divided by the total number of issued shares.*

4. *The company was loss making in the latest financial year and price-to-earnings multiple is thus not available.*

As shown in the table set out above, the P/E ratios and P/B ratios of the Comparables are ranged from approximately 2.01 to 35.66 times and 0.09 to 1.82 times respectively and the average P/E ratio and P/B ratio of the Comparables are approximately 13.12 times and 0.69 times. The implied P/E ratio and P/B ratio of the Subscription of approximately 6.02 and 0.53 times was within the range and below the average of the P/E ratio and P/B ratios of the Comparables. Having considered the aforesaid, we consider the Consideration for the Subscription, with reference to the above implied P/E ratio and P/B ratio, to be fair and reasonable to the Independent Shareholders.

We noted that the Group will fund the Subscription by its internal resources. According to the 2010 Annual Report, the bank balance and cash of the Group as at 31 December 2010 amounted to approximately HK$1,338.6 million. Given the sound and good financial position of the Group, the Directors are confident that the working capital of the Group is adequate for its daily operations after the Subscription and for at least the next twelve months in the absence of unforeseen circumstances.

We note that CGNPC Huamei shall capitalize the Shareholder Loan by allotment and issue of the Capitalisation Shares at the issue price of HK$1.00 per Capitalisation Share to CGNPC International upon Completion. Given that the issue price for the Capitalisation Share is equal to the Subscription Price, i.e. HK$1.00, we consider it is fair and reasonable and the Capitalisation also represents CGNPC International's commitment to the Target Group.

For the principal rights and obligations of the CGNPC Huamei shareholders, such as board composition and pre-emptive rights, we consider these clauses were determined on a fair basis as it represents the pro-rata shareholding interests of the Subscriber and CGNPC International. In relation to the clause on tag-along rights, as it provides the Subscriber a right and option, but not the obligation, under the specific circumstances, to participate in the proposed transfer of interests in CGNPC Huamei by disposing of its entire interests in CGNPC Huamei at the same price and on the same terms and conditions agreed between the CGNPC International or CGNPC (as the case may be) and the third party(ies), we are of the view that it is in the interest of the Subscriber.

We also note that the Subscriber has agreed to enter into the Share Charge on Completion to secure the Relevant Chargee Indebtedness of CGNPC under the Bank Guarantee Agreement. As the Bank Guarantee Agreement was entered into prior to the Subscription, the Share Charge will serve as a continuing security to CGNPC for any payment of the Relevant Chargee Indebtedness, i.e. those liabilities become due by CGNPC to the Bank under the Bank Guarantee upon the delivery of a Bank Demand, as may be attributable to the Subscriber. Having considered the Share Charge is made in the proportion equal to the relevant shareholding percentage of the Subscriber in CGNPC Huamei as at the Enforcement Date, which is made on an equal basis with CGNPC International (the other CGNPC Huamei shareholder), and not the Chargee Indebtedness, we consider it is fair and reasonable.

Taking into account the discussion above, we concur with the Directors' view that the Subscription Agreement and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable and in the interest of the Company and the Shareholders as a whole.

5. Business and financial information of the Group

The Group is principally engaged in the investment in coal, property, financial assets and the production and trading of petrochemical products.

The following table summarises the selected items from the audited financial information of the Group for the three years ended 31 December 2010 as extracted from the respective annual reports of the Company.

	For the year ended 31 December		
	2010	**2009**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Property management fee income	156,310	139,000	147,068
Rental income	70,037	65,821	54,431
Sales of petrochemical products	—	74,668	45,662
	226,347	279,489	247,161
Costs of sales and services	(100,746)	(165,578)	(147,938)
Finance costs	(26,144)	(24,470)	(25,520)
Share of results of associates	149,455	36,497	22,472
Share of results of jointly controlled entities	65,610	8,071	(2,426)
Profit before taxation	722,092	453,540	86,942
Taxation charge	(151,910)	(42,210)	(5,190)
Profit attributable to owners of the Company	530,818	406,278	87,057
Profit attributable to non-controlling interests	39,364	5,052	(5,305)
Profit for the year	570,182	411,330	81,752
Earnings per share			
Basic (in HK dollar)	0.247	0.223	0.048
Diluted (in HK dollar)	N/A	0.220	0.048

	As at 31 December		
	2010	**2009**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
		(restated)	(restated)
Bank balances and cash	1,338,558	1,979,724	792,376
Short term borrowings	438,062	201,539	362,878
Long term borrowings	89,448	263,250	22,221
	527,510	464,789	385,099
Total assets	9,112,447	6,497,924	6,410,142
Total liabilities	1,804,020	1,235,319	1,338,091

For the year ended 31 December 2010, the Group's profit attributable to owners of the Company increased to approximately HK$530.8 million from HK$406.3 million for the year ended 31 December 2009, representing a growth of approximately 31%. Such an increment was mainly attributable to the increases in fair values of the Group's investment properties and financial assets at fair value through profit or loss, and the increases in profit contributions from the associates and jointly controlled entities of the Group. These increases were partially diluted by the absence of the one-off gain on disposal of an associate in 2009 and the significant increase in taxation charge in 2010.

With the increment of approximately 31% in the profit attributable to owners of the Company in 2010, the basic earnings per share however only increased to approximately HK$0.247 in 2010 from approximately HK$0.223 in 2009, representing an increase of approximately 11%. This was due to the dilution effect of 364,140,000 new Shares issued to CGNPC International in February 2010.

As at 31 December 2010, the bank balance and cash of the Group amounted to approximately HK$1,338.6 million and the Group's total borrowings was approximately HK$527.5 million in aggregate; in which there was approximately HK$ 438.1 million due within one year. In view of the Group's working capital base and relatively high level of net cash position, the Board is confident that the Group has adequate working capital to meet daily operations and to finance future expansion.

For the year ended 31 December 2009, the Group's profit attributable to the owners of the Company increased by approximately 366% from approximately HK$87.1 million in 2008 to HK$406.3 million in 2009. It was mainly attributable to the one-off gain on disposal of an associate and increases in fair values of the Group's investment properties and held-for-trading investments.

The basic earnings per share in 2009 went along with the growth noted in the Group's profit attributable to the owners of the Company and increased by approximately 365% from approximately HK$0.048 in 2008 to approximately HK$0.223 in 2009.

As at 31 December 2009, the bank balance and cash of the Group amounted to approximately HK$1,979.7 million and the Group's total borrowings was approximately HK$464.8 million in aggregate, in which there was approximately HK$ 201.5 million due within one year. The significant increase in bank balances and cash as at 31 December 2009 as compared with that as at 31 December 2008, representing an increase of approximately 150%, was mainly due to the receipt arising from the disposal of the two associates during the year.

We note that the share of results of associates increased from approximately HK$22.5 million for the year ended 31 December 2008 to approximately HK$36.5 million for the year ended 31 December 2009 and further went up to approximately HK$149.5 million for the year ended 31 December 2010, representing an increase of 62% and 310% respectively. For the year ended 31 December 2010, the share of results of associates represented a substantial source of profit, which amounted to approximately 28% of the profit attributable to owners of the Company.

Having considered the analysis above, we consider the share of results of associates represents a significant portion of the profit attributable to owners of the Company in the past three years. Upon Completion, the Company will be interested in approximately 29.41% of the enlarged issued share capital of CGNPC Huamei and therefore share of results of the Target Group will be accounted for in the consolidated financial statements of the Group. Taking into account the historical financial performance and profitability of the MP Group as detailed in the paragraph headed "Financial information of the Target Group" above and the Group's business focus in natural resources and energy sectors, we consider that the Subscription will provide an opportunity for the Group to extend its business to the power industry in the PRC and Korea and the entering into of the Subscription Agreement and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole.

6. Financial effects of the Subscription Agreement

Net asset value

The Company will be interested in approximately 29.41% of the enlarged issued share capital of CGNPC Huamei immediately after Completion. There will be no significant material effect on the net asset value of the Group for the reason that the increase in interest in the Target Group will be offset by the decrease in bank balances and cash of the Group.

Earnings

Upon Completion, share of result of Target Group will be accounted for in the consolidated financial statements of the Group. For the year ended 31 December 2010, the Group recorded a profit attributable to owners of the Company of approximately HK$530.8 million. According to the unaudited pro forma consolidated income statement as set out in Appendix III to the Circular, the Enlarged Group would result in pro forma profit attributable to owners of the Company of approximately HK$598.4 million. The increase is mainly as a result of the pro forma adjustments relating to the share of results of associates.

Working capital

As at 31 December 2010, the bank balances and cash of the Group amounted to approximately HK$1,338.6 million. According to the unaudited pro forma consolidated statement of financial position as set out in Appendix III to the Circular, the bank balances and cash of the Enlarged Group is approximately HK$562.1 million. Since the Subscription will be financed by the Group's internal resources and it is expected that the working capital of the Enlarged Group would decrease by approximately HK$776.4 million.

RECOMMENDATION

Having taken into account the above principal factors, we are of the opinion that the Subscription Agreement is entered into in the ordinary and usual course of business, on normal commercial terms and the terms of the Subscription Agreement and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned and the Subscription Agreement is in the interests of the Company and the Shareholders as a whole. We therefore advise the Independent Shareholders, as well as the Independent Board Committee to recommend the Independent Shareholders, to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Subscription Agreement and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
Quam Capital Limited
Gary Mui
Executive Director

FINANCIAL SUMMARY

Set out below are the audited consolidated income statement, audited consolidated statement of comprehensive income and audited consolidated statement of financial position of the Group for each of the three years ended 31 December 2010, 31 December 2009 and 31 December 2008. The audited consolidated financial statements of the Group (i) for the year ended 31 December 2010 is disclosed in the 2010 annual report of the Company published on 12 April 2011, from pages 57 to 194; (ii) for the year ended 31 December 2009 is disclosed in the 2009 annual report of the Company published on 28 April 2010, from pages 56 to 189; and (iii) for the year ended 31 December 2008 is disclosed in the 2008 annual report of the Company published on 29 April 2009, from pages 50 to 176, all of which have been published on the website of the Stock Exchange (www.hkex.com.hk) and the website of the Company (www.silvergrant.com.hk).

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December

	2010	**2009**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Property management fee income	156,310	139,000	147,068
Rental income	70,037	65,821	54,431
Sales of petrochemical products	—	74,668	45,662
	226,347	279,489	247,161
Cost of sales and services	(100,746)	(165,578)	(147,938)
	125,601	113,911	99,223
Income from investment in distressed assets through establishment of a special purpose vehicle	50,996	45,866	39,993
Dividend income from listed and unlisted securities	13,299	3,910	1,132
Other income, gains and losses	158,133	177,882	195,545
Change in fair value of held-for-trading investments	(775)	48,548	(35,351)
Administrative expenses	(164,983)	(140,640)	(117,776)
Gain on disposal of available-for-sale investments	1,597	17,898	—
Reversal of revaluation deficit (revaluation deficit) of leasehold properties	8,133	7,119	(19,141)
Change in fair value of investment properties	172,518	58,444	(20,130)

	2010	2009	2008
	HK$'000	*HK$'000*	*HK$'000*
Loss on fair value change on convertible note classified as financial liabilities at fair value through profit or loss	—	—	(6,289)
Change in fair value of structured finance securities	(3,967)	(3,174)	1,715
Change in fair value of financial assets at fair value through profit or loss	172,619	—	—
Impairment loss on available-for-sale investments	—	—	(25,390)
Impairment loss on deposits, prepayments and other receivables	—	—	(21,115)
Finance costs	(26,144)	(24,470)	(25,520)
Gain on disposal of associates	—	103,678	—
Share of results of associates	149,455	36,497	22,472
Share of results of jointly controlled entities	65,610	8,071	(2,426)
Profit before taxation	722,092	453,540	86,942
Taxation charge	(151,910)	(42,210)	(5,190)
Profit for the year	570,182	411,330	81,752
Attributable to:			
Owners of the Company	530,818	406,278	87,057
Non-controlling interests	39,364	5,052	(5,305)
	570,182	411,330	81,752
Earnings per share (in HK dollar)			
— Basic	0.247	0.223	0.048
— Diluted	N/A	0.220	0.048

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December

	2010	2009	2008
	HK$'000	*HK$'000*	*HK$'000*
Profit for the year	570,182	411,330	81,752
Other comprehensive income			
Exchange difference arising on translation	176,480	40,503	52,702
Fair value gain (loss) arising on revaluation of available-for-sale investments	895,533	17,898	(111,455)
Reclassification adjustment — impairment loss on available-for-sale investments	—	—	25,390
Reclassification adjustment — transfer to profit or loss on disposal of available-for-sale investments	(1,597)	(17,898)	—
Gain arising on revaluation of leasehold properties	36,889	21,237	7,007
Share of other comprehensive income of associates and jointly controlled entities	6,376	9,046	(56,252)
Reclassification adjustment — transfer to profit or loss on disposal of associates	—	(8,954)	—
Income tax relating to components of other comprehensive income	(138,320)	(2,842)	(1,301)
Other comprehensive income for the year (net of tax)	975,361	58,990	(83,909)
Total comprehensive income for the year	1,545,543	470,320	(2,157)
Total comprehensive income attributable to:			
Owners of the Company	1,370,563	463,651	9,261
Non-controlling interests	174,980	6,669	(11,418)
	1,545,543	470,320	(2,157)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AND STATEMENT OF FINANCIAL POSITION

As at 31 December

	2010	2009	2008
	HK$'000	*HK$'000*	*HK$'000*
		(Restated)	(Restated)
ASSETS			
Non-current assets			
Investment properties	2,541,194	2,288,512	2,188,262
Property, plant and equipment	260,630	223,198	462,444
Land use right	—	26,785	26,842
Goodwill	7,001	7,001	11,392
Interest in associates	1,492,301	132,951	783,991
Interest in jointly controlled entities	266,331	198,396	66,717
Structured finance securities	5,075	9,042	12,216
Available-for-sale investments	1,038,604	435,494	314,019
Loan receivables	295,858	339,751	—
Deposits, prepayments and other receivables	—	142,111	—
	5,906,994	3,803,241	3,865,883
Current assets			
Inventories, at cost	327	298	66,597
Investment in distressed assets through establishment of a special purpose vehicle	65,245	144,201	148,247
Held-for-trading investments	126,237	132,816	70,027
Trade receivables	10,825	10,118	11,794
Deposits, prepayments and other receivables	199,259	115,074	207,323
Amounts due from associates	430,081	102,397	982,626
Amounts due from jointly controlled entities	61,543	98,080	63,074
Loan receivable with embedded derivative	117,581	—	—
Loan receivables	139,250	111,975	79,790
Available-for-sale investments	654,511	—	121,277
Taxation recoverable	—	—	1,128
Bank balances and cash	1,338,558	1,979,724	792,376
	3,143,417	2,694,683	2,544,259

	2010	2009	2008
	HK$'000	*HK$'000*	*HK$'000*
		(Restated)	(Restated)
Assets classified as held-for-sale	62,036	—	—
	3,205,453	2,694,683	2,544,259
TOTAL ASSETS	9,112,447	6,497,924	6,410,142
EQUITY			
Capital and reserves			
Share capital	436,970	364,142	364,142
Reserves	6,603,290	4,805,276	4,505,489
Equity attributable to owners of the Company	7,040,260	5,169,418	4,869,631
Non-controlling interests	268,167	93,187	202,420
TOTAL EQUITY	7,308,427	5,262,605	5,072,051
LIABILITIES			
Non-current liabilities			
Borrowings	89,448	263,250	22,221
Deferred tax liabilities	380,101	103,497	87,954
	469,549	366,747	110,175
Current liabilities			
Trade payables	106,406	99,200	113,833
Accrued charges, rental deposits and other payables	576,731	397,988	207,741
Amount due to an associate	—	22,789	13,500

	2010	2009	2008
	HK$'000	*HK$'000*	*HK$'000*
		(Restated)	(Restated)
Borrowings	438,062	201,539	362,878
Convertible note	—	—	389,025
Taxation payable	151,236	147,056	140,939
	1,272,435	868,572	1,227,916
Liabilities associated with assets classified as held-for-sale	62,036	—	—
	1,334,471	868,572	1,227,916
TOTAL LIABILITIES	1,804,020	1,235,319	1,338,091
TOTAL EQUITY AND LIABILITIES	9,112,447	6,497,924	6,410,142
Net current assets	1,870,982	1,826,111	1,316,343
Total assets less current liabilities	7,777,976	5,629,352	5,208,265

RECONCILIATION STATEMENT

The reconciliation of the appraised values as at 31 March 2011 of the property interests held by the Group prepared by Vigers Appraisal & Consulting Limited with their audited net book values as at 31 December 2010 are as follows:

	HK$'000
Net book value of the properties as at 31 December 2010	2,777,985
Movement for the period from 31 December 2010 to 31 March 2011 (unaudited)	
Depreciation provided during the period	(1,889)
Net book value as at 31 March 2011	2,776,096
Valuation surplus	28,094
Valuation of the properties as at 31 March 2011 as set out in the Property Valuation Report set out in Appendix V *(Note)*	2,804,190

Note:

As set out in the property valuation report of Vigers Appraisal & Consulting Limited ("Vigers") in Appendix V to this circular, Vigers has attributed no commercial value to parts of the properties (The properties comprised Property Nos. 15 to 20 and 23 to 26) without title certificates. The market value of these parts of the properties without title certificates as at 31 March 2011 would be HK$94,700,000 assuming all relevant title certificates have been obtained.

The valuation of the properties of the Group of approximately HK$2,804,190,000 shown above comprised the aggregate market value of the properties of HK$2,709,490,000 (for parts of the properties with title certificates) and HK$94,700,000 (for parts of the properties without title certificates) as at 31 March 2011.

Deloitte.
德勤

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88 Queensway
Hong Kong

30 June 2011

The Directors
Silver Grant International Industries Limited
Suite 4901, Office Tower
Convention Plaza
1 Harbour Road
Wanchai
Hong Kong

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") regarding CGNPC Huamei Investment Limited ("CGNPC Huamei") for the period from 21 January 2010 (date of incorporation) to 31 December 2010 (the "Relevant Period") for inclusion in a circular issued by Silver Grant International Industries Limited (the "Company") dated 30 June 2011 (the "Circular") in connection with the subscription of 776,424,000 shares of CGNPC Huamei (the "Subscription"), which represented 29.41% of equity interests in CGNPC Huamei.

CGNPC Huamei was incorporated in Hong Kong on 21 January 2010 and is an investment holding company. As at 31 December 2010 and date of this report, CGNPC Huamei has direct and indirect interests in the following subsidiaries.

Name of subsidiaries	Place of incorporation/ establishment	Date of incorporation/ establishment	Issued and fully paid-up share capital/ registered capital	Proportion of nominal value of issued share/ registered capital held by CGNPC Huamei		Principal activities
				2010	As at date of report	
Meiya Power Company Limited[1]	Bermuda	28 September 1995	United States Dollar ("US$") 40,000	100%	100%	Investment holding

Name of subsidiaries	Place of incorporation/ establishment	Date of incorporation/ establishment	Issued and fully paid-up share capital/ registered capital	Proportion of nominal value of issued share/ registered capital held by CGNPC Huamei		Principal activities
				2010	As at date of report	
CanAm Energy China Holdings, Limited	Hong Kong	2 August 2007	Hong Kong dollars ("HK$") 1	100%	100%	Investment holding
CanAm Energy China Holdings, LLC	Delaware, United States of America	30 October 1997	US$2,000	100%	100%	Inactive
China U. S. Power Partners I (BVI), Limited	British Virgin Islands ("BVI")	16 November 2007	US$1	100%	100%	Investment holding
China U. S. Power Partners I, Limited	Hong Kong	26 October 2007	HK$1	100%	100%	Investment holding
China U.S. Power Partners I, Ltd.	Bermuda	8 February 1995	US$12,000	100%	100%	Inactive
Fast Well Investments Limited 迅和投資有限公司	Hong Kong	3 October 2001	HK$1,000,000	100%	100%	Investment holding
Guangxi Rongjiang Meiya Company Limited 廣西融江美亞有限公司[2]	The People's Republic of China (the "PRC")	15 September 1999	Reminbi ("RMB") 48,000,000	55%	55%	Investment in dam and other associated facilities
Guangxi Rongjiang Meiya Hydropower Company Limited 廣西融江美亞水電有限公司 ("Rongjiang Hydropower")[2]	The PRC	15 September 1999	RMB72,000,000	80%	80%	Generation and supply of electricity
Guangxi Rongyuan Hydropower Company Limited 廣西融源水電有限公司 ("Guangxi Rongyuan")[3]	The PRC	4 January 2011	RMB38,000,000	—	100%	Construction and operating of hydroturbine generation unit
Guangxi Zuojiang Meiya Hydropower Company Limited 廣西左江美亞水電有限公司 ("Guangxi Zuojiang")[2]	The PRC	8 October 1998	RMB345,596,000	60%	60%	Generation and supply of electricity

Name of subsidiaries	Place of incorporation/ establishment	Date of incorporation/ establishment	Issued and fully paid-up share capital/ registered capital	Proportion of nominal value of issued share/ registered capital held by CGNPC Huamei		Principal activities
				2010	As at date of report	
Haian Meiya Cogeneration Co., Ltd. 海安美亞熱電有限公司[3]	The PRC	20 December 2002	US$11,920,000	100%	100%	Generation and supply of steam, electricity and other related products
Meiya (Lanzhou) Power Company Limited	Mauritius	15 March 2004	US$10	100%	100%	Inactive
Meiya (Taiwan) Power Development Limited	Labuan, Malaysia	28 November 2001	US$1	100%	100%	Inactive
Meiya Xiangyun (BVI) Limited (formerly known as Meiya CC Development (BVI) Limited)	BVI	30 January 2008	US$1	100%	100%	Investment holding
Meiya Xiangyun Development Limited (formerly known as Meiya CC Development Limited)	Hong Kong	11 August 2008	HK$1	100%	100%	Inactive
Meiya Electric Asia, Ltd	Mauritius	27 January 1997	US$100	100%	100%	Investment holding
Meiya Haian Cogen Power (BVI) Limited	BVI	16 November 2007	US$1	100%	100%	Investment holding
Meiya Haian Cogen Power Limited	Hong Kong	16 October 2007	HK$1	100%	100%	Investment holding
Meiya Haian Cogen Power Limited	Cayman Islands	10 October 2002	US$1	100%	100%	Inactive
Meiya Hanneng Power Company Limited	Mauritius	15 March 2004	US$10	100%	100%	Investment holding
Meiya Hexie Power Company Limited	Cayman Islands	15 May 2003	US$1	100%	100%	Investment holding

Name of subsidiaries	Place of incorporation/ establishment	Date of incorporation/ establishment	Issued and fully paid-up share capital/ registered capital	Proportion of nominal value of issued share/ registered capital held by CGNPC Huamei		Principal activities
				2010	As at date of report	
Meiya Huangshi Power (BVI) Limited	BVI	16 November 2007	US$1	100%	100%	Investment holding
Meiya Huangshi Power Ltd	Bermuda	13 May 1997	US$12,000	100%	100%	Inactive
Meiya Huangshi Power Limited	Hong Kong	26 October 2007	HK$1	100%	100%	Investment holding
Meiya Incheon Power Company Limited	Malta	8 April 2005	US$2,000	100%	100%	Investment holding
Meiya Jinqiao Power (BVI) Limited	BVI	16 November 2007	US$1	100%	100%	Investment holding
Meiya Jinqiao Power Limited	Hong Kong	12 October 2007	HK$1	100%	100%	Investment holding
Meiya Jinqiao Power Ltd.	Bermuda	7 September 1994	US$12,000	100%	100%	Inactive
Meiya Power China Holdings Limited	Cayman Islands	10 July 1998	US$20	100%	100%	Investment holding
Meiya Power Development Company Limited 美亞電力發展有限公司	Hong Kong	13 December 2000	HK$2	100%	100%	Investment holding
Meiya Power Investment Company Limited	Cayman Islands	16 July 2003	US$1	100%	100%	Investment holding
Meiya Power International Holding I, Limited	Cayman Islands	7 February 1997	US$20	100%	100%	Investment holding
Meyia Power Project (BVI) Limited	BVI	29 October 2008	US1	100%	100%	Investment holding
Meiya Power Project (BVI) I Limited ("MPC BVI")	BVI	3 December 2007	US$1	100%	100%	Investment holding

Name of subsidiaries	Place of incorporation/ establishment	Date of incorporation/ establishment	Issued and fully paid-up share capital/ registered capital	Proportion of nominal value of issued share/ registered capital held by CGNPC Huamei		Principal activities
				2010	As at date of report	
Meiya Power Project (BVI) II Limited	BVI	3 December 2007	US$1	100%	100%	Investment holding
Meiya Power Project (HK) Limited	Hong Kong	22 October 2008	HK$1	100%	100%	Investment holding
Meiya Project Development (BVI) Company Limited	BVI	21 January 2008	US$1	100%	100%	Investment holding
Meiya Project Development (Hong Kong) Company Limited 美亞發展有限公司	Hong Kong	11 January 2008	HK$1	100%	100%	Inactive
Meiya Project Development Company Limited	Mauritius	20 October 2005	US$10	100%	100%	Investment holding
Meiya Qujing Power Company Limited	Cayman Islands	27 January 1998	US$30,000	100%	100%	Investment holding
Meiya Qujing Power Company Limited	Hong Kong	8 November 2007	HK$1	100%	100%	Inactive
Meiya Qujing Power (BVI) Company Limited	BVI	16 November 2007	US$1	100%	100%	Investment holding
Meiya Rongjiang Hydropower Ltd.	Mauritius	19 June 1998	US$20	100%	100%	Investment holding
Meiya Sanjiang Hydropower (BVI) Limited	BVI	16 November 2007	US$1	100%	100%	Investment holding
Meiya Sanjiang Hydropower (Hong Kong) Limited	Hong Kong	11 June 2007	HK$1	100%	100%	Inactive
Meiya Sanjiang Hydropower Limited	Cayman Islands	27 June 2000	US$1	100%	100%	Investment holding

Name of subsidiaries	Place of incorporation/ establishment	Date of incorporation/ establishment	Issued and fully paid-up share capital/ registered capital	Proportion of nominal value of issued share/ registered capital held by CGNPC Huamei		Principal activities
				2010	As at date of report	
Meiya Shanghai BFG (BVI) Company Limited	BVI	16 November 2007	US$1	100%	100%	Investment holding
Meiya Shanghai BFG Company	Cayman Islands	20 August 1997	US$100	100%	100%	Inactive
Meiya Tongzhou Cogen Power (BVI) Limited	BVI	16 November 2007	US$1	100%	100%	Investment holding
Meiya Tongzhou Cogen Power Ltd.	Bermuda	6 February 1997	US$12,000	100%	100%	Investment holding
Meiya Tongzhou Cogen Power Limited	Hong Kong	15 June 2007	HK$1	100%	100%	Inactive
Meiya Weixi Power (Hong Kong) Limited	Hong Kong	10 January 2011	HK$1	—	100%	Inactive
Meiya Xiangtou Power Company Limited	Mauritius	28 April 2005	US$10	100%	100%	Investment holding
Meiya Yulchon Power Company Limited	Malta	17 December 2002	US$2,000	100%	100%	Investment holding
Meiya Zuojiang Hydropower Ltd.	Mauritius	8 September 1997	US$20	100%	100%	Investment holding
Mianyang Sanjiang Meiya Hydropower Company Limited 綿陽三江美亞水電有限公司[2]	The PRC	25 October 2002	RMB100,000,000	75%	75%	Generation and supply of electricity
MPC Daesan Power Co., Ltd. ("Daesan")	Republic of Korea	8 April 2009	Korean Won ("KRW") 6,450,000,000	100%	100%	Generation and supply of electricity from an oil-fired combined cycle power plant

Name of subsidiaries	Place of incorporation/ establishment	Date of incorporation/ establishment	Issued and fully paid-up share capital/ registered capital	Proportion of nominal value of issued share/ registered capital held by CGNPC Huamei		Principal activities
				2010	As at date of report	
MPC Investment (BVI) Company Limited (formerly known as Meiya Yu Yuan Cogen Power (BVI) Limited)	BVI	4 February 2008	US$1	100%	100%	Investment holding
MPC Investment (Daan) Company Limited 美亞投資(大安)有限公司 (formerly known as MPC Investment (HK) Company Limited)	Hong Kong	30 January 2008	HK$1	100%	100%	Inactive
MPC Korea Holdings Co., Ltd. ("MPC Korea") (formerly known as Meiya Yulchon Generation Company Limited)	Republic of Korea	22 November 1996	KRW23,490,600,000	100%	100%	Investment holding
MPC Yulchon Generation Co., Ltd. ("MPC Yulchon")	Republic of Korea	28 July 2009	KRW4,250,000,000	100%	100%	Generation and supply of electricity from a gas-fired thermal power plant
Nantong Meiya Co-generation Co., Ltd. 南通美亞熱電有限公司 ("Nantong")[3]	The PRC	13 March 1997	US$16,800,000	100%	100%	Generation and supply of electricity and steam and other related products
Nanyang General Light Electric Co., Ltd. 南陽普光電力有限公司 ("Nanyang Puguang")[2]	The PRC	1 January 1997	RMB476,667,000	59.5%	59.5%	Generation and supply of electricity and other related services
NGLE Pushan Power (BVI) Limited ("NGLE Pushan")	BVI	30 March 2009	US$100	85%	85%	Investment holding
NGLE Pushan Power Limited	Hong Kong	24 March 2009	HK$1	85%	85%	Investment holding

Name of subsidiaries	Place of incorporation/ establishment	Date of incorporation/ establishment	Issued and fully paid-up share capital/ registered capital	Proportion of nominal value of issued share/ registered capital held by CGNPC Huamei		Principal activities
				2010	As at date of report	
Shanghai Meiya Jinqiao Energy Co., Ltd. 上海美亞金橋能源有限公司 ("Meiya Jinqiao")[4]	The PRC	14 July 1995	RMB98,000,000	60%	60%	Generation and supply of steam
Shanghai Wei Gang Energy Co. , Ltd. 上海威鋼能源有限公司[2]	The PRC	21 January 1998	US$29,800,000	65%	65%	Generation and supply of electricity
Sichuan Hexie Electric Power Company Limited 四川和協電力有限公司 ("Sichuan Hexie")[3]	The PRC	25 February 1998	RMB100,000,000	100%	100%	Generation and supply of electricity
Tongzhou Meiya Cogeneration Co., Ltd. 通州美亞熱電有限公司[2]	The PRC	14 March 1997	US$10,600,000	80%	80%	Generation and supply of electricity and steam
Wuhan Han-Neng Power Development Co., Ltd. 武漢漢能電力發展有限公司 ("Wuhan Han-Neng")[4]	The PRC	11 October 1995	RMB100,000,000	60%	60%	Generation and supply of electricity
Yaneng Consulting (BVI) Company Limited	BVI	21 November 2007	US$1	100%	100%	Investment holding
Yaneng Consulting (Hong Kong) Company Limited	Hong Kong	30 August 2007	HK$1	100%	100%	Investment holding
Yaneng Consulting (Shanghai) Company Limited 亞能諮詢(上海)有限公司 ("Yaneng")[3]	The PRC	18 January 2000	US$500,000	100%	100%	Provision of consulting services and market research

(1) This company is directly held by CGNPC Huamei. Except for this company, all other companies are indirectly held by CGNPC Huamei.

(2) These companies were established in the PRC in the form of sino-foreign co-operative joint venture enterprise.

(3) These companies were established in the PRC in the form of wholly foreign-owned enterprise.

(4) These companies were established in the PRC in the form of sino-foreign equity joint venture enterprise.

All the companies above have adopted 31 December as their financial year end date.

No audited statutory financial statements have been prepared for CGNPC Huamei since its date of incorporation. For the purpose of this report, the sole director of CGNPC Huamei prepared management accounts for the Relevant Period in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), except for the failure to prepare consolidated financial information of CGNPC Huamei and its subsidiaries (collectively referred to as the "CGNPC Huamei Group") in accordance with the requirements of Hong Kong Accounting Standard 27 "Consolidated and Separate Financial Statements" ("HKAS 27") issued by the HKICPA (the "Underlying Management Accounts"). We have carried out independent audit procedures on the Underlying Management Accounts in accordance with Hong Kong Standards on Auditing issued by HKICPA.

We have examined the Underlying Management Accounts for the Relevant Period in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" as recommended by the HKICPA.

The Financial Information of CGNPC Huamei for the Relevant Period set out in this report has been prepared based on the Underlying Management Accounts. No adjustments have been made to the Underlying Management Accounts in preparing our report for inclusion in the Circular.

The sole director of CGNPC Huamei is responsible for preparing the Underlying Management Accounts who approve its issue. The directors of the Company are responsible for the contents of the Circular in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Management Accounts, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion:

— The Financial Information together with the notes thereon gives, for the purpose of this report, a true and fair view of the state of affairs of CGNPC Huamei as at 31 December 2010 and of the results and cash flows of CGNPC Huamei for the Relevant Period.

— Because of the significance of the matter discussed above regarding the failure to prepare consolidated financial information of CGNPC Huamei Group, the Financial Information does not give a true and fair view of the state of affairs of CGNPC Huamei Group as at 31 December 2010 and of the results and cash flows of CGNPC Huamei Group for the Relevant Period.

(A) FINANCIAL INFORMATION

STATEMENT OF COMPREHENSIVE INCOME

	NOTES	*US$'000*
Revenue		—
Change in fair value of financial asset at fair value through profit or loss	*11*	1,158
Administrative expenses		(20,571)
Finance costs	*6*	(7,605)
Loss before taxation	*7*	(27,018)
Taxation	*8*	—
Loss and total comprehensive expense for the period		(27,018)

STATEMENT OF FINANCIAL POSITION

	NOTES	*US$'000*
Non-current asset		
Investment in a subsidiary	*10*	1,025,158
Current assets		
Financial asset at fair value through profit or loss	*11*	61,000
Bank balances	*12*	596
		61,596
Current liabilities		
Other payables and accrued charges	*13*	7,339
Amount due to immediate holding company	*13*	332,655
Bank borrowing	*15*	28,000
		367,994
Net current liabilities		(306,398)
		718,760
Capital and deficit		
Share capital	*14*	1
Deficit		(27,018)
		(27,017)
Non-current liability		
Bank borrowing	*15*	745,777
Total equity and non-current liability		718,760

STATEMENT OF CHANGES IN EQUITY

	Share capital	Deficit	Total
	US$'000	*US$'000*	*US$'000*
Shares issued on 21 January 2010 (date of incorporation)	1	—	1
Loss and total comprehensive expense for the period	—	(27,018)	(27,018)
At 31 December 2010	1	(27,018)	(27,017)

STATEMENT OF CASH FLOWS

	US$'000
Operating activities	
Loss for the period	(27,018)
Adjustments for:	
Finance cost	7,605
Change in fair value of financial asset at fair value through profit or loss	(1,158)
Net foreign exchange loss	14,191
Operating cash flow before movements in working capital	(6,380)
Increase in other payables and accrued charges	6,450
Net cash from operating activities	70
Investment activities	
Investment in a subsidiary	(1,025,158)
Investment in financial asset at fair value through profit or loss	(59,842)
Cash used in investing activities	(1,085,000)
Financing activities	
Interest paid	(4,057)
Advance from immediate holding company	329,996
Bank borrowing raised	759,586
Proceeds from issue of shares	1
Net cash from financing activities	1,085,526
Net increase in cash and cash equivalents during the period and at the end of the period — bank balances	596

NOTES TO FINANCIAL INFORMATION

1. GENERAL AND BASIS OF PREPARATION

CGNPC Huamei was a private limited company incorporated in Hong Kong on 21 January 2010. Its immediate holding company is CGNPC International Limited which is incorporated in Hong Kong. Its ultimate holding company is China Guangdong Nuclear Power Holding Corporation, Ltd. which is established in the PRC. The address of the registered office of CGNPC Huamei is Room 1901, CC Wu Building, 302 Hennessy Road, Wanchai, Hong Kong.

CGNPC Huamei is an investment holding company.

The Financial Information is presented in US$, which is also the functional currency of CGNPC Huamei and its subsidiaries.

The Financial Information has been prepared on a going concern basis because the ultimate holding company of CGNPC Huamei has agreed to provide adequate funds to enable CGNPC Huamei to meet in full its financial obligations in the foreseeable future.

2. APPLICATION OF HKFRSs

For the purpose of preparing and presenting the Financial Information for the Relevant Period, CGNPC Huamei has applied HKFRSs, Hong Kong Accounting Standards ("HKAS(s)"), amendments and interpretations ("INT") issued by the HKICPA that are effective for CGNPC Huamei's accounting period beginning on 21 January 2010 (date of incorporation).

CGNPC Huamei has not early applied the following new or revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010[1]
HKFRS 7 (Amendments)	Disclosures — Transfers of financial assets[3]
HKFRS 9	Financial instruments[4]
HKAS 12 (Amendments)	Deferred tax: Recovery of underlying assets[5]
HKAS 24 (as revised in 2009)	Related party disclosures[6]
HKAS 32 (Amendments)	Classification of rights issues[7]
HK(IFRIC) — INT 14 (Amendments)	Prepayments of a minimum funding requirement[6]
HK(IFRIC) — INT 19	Extinguishing financial liabilities with equity instruments[2]

1 Effective for annual periods beginning on or after 1 July 2010 or 1 January 2011, as appropriate.
2 Effective for annual periods beginning on or after 1 July 2010.
3 Effective for annual periods beginning on or after 1 July 2011.
4 Effective for annual periods beginning on or after 1 January 2013.
5 Effective for annual periods beginning on or after 1 January 2012.
6 Effective for annual periods beginning on or after 1 January 2011.
7 Effective for annual periods beginning on or after 1 February 2010.

The sole director of CGNPC Huamei anticipates that the application of these new and revised standards, amendments or interpretations issued but not yet effective, as listed above, will have no material impact on the results and financial position of CGNPC Huamei.

In addition to the above the HKICPA issued the following new and revised standards on 24 June 2011.

HKFRS 10	Consolidated financial statements
HKFRS 11	Joint arrangements
HKFRS 12	Disclosure of interests in other entities
HKFRS 13	Fair value measurement
HKAS 27 (as revised in 2011)	Separate financial statements
HKAS 28 (as revised in 2011)	Investments in associates and joint ventures

These new or revised standards are mandatorily effective for annual periods beginning on or after 1 January 2013. Early application is permitted. However, excluding HKFRS 13, if an entity chooses to apply any of the other five new or revised standards early, it must apply all five at the same time. The sole director of CGNPC Huamei anticipates that these standards will be adopted in CGNPC Huamei's financial statements for the period beginning 1 January 2013. The sole director of CGNPC Huamei has not yet had an opportunity to consider the potential impact of the adoption of these standards.

3. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared on the historical cost basis and in accordance with HKFRSs issued by the HKICPA except for the failure to prepare consolidated financial information in accordance with HKAS 27 "Consolidated and Separate Financial Statements" issued by the HKICPA. In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance. The principal accounting policies are as follows:

Investment in a subsidiary

Investment in a subsidiary is included in CGNPC Huamei's statement of financial position at cost less any identified impairment losses. The results of the subsidiary are accounted for on the basis of dividend received or receivable.

Foreign currencies

In preparing the financial statements of CGNPC Huamei, transactions in currencies other than the functional currency of CGNPC Huamei (foreign currencies) are recorded in the functional currency (i.e. the currency of the primary economic environment in which CGNPC Huamei operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period.

Borrowing costs

Borrowing costs are recognised in profit or loss in the period in which they are incurred.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the period. Taxable profit differs from profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes items that are never taxable or deductible. CGNPC Huamei's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Financial Information and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which CGNPC Huamei expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss.

Financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when CGNPC Huamei becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

CGNPC Huamei's financial assets include financial asset at fair value through profit or loss ("FVTPL") and loans and receivables. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Financial asset at fair value through profit or loss

Financial asset at FVTPL includes those designated as at FVTPL on initial recognition.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the CGNPC Huamei's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At the end of the reporting period subsequent to initial recognition, loans and receivables (including bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of loans and receivables below).

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis.

Impairment of loans and receivables

Loans and receivables are assessed for indicators of impairment at the end of the reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty;

- breach of contract, such as default or delinquency in interest or principal payments; or

- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by CGNPC Huamei are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liabilities and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of CGNPC Huamei after deducting all of its liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities including other payables and accrued charges, amount due to immediate holding company and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by CGNPC Huamei are recorded at the proceeds received, net of direct issue costs.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and CGNPC Huamei has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when CGNPC Huamei retains an option to repurchase part of a transferred asset or retains a residual interest that does not result in the retention of substantially all the risks and rewards of ownership and CGNPC Huamei retains control), CGNPC Huamei allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in

profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

4. CAPITAL RISK MANAGEMENT

CGNPC Huamei manages its capital to ensure CGNPC Huamei will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

The capital structure of CGNPC Huamei consists of net debt, which includes amount due to immediate holding company and bank borrowing, net of cash and cash equivalents and equity attributable to equity holders of CGNPC Huamei, comprising share capital set off with deficit. The sole director of CGNPC Huamei reviews the capital structure on a regular basis taking into account the cost of capital and the risk associated with the capital. CGNPC Huamei will balance its overall capital structure through the issue of new debt or the redemption of the existing debt.

5. FINANCIAL INSTRUMENTS

Categories of financial instruments

	US$'000
Financial assets	
Financial asset at FVTPL	61,000
Loans and receivables (including cash and cash equivalents)	596
Financial liabilities	
Amortised cost	1,113,771

Financial risk management objectives and policies

CGNPC Huamei's major financial instruments include financial asset at FVTPL, bank balances, other payables and accrued charges, amount due to immediate holding company and bank borrowing. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Foreign currency risk

CGNPC Huamei has monetary assets and liabilities denominated in foreign currencies, which expose CGNPC Huamei to foreign currency risk. The carrying amounts of CGNPC Huamei's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Liabilities	**Assets**
	US$'000	*US$'000*
HK$	4,497	504
RMB	774,666	23

CGNPC Huamei did not enter into any derivative contracts to hedge its foreign currency exposure and would consider hedging significant foreign currency exposure should the need arises.

Sensitivity analysis

The sole director considered that, as HK$ is pegged to US$, CGNPC Huamei is not exposed to significant foreign currency risk from change in foreign exchange rate of US$ against HK$ and hence only considers the sensitivity of the change in foreign exchange rate of US$ against currencies other than HK$. CGNPC Huamei is mainly exposed to RMB against US$. The sensitivity analysis sets out CGNPC Huamei's sensitivity to 5% increase and decrease in US$ against RMB. 5% is the sensitivity rate used which represents management's assessment of the reasonable possible change in foreign exchange rate. The sensitivity analysis includes only outstanding monetary items denominated in RMB and adjusts the translation at period end for a 5% change in foreign currency rate. An increase/decrease in loss for the period of approximately US$38,732,000 will be resulted where US$ weaken/strengthen 5% against RMB.

Interest rate risk

CGNPC Huamei's fair value interest rate risk relates primarily to fixed-rate amount due to immediate holding company.

CGNPC Huamei's cash flow interest rate risk relates primarily to variable-rate bank balances and variable-rate bank borrowing. CGNPC Huamei has not used any interest rate swaps to mitigate its exposure associated with fluctuations relating to interest rate. CGNPC Huamei currently does not have an interest rate hedging policy. However, the sole director monitors interest rate exposure and will consider other necessary actions when significant interest rate exposure is anticipated.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to the variable-rate bank borrowing and variable-rate bank balances at the end of the reporting period and the reasonably possible change taking place at the beginning of each period and held constant throughout the period. The sole director used 50 basis points for assessing interest rate risk on the bank borrowing after considering the impact of the volatile financial market conditions. The sole director did not assess the interest rate risk on bank balances as the carrying amount of bank balances is insignificant. If interest rates had been 50 basis points higher/lower for the bank borrowing and all other variables were held constant, CGNPC Huamei's loss for the period would increase/decrease by approximately US$3,869,000.

Credit risk

CGNPC Huamei's maximum exposure to credit risk in the event of the counterparty failure to perform its obligation as at 31 December 2010 in relation to each class of recognised financial assets is the carrying amount of bank balances and financial asset at FVTPL as stated in the statement of financial position.

The credit risk on financial asset at FVTPL is limited because the shares of the call option grantor (details of the call option are set out in note 11 to the Financial Information) are mainly held by affiliates of an international bank with high credit rating.

Other than concentration of credit risk on financial asset at FVTPL, CGNPC Huamei does not have any other significant concentration of credit risk.

Liquidity risk

CGNPC Huamei had net current liabilities of US$306,398,000 as at 31 December 2010. CGNPC Huamei's ultimate holding company has agreed to provide adequate funds to enable CGNPC Huamei to meet in full its financial obligations as they fall due, and accordingly, in the opinion of the sole director, CGNPC Huamei has sufficient funds to finance its current working capital requirements.

In the management of the liquidity risk, CGNPC Huamei monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance CGNPC Huamei's operations and mitigate the effects of unexpected fluctuations in cash flows.

Liquidity table

The following table details CGNPC Huamei's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which CGNPC Huamei can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from existing interest rate at the end of the reporting period.

	Weighted average effective interest rate	On demand or less than 6 months	6 months to 1 year	1-5 years	5 + years	Total contracted undiscounted cash flow	Carrying value
	%	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
As at 31 December 2010							
Other payables and accrued charges	—	6,450	889	—	—	7,339	7,339
Amount due to immediate holding company	5	—	346,497	—	—	346,497	332,655
Bank borrowing	3.76	42,021	14,021	286,096	666,827	1,008,965	773,777
		48,471	361,407	286,096	666,827	1,362,801	1,113,771

Bank borrowing with a repayment on demand clause are included in the "on demand or less than 6 months" time band in the above maturity analysis. As at 31 December 2010, the aggregate undiscounted principal amounts of the bank borrowing with a repayment on demand clause of the CGNPC Huamei amounted to approximately US$28,000,000. Taking into account the CGNPC Huamei's financial position, the sole director does not believe that it is probable that the bank will exercise their discretionary rights to demand immediate repayment. The sole director believes that the principal amount of such bank borrowing of CGNPC Huamei will be repaid 3 years after the end of the reporting period in accordance with the scheduled repayment dates set out in the loan agreement. Annual interest cash outflows in respect to the bank borrowing with repayment on demand clause will be approximately US$1,053,000 and at the end of the 3 years, cash outflow for principal amount will be approximately US$28,000,000.

The amounts included above for variable interest rate instruments for non-derivative financial liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

Fair value

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets other than financial assets at FVTPL is determined in accordance with generally accepted pricing models based on discounted cash flow analysis; and

- the fair value of financial asset at FVTPL is determined with reference to the contracted transaction price, details are set out in note 11.

Change in fair value of financial asset at FVTPL is recognised in profit or loss for the period.

The sole director of CGNPC Huamei considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Financial Information approximate their fair values.

Fair value measurements recognised in the consolidated statement of financial position

Financial instruments that are measured subsequent to initial recognition at fair value can be grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

CGNPC Huamei's financial assets at FVTPL is classified as Level 2 fair value measurement based on the above classification.

6. FINANCE COST

	US$'000
Interest on bank borrowing	
— wholly repayable after five years	4,930
Interest on amount due to immediate holding company	
— wholly repayable within five years	2,675
	7,605

7. LOSS BEFORE TAXATION

	US$'000
Loss before taxation has been arrived at after charging:	
Director's remuneration	—
Auditor's remuneration	2
Net foreign exchange loss	14,191

During the Relevant Period, no remuneration was paid by CGNPC Huamei to its sole director as an inducement to join or upon joining or as compensation for loss of office. The sole director did not waive any remuneration during the Relevant Period.

CGNPC provided certain administrative services to CGNPC Huamei and did not charge CGNPC Huamei for the services provided.

8. TAXATION

No provision for Hong Kong Profits Tax has been made in the Financial Information as CGNPC Huamei has incurred tax loss for the period.

The taxation for the period can be reconciled to the loss before taxation per the statement of comprehensive income as follows:

	US$'000
Loss before taxation	(27,018)
Taxation at Hong Kong Profits Tax rate of 16.5%	(4,458)
Income not taxable for tax purpose	(191)
Expenses not deductible for tax purpose	4,649
Taxation	—

There were no significant unprovided deferred taxation during the period or at the end of the reporting period.

9. LOSS PER SHARE

No loss per share information is presented as its inclusion, for the purpose of this report, is not considered meaningful.

10. INVESTMENT IN A SUBSIDIARY

	US$'000
Unlisted investments, at cost	1,025,158

Pursuant to the sales and purchase agreement entered between CGNPC Huamei and an independent third party, MPC Hold Co Cayman ("MPC Hold Co") dated 28 April 2010 (the "S&P Agreement"), CGNPC Huamei acquired the entire issued capital of Meiya Power Company Limited ("Meiya Power") and the Call Option (as defined in note 11) for an aggregated consideration of US$1,085,000,000. US$1,025,158,000 was allocated as the investment cost in a subsidiary and US$59,842,000 was allocated as the investment cost in the Call Option. The acquisition was completed on 5 November 2010 and the consideration was fully settled during the Relevant Period.

Meiya Power was incorporated in Bermuda on 28 September 1995 and its principal place of business is at 15/F., Harbour Centre, 25 Harbour Road, Wanchai, Hong Kong. The issued and paid up capital of Meiya Power is 100,000 ordinary shares of US$0.4 each. Meiya Power is an investment holding company and its subsidiaries are power producers in Asia in terms of fuel type and geography, with a portfolio of gas-fired, hydro, wind, coal-fired, oil-fired and co-generation projects in the PRC and Korea.

The sole director of CGNPC Huamei has not prepared consolidated financial information of CGNPC Huamei Group in accordance with HKAS 27 because in his opinion, the preparation of such consolidated financial information would involve expense and delay out of proportion to the value of reader of this report.

Financial information of Meiya Power and its subsidiaries for the three years ended 31 December 2010 is presented in Appendix IIB of the Circular.

11. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

Pursuant to the S&P Agreement (as set out in note 10), an option agreement was entered into between CGNPC Huamei and MPC Hold Co (the "Option Agreement") on 5 November 2010. Pursuant to the Option Agreement, MPC Hold Co granted to CGNPC Huamei a call option to acquire the entire issued share capital of a company incorporated in Malaysia (the "Company A") from MPC Hold Co at the exercise price of US$1 (the "Call Option"). The Call Option is exercisable for the period from the completion of the acquisition of Meiya Power as explained in note 10 above (the "Closing Date") to 15 August 2011 (the "Maturity Date"). According to the Option Agreement, CGNPC Huamei acknowledged that under certain relevant rules and regulations (the "Relevant Laws"), it is not permitted to acquire a direct interest in 30% or more of the equity interest of the Company A or control the Company A. From the date of entering the Option Agreement, CGNPC Huamei conducted a search for an appropriate independent third party that is permitted under Relevant Laws (the "Appropriate Party") to complete the acquisition of the Company A through an assignment of the Call Option from CGNPC Huamei. If CGNPC Huamei is not able to assign the Call Option to the Appropriate Party within 150 days from the Closing Date, then from the date that is 151 days after the Closing Date until the Maturity Date, MPC Hold Co may sell, transfer or dispose of the equity interests of the Company A to any third party, if the selling price is above US$40,000,000, the difference between the consideration received with US$40,000,000 will be shared equally by CGNPC Huamei and MPC Hold Co and US$40,000,000 will be refunded from MPC Hold Co to CGNPC Huamei. To the extent that the consideration actually received is lower than US$40,000,000, then the actual sales consideration and 50% of the different between US$40,000,000 and the actual sales consideration shall be paid by MPC Hold Co to CGNPC Huamei. If no sale, transfer or disposal has occurred by the Maturity Date, the Maturity Date shall be extended for another six months.

On 22 December 2010, CGNPC Huamei entered into a sale and purchase agreement with an independent third party (the "Option Buyer"), which is the Appropriate Party, pursuant to which CGNPC Huamei agrees to assign and the Option Buyer agrees to purchase the Call Option for a consideration of US$61,000,000. As at 31 December 2010, the completion of the disposal of the Call Option is subject to approval from the relevant authority under the Relevant Laws, which was obtained subsequently on 11 February 2011.

Pursuant to the deed of assignment entered between CGNPC Huamei and China Development Bank Corporation, Hong Kong Branch ("CD Bank") on 5 November 2010, a term loan facility of US$398,000,000 granted by CD Bank to Meiya Power was secured by CGNPC Huamei's title and benefit in the Option Agreement.

The security on the Option Agreement was subsequently released after the end of the reporting date upon the disposal of the Call Option on 11 February 2011.

12. BANK BALANCES

Bank balances comprise deposits held by CGNPC Huamei with original maturity of three months or less and carry interest at market rate of approximately 0% as at 31 December 2010.

Bank balances of approximately US$504,000 and US$23,000 are denominated in HK$ and RMB respectively, foreign currencies of CGNPC Huamei.

13. OTHER CURRENT FINANCIAL LIABILITIES

Other payables and accrued charges principally comprise amounts outstanding for ongoing costs.

Amount due to immediate holding company is unsecured, carries fixed interest at 5% per annum and is repayable within 12 months after the end of the reporting period.

Amount due to immediate holding company of approximately US$4,497,000 is denominated in HK$, foreign currency of CGNPC Huamei.

14. SHARE CAPITAL

	Number of shares	Share capital *US$'000*
Ordinary shares of HK$1 each		
Authorised, issued and fully paid:		
At 21 January 2010 (date of incorporation) and 31 December 2010	10,000	1

15. BANK BORROWING

	US$'000
Bank loan — secured	773,777
Carrying amount repayable*:	
More than one year, but not exceeding five years	182,509
More than five years	591,268
	773,777
Less: Carrying amount of bank borrowing that is not repayable within one year from the end of the reporting period but contain a repayment on demand clause (shown under current liabilities)	(28,000)
Amounts shown under non-current liabilities	745,777

* The amounts due are based on scheduled repayment dates set out in the loan agreement.

Pursuant to a bank borrowing agreement signed between CGNPC Huamei and The Export-Import Bank of China ("China Eximbank"), an amount up to US$10,500,000 has to be deposited to a restricted bank account of China Eximbank if approval has not been granted by certain PRC government authority with respect to a power and electricity development project by 15 July 2011. An amount up to US$10,500,000 will be demanded for immediate repayment if approval has not been granted by certain PRC government authority with respect to this power and electricity development project by 15 July 2012.

Bank borrowing is denominated in RMB, carry floating interest at Export Seller's Credit Interest Rate per annum and is guaranteed by China Guangdong Nuclear Power Holding Corporation, Ltd. The effective interest rate of CGNPC Huamei's bank borrowing is 3.76% per annum.

(B) SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by CGNPC Huamei in respect of any period subsequent to 31 December 2010.

Yours faithfully,

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

Deloitte.
德勤

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Deloitte Touche Tohmatsu
35/F One Pacific Place
88 Queensway
Hong Kong

30 June 2011

The Directors
Silver Grant International Industries Limited
Suite 4901, Office Tower
Convention Plaza
1 Harbour Road
Wanchai
Hong Kong

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") regarding Meiya Power Company Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for each of the three years ended 31 December 2008, 2009 and 2010 (the "Relevant Periods") for inclusion in the circular issued by Silver Grant International Industries Limited, a company incorporated in Hong Kong with its shares listed on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), dated 30 June 2011 in connection with the subscription of 776,424,000 shares of CGNPC Huamei Investment Limited ("CGNPC Huamei"), the Company's immediate holding company, which represents 29.41% equity interests of CGNPC Huamei, pursuant to the agreement dated 27 April 2011 ("Agreement") entered into between Silver Grant International Industries Limited, Gold Sky Capital Limited, CGNPC Huamei Investment Limited and CGNPC International Limited (the "Circular").

The Company was incorporated in Bermuda on 28 September 1995. Throughout the relevant period and at the date of this report, the Company has direct and indirect interests in the following subsidiaries:

Name of subsidiaries	Place of incorporation/ establishment	Date of incorporation/ establishment	Issued and fully paid-up share capital/ registered capital	Proportion of nominal value of issued share/ registered capital held by the Company				Principal activities
				2008	2009	2010	As at date of report	
CanAm Energy China Holdings, Limited	Hong Kong	2 August 2007	HK$1	100%	100%	100%	100%	Investment holding
CanAm Energy China Holdings, LLC	Delaware, United States of America	30 October 1997	United States Dollar ("US$")2,000	100%	100%	100%	100%	Inactive

Name of subsidiaries	Place of incorporation/ establishment	Date of incorporation/ establishment	Issued and fully paid-up share capital/ registered capital	Proportion of nominal value of issued share/ registered capital held by the Company				Principal activities
				2008	2009	2010	As at date of report	
China U. S. Power Partners I (BVI), Limited	British Virgin Islands ("BVI")	16 November 2007	US$1	100%	100%	100%	100%	Investment holding
China U. S. Power Partners I, Limited	Hong Kong	26 October 2007	HK$1	100%	100%	100%	100%	Investment holding
China U.S. Power Partners I, Ltd.	Bermuda	8 February 1995	US$12,000	100%	100%	100%	100%	Inactive
Fast Well Investments Limited 迅和投資有限公司	Hong Kong	3 October 2001	HK$1,000,000	100%	100%	100%	100%	Investment holding
Guangxi Rongjiang Meiya Company Limited 廣西融江美亞有限公司[1]	The People's Republic of China (the "PRC")	15 September 1999	RMB48,000,000	55%	55%	55%	55%	Investment in dam and other associated facilities
Guangxi Rongjiang Meiya Hydropower Company Limited 廣西融江美亞水電有限公司 ("Rongjiang Hydropower")[1]	The PRC	15 September 1999	RMB72,000,000	80%	80%	80%	80%	Generation and supply of electricity
Guangxi Rongyuan Hydropower Company Limited 廣西融源水電有限公司 ("Guangxi Rongyuan")[2]	The PRC	4 January 2011	RMB38,000,000	—	—	—	100%	Construction and operating of hydroturbine generation unit
Guangxi Zuojiang Meiya Hydropower Company Limited 廣西左江美亞水電有限公司 ("Guangxi Zuojiang")[1]	The PRC	8 October 1998	RMB345,596,000	60%	60%	60%	60%	Generation and supply of electricity

Name of subsidiaries	Place of incorporation/ establishment	Date of incorporation/ establishment	Issued and fully paid-up share capital/ registered capital	Proportion of nominal value of issued share/ registered capital held by the Company				Principal activities
				2008	2009	2010	As at date of report	
Haian Meiya Cogeneration Co., Ltd. 海安美亞熱電有限公司[2]	The PRC	20 December 2002	US$11,920,000	100%	100%	100%	100%	Generation and supply of steam, electricity and other related products
Meiya (Lanzhou) Power Company Limited	Mauritius	15 March 2004	US$10	100%	100%	100%	100%	Inactive
Meiya (Taiwan) Power Development Limited	Labuan, Malaysia	28 November 2001	US$1	100%	100%	100%	100%	Inactive
Meiya (Tao Yuan) Power Company Limited ("Tao Yuan")	Labuan, Malaysia	23 October 2000	US$1	100%	100%	—	—	Investment holding[4]
Meiya Xiangyun (BVI) Limited (formerly known as Meiya CC Development (BVI) Limited)	BVI	30 January 2008	US$1	100%	100%	100%	100%	Investment holding
Meiya Xiangyun Development Limited (formerly known as Meiya CC Development Limited)	Hong Kong	11 August 2008	HK$1	100%	100%	100%	100%	Inactive
Meiya Electric Asia, Ltd	Mauritius	27 January 1997	US$100	100%	100%	100%	100%	Investment holding
Meiya Haian Cogen Power (BVI) Limited	BVI	16 November 2007	US$1	100%	100%	100%	100%	Investment holding
Meiya Haian Cogen Power Limited	Hong Kong	16 October 2007	HK$1	100%	100%	100%	100%	Investment holding
Meiya Haian Cogen Power Limited	Cayman Islands	10 October 2002	US$1	100%	100%	100%	100%	Inactive

Name of subsidiaries	Place of incorporation/ establishment	Date of incorporation/ establishment	Issued and fully paid-up share capital/ registered capital	Proportion of nominal value of issued share/ registered capital held by the Company				Principal activities
				2008	2009	2010	As at date of report	
Meiya Hanneng Power Company Limited	Mauritius	15 March 2004	US$10	100%	100%	100%	100%	Investment holding
Meiya Hexie Power Company Limited	Cayman Islands	15 May 2003	US$1	100%	100%	100%	100%	Investment holding
Meiya Huangshi Power (BVI) Limited	BVI	16 November 2007	US$1	100%	100%	100%	100%	Investment holding
Meiya Huangshi Power Ltd	Bermuda	13 May 1997	US$12,000	100%	100%	100%	100%	Inactive
Meiya Huangshi Power Limited	Hong Kong	26 October 2007	HK$1	100%	100%	100%	100%	Investment holding
Meiya Incheon Power Company Limited	Malta	8 April 2005	US$2,000	100%	100%	100%	100%	Investment holding
Meiya Jiangyin Cogen Power Limited	Cayman Islands	2 July 2002	US$1	100%	—	—	—	Inactive[5]
Meiya Jinqiao Power (BVI) Limited	BVI	16 November 2007	US$1	100%	100%	100%	100%	Investment holding
Meiya Jinqiao Power Limited	Hong Kong	12 October 2007	HK$1	100%	100%	100%	100%	Investment holding
Meiya Jinqiao Power Ltd.	Bermuda	7 September 1994	US$12,000	100%	100%	100%	100%	Inactive
Meiya Power China Holdings Limited	Cayman Islands	10 July 1998	US$20	100%	100%	100%	100%	Investment holding
Meiya Power Development Company Limited 美亞電力發展有限公司	Hong Kong	13 December 2000	HK$2	100%	100%	100%	100%	Investment holding
Meiya Power Development Limited	Cayman Islands	27 August 2003	US$1	100%	—	—	—	Inactive[5]
Meiya Power Investment Company Limited	Cayman Islands	16 July 2003	US$1	100%	100%	100%	100%	Investment holding

Name of subsidiaries	Place of incorporation/ establishment	Date of incorporation/ establishment	Issued and fully paid-up share capital/ registered capital	Proportion of nominal value of issued share/ registered capital held by the Company				Principal activities
				2008	2009	2010	As at date of report	
Meiya Power International Holding I, Limited	Cayman Islands	7 February 1997	US$20	100%	100%	100%	100%	Investment holding
Meyia Power Project (BVI) Limited	BVI	29 October 2008	US1	100%	100%	100%	100%	Investment holding
Meiya Power Project (BVI) I Limited ("MPC BVI")	BVI	3 December 2007	US$1	100%	100%	100%	100%	Investment holding
Meiya Power Project (BVI) II Limited	BVI	3 December 2007	US$1	100%	100%	100%	100%	Investment holding
Meiya Power Project (HK) Limited	Hong Kong	22 October 2008	HK$1	100%	100%	100%	100%	Investment holding
Meiya Project Development (BVI) Company Limited	BVI	21 January 2008	US$1	100%	100%	100%	100%	Investment holding
Meiya Project Development (Hong Kong) Company Limited 美亞發展有限公司	Hong Kong	11 January 2008	HK$1	100%	100%	100%	100%	Inactive
Meiya Project Development Company Limited	Mauritius	20 October 2005	US$10	100%	100%	100%	100%	Investment holding
Meiya Qingjiang Hydropower Limited	Cayman Islands	11 October 2002	US$1	100%	—	—	—	Inactive[5]
Meiya Qujing Power Company Limited	Cayman Islands	27 January 1998	US$30,000	100%	100%	100%	100%	Investment holding
Meiya Qujing Power Company Limited	Hong Kong	8 November 2007	HK$1	100%	100%	100%	100%	Inactive
Meiya Qujing Power (BVI) Company Limited	BVI	16 November 2007	US$1	100%	100%	100%	100%	Investment holding

Name of subsidiaries	Place of incorporation/ establishment	Date of incorporation/ establishment	Issued and fully paid-up share capital/ registered capital	Proportion of nominal value of issued share/ registered capital held by the Company				Principal activities
				2008	2009	2010	As at date of report	
Meiya Rongjiang Hydropower Ltd.	Mauritius	19 June 1998	US$20	100%	100%	100%	100%	Investment holding
Meiya Sanjiang Hydropower (BVI) Limited	BVI	16 November 2007	US$1	100%	100%	100%	100%	Investment holding
Meiya Sanjiang Hydropower (Hong Kong) Limited	Hong Kong	11 June 2007	HK$1	100%	100%	100%	100%	Inactive
Meiya Sanjiang Hydropower Limited	Cayman Islands	27 June 2000	US$1	100%	100%	100%	100%	Investment holding
Meiya Shanghai BFG (BVI) Company Limited	BVI	16 November 2007	US$1	100%	100%	100%	100%	Investment holding
Meiya Shanghai BFG Company	Cayman Islands	20 August 1997	US$100	100%	100%	100%	100%	Inactive
Meiya Tongzhou Cogen Power (BVI) Limited	BVI	16 November 2007	US$1	100%	100%	100%	100%	Investment holding
Meiya Tongzhou Cogen Power Ltd.	Bermuda	6 February 1997	US$12,000	100%	100%	100%	100%	Investment holding
Meiya Tongzhou Cogen Power Limited	Hong Kong	15 June 2007	HK$1	100%	100%	100%	100%	Inactive
Meiya Weixi Power (Hong Kong) Limited	Hong Kong	10 January 2011	HK$1	—	—	—	100%	Inactive
Meiya Xiangtou Power Company Limited	Mauritius	28 April 2005	US$10	100%	100%	100%	100%	Investment holding
Meiya Yulchon Power Company Limited	Malta	17 December 2002	US$2,000	100%	100%	100%	100%	Investment holding

Name of subsidiaries	Place of incorporation/ establishment	Date of incorporation/ establishment	Issued and fully paid-up share capital/ registered capital	Proportion of nominal value of issued share/ registered capital held by the Company				Principal activities
				2008	2009	2010	As at date of report	
Meiya Zuojiang Hydropower Ltd.	Mauritius	8 September 1997	US$20	100%	100%	100%	100%	Investment holding
Mianyang Sanjiang Meiya Hydropower Company Limited 綿陽三江美亞水電有限公司[1]	The PRC	25 October 2002	RMB100,000,000	75%	75%	75%	75%	Generation and supply of electricity
MPC Daesan Power Co., Ltd. ("Daesan")	Republic of Korea	8 April 2009	Korean Won ("KRW") 6,450,000,000	—	100%	100%	100%	Generation and supply of electricity from an oil-fired combined cycle power plant
MPC Investment (BVI) Company Limited (formerly known as Meiya Yu Yuan Cogen Power (BVI) Limited)	BVI	4 February 2008	US$1	100%	100%	100%	100%	Investment holding
MPC Investment (Daan) Company Limited 美亞投資(大安)有限公司 (formerly known as MPC Investment (HK) Company Limited)	Hong Kong	30 January 2008	HK$1	100%	100%	100%	100%	Inactive
MPC Korea Holdings Co., Ltd. ("MPC Korea") (formerly known as Meiya Yulchon Generation Company Limited)	Republic of Korea	22 November 1996	KRW23,490,600,000	100%	100%	100%	100%	Investment holding

Name of subsidiaries	Place of incorporation/ establishment	Date of incorporation/ establishment	Issued and fully paid-up share capital/ registered capital	Proportion of nominal value of issued share/ registered capital held by the Company				Principal activities
				2008	2009	2010	As at date of report	
MPC Yulchon Generation Co., Ltd. ("MPC Yulchon")	Republic of Korea	28 July 2009	KRW4,250,000,000	—	100%	100%	100%	Generation and supply of electricity from a gas-fired thermal power plant
MTC Energy Limited	BVI	6 October 2006	US$100	70%	—	—	—	Inactive[6]
Nantong Meiya Co-generation Co., Ltd. 南通美亞熱電有限公司 ("Nantong")[2]	The PRC	13 March 1997	US$16,800,000	100%	100%	100%	100%	Generation and supply of electricity and steam and other related products
Nanyang General Light Electric Co., Ltd. 南陽普光電力有限公司 ("Nanyang Puguang")[1]	The PRC	1 January 1997	RMB476,667,000	—	—	59.5%	59.5%	Generation and supply of electricity and other related services[7]
NGLE Pushan Power (BVI) Limited ("NGLE Pushan")	BVI	30 March 2009	US$100	—	—	85%	85%	Investment holding[7]
NGLE Pushan Power Limited	Hong Kong	24 March 2009	HK$1	—	—	85%	85%	Investment holding[7]
Shanghai Meiya Jinqiao Energy Co., Ltd. 上海美亞金橋能源有限公司 ("Meiya Jinqiao")[3]	The PRC	14 July 1995	RMB98,000,000	60%	60%	60%	60%	Generation and supply of steam
Shanghai Wei Gang Energy Co. , Ltd. 上海威鋼能源有限公司[1]	The PRC	21 January 1998	US$29,800,000	65%	65%	65%	65%	Generation and supply of electricity

Name of subsidiaries	Place of incorporation/ establishment	Date of incorporation/ establishment	Issued and fully paid-up share capital/ registered capital	Proportion of nominal value of issued share/ registered capital held by the Company				Principal activities
				2008	2009	2010	As at date of report	
Sichuan Hexie Electric Power Company Limited 四川和協電力有限公司 ("Sichuan Hexie")[2]	The PRC	25 February 1998	RMB100,000,000	100%	100%	100%	100%	Generation and supply of electricity
Tongzhou Meiya Cogeneration Co., Ltd. 通州美亞熱電有限公司[1]	The PRC	14 March 1997	US$10,600,000	80%	80%	80%	80%	Generation and supply of electricity and steam
Wuhan Han-Neng Power Development Co., Ltd. 武漢漢能電力發展有限公司 ("Wuhan Han-Neng")[3]	The PRC	11 October 1995	RMB100,000,000	60%	60%	60%	60%	Generation and supply of electricity
Yaneng Consulting (BVI) Company Limited	BVI	21 November 2007	US$1	100%	100%	100%	100%	Investment holding
Yaneng Consulting (Hong Kong) Company Limited	Hong Kong	30 August 2007	HK$1	100%	100%	100%	100%	Investment holding
Yaneng Consulting (Shanghai) Company Limited 亞能諮詢(上海)有限公司 ("Yaneng")[2]	The PRC	18 January 2000	US$500,000	100%	100%	100%	100%	Provision of consulting services and market research

(1) These companies were established in the PRC in the form of sino-foreign co-operative joint venture enterprise.

(2) These companies were established in the PRC in the form of wholly foreign-owned enterprise.

(3) These companies were established in the PRC in the form of sino-foreign equity joint venture enterprise.

(4) This company was disposed on 3 November 2010, which is being distributed in specie of share as dividend as disclosed in note 12.

(5) These companies were struck-off with effective from 30 October 2009.

(6) This company was struck-off with effective from 1 May 2009.

(7) These companies were acquired by the Group on 7 April 2010 as disclosed in note 36(c).

All the companies comprising the Group have adopted 31 December as their financial year end date.

We have acted as the auditors of the Company since its date of incorporation.

No statutory audited financial statements have been prepared for those subsidiaries which were incorporated in Delaware of the United States of America, Bermuda, BVI, Labuan of Malaysia and the Cayman Islands as they were incorporated in jurisdictions where there are no statutory audit requirements. No statutory financial statements have been prepared for Guangxi Rongyuan and Meiya Weixi Power (Hong Kong) Limited as they were established on 4 January 2011 and 10 January 2011 respectively.

The statutory financial statements of the other subsidiaries for the Relevant Periods, or since their respective dates of incorporation/establishment, where this is a shorter period, were prepared in accordance with relevant accounting principles and financial regulations applicable to their respective jurisdictions and were audited by Deloitte Touche Tohmatsu except for the following:

Name	**Financial period**	**Auditors**
Daesan	For the period from 8 April 2009 to 31 December 2009 and the year ended 31 December 2010	Deloitte Anjin LLC
Guangxi Rongjiang Meiya Company Limited	For each of the three years ended 31 December 2010	德勤華永會計師事務所有限公司 Deloitte Touche Tohmatsu CPA Limited
Guangxi Zuojiang	For each of the three years ended 31 December 2010	德勤華永會計師事務所有限公司 Deloitte Touche Tohmatsu CPA Limited
Haian Meiya Cogeneration Co., Ltd.	For each of the three years ended 31 December 2010	德勤華永會計師事務所有限公司 Deloitte Touche Tohmatsu CPA Limited
Meiya Electric Asia, Ltd	For each of the three years ended 31 December 2010	Kemp Chatteris Deloitte
Meiya Hanneng Power Company Limited	For each of the three years ended 31 December 2010	Kemp Chatteris Deloitte

Name	Financial period	Auditors
Meiya Incheon Power Company Limited	For each of the three years ended 31 December 2010	Deloitte
Meiya Jinqiao	For each of the two years ended 31 December 2009	上海眾華滬銀會計師事務所 Grant Thornton Zhonghua Certified Public Accountants
	For the year ended 31 December 2010	德勤華永會計師事務所有限公司 Deloitte Touche Tohmatsu CPA Limited
Meiya (Lanzhou) Power Company Limited	For each of the three years ended 31 December 2010	Kemp Chatteris Deloitte
Meiya Project Development Company Limited	For each of the three years ended 31 December 2010	Kemp Chatteris Deloitte
Meiya Rongjiang Hydropower Ltd.	For each of the three years ended 31 December 2010	Kemp Chatteris Deloitte
Meiya Xiangtou Power Company Limited	For each of the three years ended 31 December 2010	Kemp Chatteris Deloitte
Meiya Yulchon Power Company Limited	For each of the three years ended 31 December 2010	Deloitte
Meiya Zuojiang Hydropower Ltd.	For each of the three years ended 31 December 2010	Kemp Chatteris Deloitte
Mianyang Sanjiang Meiya Hydropower Company Limited	For each of the three years ended 31 December 2010	德勤華永會計師事務所有限公司 Deloitte Touche Tohmatsu CPA Limited
MPC Korea	For each of the three years ended 31 December 2010	Deloitte Anjin LLC

Name	Financial period	Auditors
MPC Yulchon	For the period from 28 July 2009 to 31 December 2009 and the year ended 31 December 2010	Deloitte Anjin LLC
Nantong	For each of the three years ended 31 December 2010	德勤華永會計師事務所有限公司 Deloitte Touche Tohmatsu CPA Limited
Nanyang Puguang	For each of the three years ended 31 December 2010	德勤華永會計師事務所有限公司 Deloitte Touche Tohmatsu CPA Limited
Rongjiang Hydropower	For each of the three years ended 31 December 2010	德勤華永會計師事務所有限公司 Deloitte Touche Tohmatsu CPA Ltd.
Shanghai Wei Gang Energy Co., Ltd	For each of the three years ended 31 December 2010	德勤華永會計師事務所有限公司 Deloitte Touche Tohmatsu CPA Ltd.
Sichuan Hexie	For each of the three years ended 31 December 2010	德勤華永會計師事務所有限公司 Deloitte Touche Tohmatsu CPA Ltd.
Tongzhou Meiya Cogeneration Co., Ltd.	For each of the three years ended 31 December 2010	德勤華永會計師事務所有限公司 Deloitte Touche Tohmatsu CPA Ltd.
Wuhan Han-Neng	For each of the three years ended 31 December 2010	德勤華永會計師事務所有限公司 Deloitte Touche Tohmatsu CPA Ltd.
Yaneng	For each of the three years ended 31 December 2010	德勤華永會計師事務所有限公司 Deloitte Touche Tohmatsu CPA Ltd.

For the purpose of this report, the directors of the Company have prepared the consolidated financial statements of the Group for the Relevant Periods ("Underlying Financial Statements") in accordance with International Financial Reporting Standards ("IFRS"). We have audited the Underlying Financial Statements in accordance with the International Standards on Auditing issued by the International Auditing and Assurance Standards Board.

We have examined the Underlying Financial Statements in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" as recommended by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The Financial Information of the Group for the Relevant Periods set out in this report has been prepared from the Underlying Financial Statements. No adjustments are considered necessary to the Underlying Financial Statements in the preparation of our report for inclusion in the Circular.

The preparation of the Underlying Financial Statements is the responsibility of the directors of the Company, who approved their issue. The directors of Silver Grant International Industries Limited are responsible for the contents of the Circular in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of the Group as at 31 December 2008, 2009 and 2010, and of the consolidated results and cash flows of the Group for the Relevant Periods.

A. FINANCIAL INFORMATION

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Year ended 31 December		
		2008	2009	2010
	NOTES	*US$'000*	*US$'000*	*US$'000*
Revenue	*6*	565,919	419,149	632,368
Operating expenses:				
Coal, oil and gas		396,314	245,402	404,106
Depreciation of property, plant and equipment		43,501	40,781	59,303
Repair and maintenance		18,622	11,508	18,052
Staff costs		26,273	28,910	32,475
Others		23,848	28,968	38,464
Total operating expenses		508,558	355,569	552,400
Operating profit		57,361	63,580	79,968
Other income	*6*	7,740	9,085	10,097
Other gains and losses	*8*	(787)	(5,054)	(3,679)
Finance costs	*9*	(42,875)	(39,881)	(44,498)
Discount on acquisition arising on acquisition of subsidiaries	*36(c)*	—	—	16,479
Share of results of associates		19,956	33,576	19,186
Profit before tax		41,395	61,306	77,553
Income tax expense	*10*	(17,937)	(27,436)	(12,704)
Profit for the year	*11*	23,458	33,870	64,849
Other comprehensive income				
Exchange difference arising on translation of foreign subsidiaries, associates and jointly controlled entities and translation to presentation currency		21,633	10,593	28,758

		Year ended 31 December		
		2008	2009	2010
	NOTES	*US$'000*	*US$'000*	*US$'000*
Reclassification adjustments for amounts transferred to profit or loss				
— change in fair value of hedging derivatives		(6,201)	2,922	859
— release of hedging reserve — recycling of loss		—	—	6,457
— release of hedging reserve		—	(152)	(155)
— deferred tax credit arising on release of hedging reserve		177	32	30
Share of release of hedging reserve of an associate		(75)	19	(6)
Other comprehensive income for the year		15,534	13,414	35,943
Total comprehensive income for the year		38,992	47,284	100,792
Profit for the year attributable to:				
Owner of the Company		16,832	27,182	56,617
Non-controlling interests		6,626	6,688	8,232
		23,458	33,870	64,849
Total comprehensive income attributable to:				
Owner of the Company		28,666	40,548	90,863
Non-controlling interests		10,326	6,736	9,929
		38,992	47,284	100,792
Earnings per share (in US dollar)	*15*	168	272	566

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		At 31 December		
		2008	2009	2010
	NOTES	*US$'000*	*US$'000*	*US$'000*
Non-current assets				
Property, plant and equipment	*16*	645,649	797,528	856,052
Prepaid lease payments	*17*	12,601	12,004	20,834
Goodwill	*18*	844	844	844
Interests in associates	*19*	513,102	526,569	500,709
Other assets	*21*	9,282	21,356	4,857
Amount due from a related company	*25*	—	—	1,356
Derivative assets	*33*	—	329	—
Deferred tax assets	*22*	1,491	1,120	1,972
		1,182,969	1,359,750	1,386,624
Current assets				
Inventories	*23*	11,566	18,739	23,763
Trade receivables	*24*	63,283	66,220	96,481
Other receivables and prepayments		10,851	19,862	27,181
Amount due from a related company	*25*	2,630	2,075	291
Prepaid lease payments	*17*	900	903	1,956
Tax recoverable		—	1,670	344
Amounts due from associates	*26*	4,775	4,799	13,156
Derivative assets	*33*	549	1,798	2,076
Pledged bank deposits and restricted cash	*27 & 31*	75,395	73,272	90,506
Bank balances and cash	*27*	155,027	60,361	95,246
		324,976	249,699	351,000
Current liabilities				
Trade payables	*30*	90,856	70,533	90,755
Other payables and accruals	*32*	40,872	45,574	39,557
Amounts due to related companies	*28*	13,961	5,917	11,094
Deferred connection charges — due within one year		1,169	885	762
Tax payable		5,743	15,546	12,280
Derivative liabilities	*33*	2,199	6,382	1,063
Advances from related parties — due within one year	*29*	14,240	8,950	9,225
Bank borrowings — due within one year	*31*	70,406	117,702	63,629
Provision of employee benefit	*13*	—	1,120	—
		239,446	272,609	228,365

		At 31 December		
		2008	2009	2010
	NOTES	*US$'000*	*US$'000*	*US$'000*
Net current assets (liabilities)		85,530	(22,910)	122,635
Total assets less current liabilities		1,268,499	1,336,840	1,509,259
Non-current liabilities				
Bank borrowings — due after one year	*31*	566,072	640,015	734,652
Other payables — due after one year	*32*	—	3,571	2,171
Advances from related parties — due after one year	*29*	3,605	3,606	3,717
Deferred connection charges — due after one year		2,276	1,624	924
Derivative liabilities	*33*	10,238	934	2,925
Deferred tax liabilities	*22*	23,935	28,540	33,598
		606,126	678,290	777,987
Net assets		662,373	658,550	731,272
Capital and reserves				
Share capital	*34*	40	40	40
Reserves		600,686	594,234	636,841
Equity attributable to owner of the Company		600,726	594,274	636,881
Non-controlling interests		61,647	64,276	94,391
Total equity		662,373	658,550	731,272

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owner of the Company									
	Share capital	Share premium	Contributed surplus	Other non-distributable reserves	Hedging reserve	Translation reserve	Accumulated profits	Total	Non-controlling interests	Total equity
	US$'000	*US$'000*	*US$'000 (Note a and c)*	*US$'000 (Note b)*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
At 1 January 2008	40	17,984	223,976	10,771	(520)	79,549	240,260	572,060	56,098	628,158
Profit for the year	–	–	–	–	–	–	16,832	16,832	6,626	23,458
Change in fair value of hedging derivatives	–	–	–	–	(6,201)	–	–	(6,201)	–	(6,201)
Exchange difference arising on translation of foreign subsidiaries and associates and jointly controlled entities and translation to presentation currency	–	–	–	–	–	17,933	–	17,933	3,700	21,633
Deferred tax credit arising on release of hedging reserve	–	–	–	–	177	–	–	177	–	177
Share of release of hedging reserve of an associate	–	–	–	–	(75)	–	–	(75)	–	(75)
Total comprehensive (expense) income for the year	–	–	–	–	(6,099)	17,933	16,832	28,666	10,326	38,992
Dividends paid to minority shareholders	–	–	–	–	–	–	–	–	(4,777)	(4,777)
Transfer of non-distributable reserves	–	–	–	2,049	–	–	(2,049)	–	–	–
At 31 December 2008 and 1 January 2009	40	17,984	223,976	12,820	(6,619)	97,482	255,043	600,726	61,647	662,373
Profit for the year	–	–	–	–	–	–	27,182	27,182	6,688	33,870
Change in fair value of hedging derivatives	–	–	–	–	2,922	–	–	2,922	–	2,922
Exchange difference arising on translation of foreign subsidiaries, associates and jointly controlled entities and translation to presentation currency	–	–	–	–	–	10,545	–	10,545	48	10,593
Release of hedging reserve	–	–	–	–	(152)	–	–	(152)	–	(152)
Deferred tax credit arising on release of hedging reserve	–	–	–	–	32	–	–	32	–	32
Share of release of hedging reserve of an associate	–	–	–	–	19	–	–	19	–	19
Total comprehensive income for the year	–	–	–	–	2,821	10,545	27,182	40,548	6,736	47,284

	Attributable to owner of the Company									
	Share capital	Share premium	Contributed surplus	Other non-distributable reserves	Hedging reserve	Translation reserve	Accumulated profits	Total	Non-controlling interests	Total equity
	US$'000	*US$'000*	*US$'000 (Note a and c)*	*US$'000 (Note b)*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Increase due to acquisition of a subsidiary by a jointly controlled entity	–	–	–	–	–	–	–	–	1,752	1,752
Dividend recognised as distribution *(note 12)*	–	–	(32,161)	–	–	–	(30,675)	(62,836)	–	(62,836)
Contribution from shareholder	–	–	15,836	–	–	–	–	15,836	–	15,836
Dividend paid to non-controlling shareholders	–	–	–	–	–	–	–	–	(6,034)	(6,034)
Contribution from a non-controlling shareholder	–	–	–	–	–	–	–	–	175	175
Transfer of non-distributable reserves	–	–	–	2,613	–	–	(2,613)	–	–	–
At 31 December 2009 and 1 January 2010	40	17,984	207,651	15,433	(3,798)	108,027	248,937	594,274	64,276	658,550
Profit for the year	–	–	–	–	–	–	56,617	56,617	8,232	64,849
Change in fair value of hedging derivatives	–	–	–	–	859	–	–	859	–	859
Exchange difference arising on translation of foreign subsidiaries, associates and jointly controlled entities and translation to presentation currency	–	–	–	–	–	27,061	–	27,061	1,697	28,758
Release of hedging reserve — recycling of loss	–	–	–	–	6,457	–	–	6,457	–	6,457
Release of hedging reserve					(155)			(155)		(155)
Deferred tax credit arising on release of hedging reserve	–	–	–	–	30	–	–	30	–	30
Share of release of hedging reserve of an associate	–	–	–	–	(6)	–	–	(6)	–	(6)
Total comprehensive income for the year	–	–	–	–	7,185	27,061	56,617	90,863	9,929	100,792
Increase due to acquisition of a subsidiary	–	–	–	–	–	–	–	–	34,392	34,392
Increase due to acquisition of additional interest in a subsidiary *(c)*	–	–	2,913	–	–	–	–	2,913	(9,063)	(6,150)
Dividend recognised as distribution *(note 12) (d)*	–	–	–	(2,870)	–	(4,604)	(43,695)	(51,169)	–	(51,169)
Dividend paid to non-controlling shareholders	–	–	–	–	–	–	–	–	(5,143)	(5,143)
Transfer of non-distributable reserves	–	–	–	2,375	–	–	(2,375)	–	–	–
At 31 December 2010	40	17,984	210,564	14,938	3,387	130,484	259,484	636,881	94,391	731,272

Notes:

(a) The contributed surplus of the Company represents cash contributions to the Company made by shareholder other than for subscription of shares. In addition to accumulated profits, the contributed surplus of the Company is also available for distribution to shareholder under the Companies Act 1981 of Bermuda. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus, if there are reasonable grounds for believing that:

(i) the Company is, or would after the payment be, unable to pay its liabilities as they become due; or

(ii) the realisable value of the Company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium account.

(b) Other non-distributable reserves principally represent statutory reserves required to be appropriated from profit after income tax of the subsidiaries, associates and jointly controlled entity in the People's Republic of China (the "PRC"), under the relevant laws and regulations. Allocation to the statutory reserve shall be approved by the board of directors of the relevant subsidiaries, associates and jointly controlled entity. The appropriation to statutory reserve may cease if the balance of the statutory reserve has reached 50% of the registered capital of the respective subsidiaries, associates and jointly controlled entity. The statutory reserves may be used to make up losses or for conversion into capital. The relevant subsidiaries, associates and jointly controlled entity may, upon the approval by a resolution of shareholders' general meeting/board of directors' meeting, convert their statutory reserves into capital in proportion to their then existing shareholdings. However, when converting the statutory reserve into capital, the balance of such reserve remaining unconverted must not be less than 25% of the registered capital.

(c) When the Group increases its interest in an entity that is already an entity controlled by the Group, it is accounted for as equity transaction. The carrying amounts of the controlling interests and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. The increase for the year ended 2010 represents the difference between the amount by which the non-controlling interests of NGLE Pushan are adjusted and the fair value of the consideration of the Step-up Acquisition (defined in note 36(c)) to be paid that is recognised in equity.

(d) The amounts represented the release upon the disposal of Tao Yuan, which is being distributed in specie of share as dividend. The details of the distribution are disclosed in note 12.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Year ended 31 December		
	2008	2009	2010
	US$'000	*US$'000*	*US$'000*
OPERATING ACTIVITIES			
Profit before tax	41,395	61,306	77,553
Adjustments for:			
Depreciation of property, plant and equipment	43,501	40,781	59,303
Release of prepaid lease payments	909	833	1,681
Loss on disposal of property, plant and equipment	251	75	152
Change in fair value of derivative financial instruments, net	638	(170)	3,397
Discount on acquisition arising on acquisition of subsidiaries	—	—	(16,479)
(Reversal of allowance for) allowance for bad and doubtful receivables	(594)	72	(61)
Amortisation of deferred connection charges	(1,265)	(1,192)	(914)
Interest income	(2,443)	(2,862)	(1,447)
Finance costs	42,875	39,881	44,498
Share of results of associates	(19,956)	(33,576)	(19,186)
Provision for (reversal of provision for) employee benefits	—	1,120	(1,120)
Operating cashflows before movements in working capital	105,311	106,268	147,377
Decrease (increase) in other assets	364	(848)	3,109
Decrease (increase) in inventories	3,064	(2,302)	(662)
(Increase) decrease in trade receivables	(2,048)	103	(19,615)
Decrease (increase) in other receivables and prepayments	2,525	(8,412)	(4,177)
Increase in derivative financial instruments	—	(1,525)	—
Increase (decrease) in trade payables	32,983	(25,853)	17,735
Increase (decrease) in other payables and accruals	6,017	3,014	(14,115)
Increase in deferred connection charges	2,231	252	13
Cash generated from operations	150,447	70,697	129,665
Income taxes paid	(14,946)	(13,551)	(12,903)
NET CASH FROM OPERATING ACTIVITIES	135,501	57,146	116,762

	NOTES	Year ended 31 December 2008	2009	2010
		US$'000	*US$'000*	*US$'000*
INVESTING ACTIVITIES				
Acquisition of Daesan Plant (defined in note 36)/a subsidiary by a jointly controlled entity	*36(a), (b)*	—	(113,048)	—
Purchase of property, plant and equipment		(48,948)	(44,765)	(21,168)
(increase) decrease in pledged bank deposits and restricted cash		(26,284)	7,268	(16,388)
Capital contribution to an associate		—	—	(15,969)
Deposit paid for acquisition of a subsidiary by a jointly controlled entity/the Group		(4,391)	(14,000)	—
Deposits paid for other assets		(1,423)	(1,277)	—
Disposal of a subsidiary	*37*	—	—	(826)
Additions to prepaid lease payments		(106)	(230)	(151)
Dividends received from associates, net		31,495	20,617	14,457
Acquisition of subsidiaries	*36(c)*	—	—	12,778
Refund of custom duty related to property, plant and equipment		—	3,560	—
Interest received		2,443	2,862	1,447
Repayment from a related company		445	378	334
Proceeds from disposal of property, plant and equipment		647	42	157
NET CASH USED IN INVESTING ACTIVITIES		(46,122)	(138,593)	(25,329)

	NOTES	Year ended 31 December 2008	2009	2010
		US$'000	*US$'000*	*US$'000*
FINANCING ACTIVITIES				
New bank borrowings raised		128,263	200,462	417,871
Contribution from shareholder		—	15,836	—
Repayment from (advance to) related companies		425	(4,261)	(1,155)
Contribution from non-controlling shareholder		—	175	—
Repayment of bank borrowings		(75,315)	(108,777)	(429,838)
Dividends paid to owner of the Company		—	(62,836)	—
Interest paid		(41,631)	(44,998)	(36,632)
Dividends paid to non-controlling shareholders		(4,777)	(6,034)	(5,143)
Loan arrangement fee paid		—	(2,843)	(3,184)
NET CASH FROM (USED IN) FINANCING ACTIVITIES		6,965	(13,276)	(58,081)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		96,344	(94,723)	33,352
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		55,411	155,027	60,361
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		3,272	57	1,533
CASH AND CASH EQUIVALENTS AT END OF YEAR, representing bank balances and cash		155,027	60,361	95,246

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

1. GENERAL INFORMATION

The Company is a Bermuda incorporated investment holding company with its principal place of business at 15/F., Harbour Centre, 25 Harbour Road, Wanchai, Hong Kong. The address of the registered office is Victoria Place, 31 Victoria Street, Hamilton HM 10, Bermuda. On 5 November 2010, its former immediate and ultimate holding company, MPC Hold Co Cayman ("MPC Hold Co."), a company incorporated in the Cayman Islands with limited liability, has transferred 100% of its equity interest in the Company to CGNPC Huamei Investment Limited ("CGNPC Huamei"), a company incorporated in Hong Kong with limited liability. CGNPC Huamei is wholly owned by China Guangdong Nuclear Power Holding Corporation, Ltd. ("CGNPHC"), the ultimate holding company.

The principal activities of its associates and jointly controlled entities are set out in notes 19 and 20, respectively.

The Financial Information is presented in United States dollars ("US$"), which is also the functional currency of the Company.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

The International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB issued a number of new International Accounting Standard ("IAS"), IFRS, amendments and interpretations (hereinafter collectively referred to as "new IFRS") which are effective for the Group's financial periods beginning on 1 January 2010. Also, as discussed in note 39, the Group has early applied the partial exemptions set out from disclosure requirements for government-related entities under IAS 24 (Revised) Related Party Disclosures in advance of its effective date. For the purpose of preparing and presenting the Financial Information for the Relevant Periods, the Group has adopted all these new IFRS and IAS 24 (Revised) consistently throughout the Relevant Periods.

At the date of this report, the IASB has issued the following new and revised Standards, Amendments and Interpretations which are not yet effective. The Group has not early applied these Standards, Amendments and Interpretations in the preparation of the Financial Information for the Relevant Periods.

IFRSs (Amendments)	Improvements to IFRSs issued in 2010[1]
IFRS 1 (Amendments)	Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters[2]
IFRS 1 (Amendments)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters[3]
IFRS 7 (Amendments)	Disclosures — Transfers of Financial Assets[3]
IFRS 9	Financial Instruments[4]
IFRS 10	Consolidated Financial Statements[4]
IFRS 11	Joint Arrangements[4]
IFRS 12	Disclosure of Interests in Other Entities[4]
IFRS 13	Fair Value Measurement[4]
IAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income[8]
IAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[5]
IAS 19 (Revised 2011)	Employee Benefits[4]
IAS 27 (Revised 2011)	Separate Financial Statements[4]

IAS 28 (Revised 2011)	Investments in Associates and Joint Ventures[4]
IAS 32 (Amendments)	Classification of Rights Issues[7]
IFRIC 14 (Amendments)	Prepayments of a Minimum Funding Requirement[6]
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments[2]

[1] Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate.
[2] Effective for annual periods beginning on or after 1 July 2010.
[3] Effective for annual periods beginning on or after 1 July 2011.
[4] Effective for annual periods beginning on or after 1 January 2013.
[5] Effective for annual periods beginning on or after 1 January 2012.
[6] Effective for annual periods beginning on or after 1 January 2011.
[7] Effective for annual periods beginning on or after 1 February 2010.
[8] Effective for annual periods beginning on or after 1 July 2012.

IFRS 9 *Financial Instruments* (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. IFRS 9 *Financial Instruments* (as revised in October 2010) adds requirements for financial liabilities and for derecognition.

- Under IFRS 9, all recognised financial assets that are within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

- In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under IFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Currently, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

IFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors anticipate that IFRS 9 that will be adopted in the Group's Financial Information for financial year ending 31 December 2013 and that the application of the new Standard may affect the classification and measurement of the Group's financial assets and financial liabilities. The Group is in the process of determining the impact of adoption of IFRS 9 on the Group's financial position, results of operation and cash flow.

The directors of the Company anticipate that the application of the other new and revised Standards, Amendments or Interpretations will have no material impact on the Financial Information.

3. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below.

The Financial Information has been prepared in accordance with the following accounting policies which conform with IFRSs.

Basis of consolidation

The Financial Information incorporates the financial information of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the Financial Information of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries on or after 1 January 2010

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owner of the Company. The obligation to acquire additional interests in a subsidiary is accounted for as forward contract.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Where certain assets of the subsidiary are measured at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Company had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained earnings). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

Changes in the Group's ownership interests in existing subsidiaries prior to 1 January 2010

Increases in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognised where appropriate. For decreases in interests in subsidiaries, regardless of whether the disposals would result in the Group losing control over the subsidiaries, the difference between the consideration received and the adjustment to the non-controlling interests was recognised in profit or loss.

Business combinations

Business combinations that took place on or after 1 January 2010

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or another measurement basis required by another Standard.

Where the consideration the Group transfers in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and considered as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments being made against goodwill or gain on bargain purchase. Measurement period adjustments are adjustments that arise from additional information obtained during the measurement period about facts and circumstances that existed as of the acquisition date. Measurement period does not exceed one year from the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

Changes in the value of the previously held equity interest recognised in other comprehensive income and accumulated in equity before the acquisition date are reclassified to profit or loss when the Group obtains control over the acquiree.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

Business combinations that took place prior to 1 January 2010

Acquisition of businesses was accounted for using the purchase method. The cost of the acquisition was measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that met the relevant conditions for recognition were generally recognised at their fair value at the acquisition date.

Goodwill arising on acquisition was recognised as an asset and initially measured at cost, being the excess of the cost of the acquisition over the Group's interest in the recognised amounts of the identifiable assets, liabilities and contingent liabilities recognised. If, after assessment, the Group's interest in the recognised amounts of the acquiree's identifiable assets, liabilities and contingent liabilities exceeded the cost of the acquisition, the excess was recognised immediately in profit or loss.

The non-controlling interest in the acquiree was initially measured at the non-controlling interest's proportionate share of the recognised amounts of the assets, liabilities and contingent liabilities of the acquiree.

Contingent consideration was recognised, if and only if, the contingent consideration was probable and could be measured reliably. Subsequent adjustments to contingent consideration were recognised against the cost of the acquisition.

Business combinations achieved in stages were accounted for as separate steps. Goodwill was determined at each step. Any additional acquisition did not affect the previously recognised goodwill.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less any accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the relevant cash-generating units or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit, and then to the other assets of the unit pro rata based on of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in consolidated statement of comprehensive income. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

The Group's policy for goodwill arising on the acquisition of an associate is described at "Investments in associates" below.

Investments in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in Financial Information using the equity method of accounting. Under the equity method, investments in associates are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associates. When the Group's share of losses of an associate exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

The requirements of IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount, any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Group's Financial Information only to the extent of interests in the associate that are not related to the Group.

Interests in jointly controlled entities

Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as jointly controlled entities.

The Group recognises its interests in jointly controlled entities using proportionate consolidation. The Group's share of each of the assets, liabilities, income and expenses of the jointly controlled entities are combined with the Group's similar line items, line by line, in the Financial Information.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable.

Revenue from the sale of electricity and steam are recognised based upon output delivered. Revenue is recognised upon transmission of electricity and steam to the customers.

Capacity charges are payments from independent power purchasers for maintaining availability of some of the Group's power generators for dispatch of electricity, regardless of actual dispatch. The charges are recognised when the relevant dispatch requirements are met.

Connection charges are one-off charges to new customers for connecting into a heat supply network approved by government. The charges are deferred and recognised on a straight-line basis over the estimated service life of the customers which is estimated to be five years.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Consultancy income is recognised when service is provided.

Revenue from sale of scrap materials is recognised when the goods are delivered and title has passed.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

In the case of an electricity supply or a power purchase contractual arrangement, where the fulfilment of the arrangement is dependent on the use of specific assets and the arrangement conveys a right to use these assets, such contractual arrangement is accounted for as containing a finance or an operating lease, as applicable.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Sale and leaseback arrangements — operating lease

The Group enters into sale and leaseback arrangements whereby it sells certain assets and leases back of those assets. The Group reviews the substance of each of these transactions to determine whether the leaseback is a finance lease or an operating lease. Where it is determined that the leaseback is an operating lease and (i) the Group does not maintain or maintains only minor continuing involvement in these properties, other than the required lease payments and (ii) these transactions are established at sales price below fair value, and the loss is compensated for by future lease payments at below market price, such loss is deferred and amortised in proportion to the lease payments over the period for which the asset is expected to be used.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for exchange differences on transactions entered into in order to hedge certain foreign currency risks.

For the purposes of presenting the Financial Information, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. US$) using exchange rates prevailing at the end of the reporting period. Income and expense are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case, the exchange rates at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (the translation reserve).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in equity.

Borrowing costs

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 profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Retirement benefit costs

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Financial Information and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business consolidation) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates and interests in jointly controlled entities, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax is recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Property, plant and equipment

Property, plant and equipment, other than freehold land and construction in progress, are stated at cost less accumulated depreciation and recognised impairment losses.

Depreciation is recognised so as to write off the cost (other than freehold land and construction in progress) less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Buildings and leasehold improvements	20 to 40 years
Electric and steam generating facilities	20 to 25 years
Office and electronic equipment	4 to 10 years
Motor vehicles	5 to 10 years

Freehold land is stated at cost less accumulated impairment losses. No amortisation is provided for freehold land.

Construction in progress is carried at cost, less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit and loss.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment, unless it is clear that both elements are operating leases, in which case the entire lease is classified as an operating lease.

The prepaid rentals of land use rights under operating leases are stated at cost and charged to the profit or loss on a straight-line basis over the contracted period of the rights.

Impairment of assets (other than financial assets)

At the end of the reporting period, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so 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 (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of production and costs necessary to make the sales.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the end of the reporting period, and are discounted to present value where the effect is material.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

Financial assets

The Group's financial assets include loans and receivables and financial assets at FVTPL. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instruments, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets classified as FVTPL.

Financial assets at FVTPL

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are measured at fair value, with any gains or losses arising from remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade receivables, other receivables, amounts due from a related company and associates, pledged bank deposits and restricted cash and bank balances and cash) are carried at amortised cost using the effective interest method, less any impairment (see accounting policy on impairment loss on financial assets below).

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The Group's financial liabilities are generally classified into financial liabilities at FVTPL and other financial liabilities.

Financial liabilities at FVTPL

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing in the near future; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial liabilities at FVTPL

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised directly in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liabilities.

Other financial liabilities

Other financial liabilities including trade and other payables, amounts due to related companies, advances from related parties and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or a shorter period, to the net carrying amount on initial recognition.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Hedge accounting

The Group designates certain derivatives as hedges of the cash flow of floating-rate bank borrowings (cash flow hedges).

At the inception of the hedging relationship the entity documents the relationship between the hedging instrument and hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss as other gains or losses.

Amounts previously recognised in other comprehensive income and accumulated in equity (hedging reserve) are reclassified to profit or loss in the periods when the hedged item is recognised in profit or loss. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

4. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Critical judgement in applying the Group's accounting policies

In the process of applying the Group's accounting policies, management has made the following judgement that has the most significant effect on the amounts recognised in the Financial Information (apart from those involving estimations, which are dealt with below).

Connection charges

It is the Group's policy to recognise the connection charges, which are one-off charges to new customers for connecting into a heat supply network, on a straight-line basis over the estimated service life of the customers. In making the judgement on the estimation of the average service life of the customers of five years, the Group considered the historical data of service life of the customers and future expectation. As at 31 December 2008, 2009 and 2010, the Group has deferred connection charges amounting to approximately US$3,445,000, US$2,509,000 and US$1,686,000 respectively.

Key sources of estimation uncertainty

The key assumption concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period, are discussed below.

Useful lives and impairment assessment of property, plant, and equipment

Property, plant, and equipment are stated in the consolidated statement of financial position at cost less accumulated depreciation and identified impairment losses. The estimation of their useful lives impacts the level of annual depreciation expense recorded. Property, plant, and equipment are evaluated for possible impairment on a specific asset basis or in groups of similar assets, as applicable. This process requires management's estimate of future cash flows generated by each asset or group of assets. For any instance where this evaluation process indicates impairment, the appropriate asset's carrying values are written down to the recoverable amount and the amount of the write-down is charged against the results of operations. As at 31 December 2008, 2009 and 2010, the net book value of property, plant and equipment is approximately US$645,649,000, US$797,528,000 and US$856,052,000 respectively.

Fair value of derivatives and other financial instruments

As described in Note 5e, the directors of the Company use their judgement in selecting an appropriate valuation technique for financial instruments not quoted in an active market. Valuation techniques commonly used by market practitioners are applied. For derivative financial instruments, assumptions are made based on quoted market rates adjusted for specific features of the instrument. The estimation of fair value of derivative financial instruments may include some assumptions not supported by observable market prices or rates. As at 31 December 2008, 2009 and 2010, the carrying amounts of derivative financial assets are approximately US$549,000, US$2,127,000 and US$2,076,000 respectively. As at 31 December 2008, 2009 and 2010, the carrying amounts of derivative financial liabilities are approximately US$12,437,000, US$7,316,000 and US$3,988,000 respectively.

5. FINANCIAL INSTRUMENTS

a. Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists net debt, which includes amounts due to related companies, advances from related parties and bank borrowings, as disclosed in notes 28, 29, 31 and 32, respectively, net of pledged deposits and restricted cash, and cash and cash equivalents, and equity attributable to owner of the Company, comprising issued capital, reserves and accumulated profits.

The management of the Group reviews the capital structure from time to time. As a part of this review, the management considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the management, the Group will balance its overall capital structure through the payment of dividends, the issue of new shares, new debts or the redemption of existing debts.

b. Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial assets, financial liabilities and equity instrument are disclosed in note 3.

c. Categories of financial instruments

	Year ended 31 December		
	2008	2009	2010
	US$'000	*US$'000*	*US$'000*
Financial assets			
Loans and receivables (including cash and cash equivalents)	301,526	210,042	304,493
Designated at FVTPL	549	2,127	2,076
Financial liabilities			
Derivative instruments in designated hedge accounting relationships	10,238	7,316	—
Designated at FVTPL	2,199	—	3,988
Amortised cost	771,312	866,199	932,325

d. Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, amounts due from (to) related companies, advances from related parties, other payable, amounts due from associates, derivative assets and liabilities, pledged bank deposits and restricted cash, bank balances, trade and other payables and bank borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risks

The Group's activities expose it primarily to the financial risks of changes in interest rates and foreign currency exchange rate. The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate, foreign currency risk and other price risk, including:

- Interest rate swaps to mitigate the risk of rising interest rates;
- Forward foreign exchange contracts to hedge the exchange rate risk arising on the payment to contractors for maintenance works; and
- Commodity options to mitigate the risk of rising coal price.

There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk. Details of each type of market risks are described as follows:

(i) Interest rate risk management

The Group is exposed to cash flow interest rate risk in relation to floating-rate borrowings, pledged bank deposits and restricted cash, and bank balances. The Group aims at keeping certain borrowings at fixed rates. In order to achieve this result, the Group uses interest rate swap agreements, to reduce exposure to interest rate fluctuations associated with floating-rate debt. Instruments are with counterparties of high credit quality; therefore, the risk of non-performance by the counterparties is considered negligible.

The Group is also exposed to fair value interest rate risk in relation to fixed-rate other payables (see note 32 for details of these payables).

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note.

Sensitivity analysis

The sensitivity analysis below have been determined based on the exposure to interest rates for non-hedged floating-rate borrowings, pledged bank deposits and restricted cash, and bank balances (excluding bank balances carrying interest rate below 0.5%) at the end of the reporting period. The analysis is prepared assuming amounts of these financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis points increase or decrease represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2008, 2009 and 2010 would decrease/increase by approximately US$1,280,000, US$2,182,000 and US$2,030,000, respectively.

(ii) Other price risk

The Group is exposed to commodity price risk in relation to its commodity options. The directors of the Company consider the Group's exposure to other price risk on commodity options is insignificant. Accordingly, no other price risk sensitivity analysis is presented.

(iii) Foreign currency risk management

The Group's exposure to currency risk attributable to the bank balances and payables which are denominated in the currencies other than the functional currency of the entity to which they related. The management manages and monitors this exposure to ensure approximate measures are implemented on a timely and effective manner.

Further, one of the Group's subsidiaries has used foreign exchange forward contracts to reduce the currency exposures in US$ and European dollar ("Euro") in 2008 in relation to the foreign currency denominated monetary assets and liabilities.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities other than the functional currency of the entity to which they related at the reporting date are as follows:

	Liabilities			**Assets**		
	At 31 December			**At 31 December**		
	2008	**2009**	**2010**	**2008**	**2009**	**2010**
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
US$	53	11	18	1,128	276	—
Euro	137	30	—	1,134	—	—
HK$	2,359	758	77	572	773	274

For the years ended 31 December 2008, 2009 and 2010, management is of the opinion that the Group's exposure to foreign exchange rate risk is minimal. Accordingly, no foreign currency sensitivity analysis is presented.

Liquidity risk

To manage the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents as well as undrawn banking facilities considered adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and other payables and ensures compliance with loan covenants.

Liquidity tables

The following tables detail the Group's remaining contractual maturity for its financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

In addition, the following tables detail the Group's liquidity analysis for its derivative financial instruments. The tables have been drawn up based on the undiscounted contractual net cash outflows on derivative instruments that settle on a net basis. When the amount payable is not fixed, the amount disclosed has been derived from interest rate at the end of the reporting period for variable rate borrowings or determined by reference to the projected interest rates as illustrated by the yield curves existing at the end of the reporting period for interest rate swaps. The liquidity analysis for the Group's derivative financial instruments are prepared based on the contractual maturities as the management considers that the contractual maturities are essential for an understanding of the timing of the cash flows of derivatives.

	Weighted average interest rate	Less than 3 months	3 months to 1 year	1-2 years	2-5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
	%	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
As at 31 December 2008								
Non-derivative financial liabilities								
Trade payables	–	81,847	9,009	–	–	–	90,856	90,856
Other payables	0.48	8,102	4,247	–	–	–	12,349	12,172
Amounts due to related companies	–	–	13,961	–	–	–	13,961	13,961
Advance from related parties	7.09	–	14,475	–	–	3,605	18,080	17,845
Floating-rate borrowings	5.53	27,846	76,512	68,939	401,426	183,936	758,659	636,478
		117,795	118,204	68,939	401,426	187,541	893,905	771,312
Derivatives – net settlement								
Interest rate swaps	–	2,407	5,185	4,845	–	–	12,437	12,437

	Weighted average interest rate	Less than 3 months	3 months to 1 year	1-2 years	2-5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
	%	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
As at 31 December 2009								
Non-derivative financial liabilities								
Trade payables	–	65,323	5,210	–	–	–	70,533	70,533
Other payables	0.52	4,964	10,958	1,471	2,162	–	19,555	19,476
Amounts due to related companies	–	4,599	1,318	–	–	–	5,917	5,917
Advances from related parties	5.65	8,950	–	–	–	3,606	12,556	12,556
Floating-rate borrowings	5.30	32,702	114,344	114,911	378,201	222,526	862,684	757,717
		116,538	131,830	116,382	380,363	226,132	971,245	866,199
Derivatives – net settlement								
Interest rate swaps	–	1,545	4,837	529	405	–	7,316	7,316

	Weighted average interest rate	Less than 3 months	3 months to 1 year	1-2 years	2-5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
	%	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
As at 31 December 2010								
Non-derivative financial liabilities								
Trade payables	–	85,747	5,008	–	–	–	90,755	90,755
Other payables	0.50	7,064	10,025	2,229	–	–	19,318	19,253
Amounts due to related companies	–	4,741	6,353	–	–	–	11,094	11,094
Advance from related parties	–	9,225	–	–	–	3,717	12,942	12,942
Floating-rate borrowings	4.69	19,812	81,062	76,969	519,932	250,510	948,285	798,281
		126,589	102,448	79,198	519,932	254,227	1,082,394	932,325
Derivatives – net settlement								
Interest rate swaps	–	274	789	1,065	1,860	–	3,988	3,988

The amounts included above for variable interest rate instruments for non-derivative financial liabilities is subject to change if changes in floating rates differ to those estimates of interest-rates determined at the end of the reporting period.

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations at the end of the reporting period in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position and the other commitment as disclosed in note 38(c). The Group's credit risk is primarily attributable to its trade receivables, amounts due from associates, pledged bank deposits, restricted cash and bank balance. For the trade receivables, the Group has been largely dependent on a small number of customers for a substantial portion of its business. Most of the power plants of the Group sell the electricity generated to their respective sole customer who is the principal grid company where the power plant is located. The failure of these customers to make required payments could have a substantial negative impact on the Group's profits. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits and other monitoring procedures to ensure that follow-up action is taken to recover overdue receivables. In addition, the Group reviews the recoverable amount of each individual trade receivable at the end of each reporting period to ensure that adequate allowance are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced. For the amounts due from associates, the directors of the Company are in the opinion that the failure of these associates to make required payments is unlikely after considering their past settlement records.

The Group has concentration of credit risk as 61%, 49% and 67% of the total trade receivables was due from the Group's largest customers in South Korea and PRC as at 31 December 2008, 2009 and 2010 respectively. The Group's remaining customers individually contribute to less than 10% of the total trade receivables of the Group.

The credit risk on pledged bank deposits and restricted cash and bank balances are limited because the counterparties are reputable banks or a financial institution with high credit ratings assigned by international credit-rating agencies.

Other than concentration of credit risk on trade receivables set out above and other commitments disclosed in note 38(c), and liquid funds and derivative financial instruments which are deposited or contracted with several banks with high credit ratings, the Group does not have any other significant concentration of credit risk.

e. Fair value

The level 2 fair value measurement of the Group's derivative financial instruments as at 31 December 2008, 2009 and 2010 are based on discounted cash flows using inputs based on observable market data, other than quote prices in active market for identical assets and liabilities (see note 33).

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recognised in the Financial Information approximate their fair values.

6. REVENUE AND OTHER INCOME

	Year ended 31 December		
	2008	2009	2010
	US$'000	*US$'000*	*US$'000*
Revenue:			
Sales of electricity	438,395	290,803	473,986
Sales of steam	76,285	73,644	82,261
Capacity charges	49,538	53,174	75,076
Connection charges and others	1,701	1,528	1,045
	565,919	419,149	632,368
Other income:			
Interest income	2,443	2,862	1,447
Profit on sales of scrap materials	980	1,160	1,826
Government grant *(note)*	2,526	3,611	1,637
Consultancy income	634	503	1,211
Equipment rental income	174	306	519
Others	983	643	3,457
	7,740	9,085	10,097
	573,659	428,234	642,465

Note: The amounts mainly represented subsidies given by the PRC government to certain subsidiaries of the Company in the PRC, for testing services provided to the government during the year and for operating cost and environmental protection subsidies. There were no other specific conditions attached to the incentives and, therefore, the Group recognised the incentives upon receipt.

7. SEGMENT INFORMATION

Segment information has been identified on the basis of internal management reports which are prepared in accordance with accounting policies conform with IFRS, that are regularly reviewed by the Chief Operating Officer, the chief operating decision maker of the Group, in order to allocate resources to the reportable segments and to assess their performance.

Specifically, the Group's operating and reportable segments under IFRS 8 are as follows:

Coal-fired and co-generation plants — generation and sale of electricity and steam by coal-fired, co-generation and steam supply facilities.

Hydro and renewable energy plants — generation and sale of electricity by hydro and wind supply facilities. Hydro plants and wind plants operating segments are aggregated into a single operating segment since these segments share similar economic characteristics using renewable energy for generation.

Gas-fired plants — generation and sale of electricity by gas-fired supply facilities.

Oil-fired plants — generation and sale of electricity by oil-fired supply facilities.

During the year ended 31 December 2009, the Group has started the oil-fired plants operation since the acquisition of Daesan Plant as disclosed in note 36(a). The oil-fired plants operation is reported as a separate operating segment to the directors for the purposes of resource allocation and performance assessment.

The information of segment revenue and results is as follows:

For the year ended 31 December 2008

	Coal-fired and co-generation plants *US$'000*	**Hydro and renewable energy plants** *US$'000*	**Gas-fired plants** *US$'000*	**Consolidated** *US$'000*
Revenue	96,998	33,276	435,645	565,919
Result				
Segment profit	3,129	29,701	66,464	99,294
Interest income				2,443
Central administration costs				(17,467)
Finance costs				(42,875)
Profit before tax				41,395

For the year ended 31 December 2009

	Coal-fired and co-generation plants *US$'000*	**Hydro and renewable energy plants** *US$'000*	**Gas-fired plants** *US$'000*	**Oil-fired plants** *US$'000*	**Consolidated** *US$'000*
Revenue	108,374	35,309	262,966	12,500	419,149
Result					
Segment profit	33,751	34,455	48,318	5,951	122,475
Interest income					2,862
Central administration costs					(24,150)
Finance costs					(39,881)
Profit before tax					61,306

For the year ended 31 December 2010

	Coal-fired and co-generation plants	Hydro and renewable energy plants	Gas-fired plants	Oil-fired plants	Consolidated
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Revenue	173,674	43,721	367,940	47,033	632,368
Result					
Segment profit	15,695	30,355	62,676	15,536	124,262
Interest income					1,447
Central administration costs					(20,137)
Finance costs					(44,498)
Discount on acquisition arising on acquisition of subsidiaries					16,479
Profit before tax					77,553

The accounting policies of the reportable segment are the same as the Group's accounting policies described in note 3. Segment profit represents the profit generated by each segment including result of associates but without allocation of interest income, central administration costs, finance costs, discount on acquisition arising on acquisition of subsidiaries and income tax. This is the measure reported to the Chief Operating Officer for the purposes of resource allocation and performance assessment.

Information of segment assets and segment liabilities are as follows:

	At 31 December		
	2008	**2009**	**2010**
	US$'000	*US$'000*	*US$'000*
Assets			
Segment assets			
— Coal-fired and co-generation plants	500,918	502,913	645,253
— Hydro and renewable energy plants	355,686	415,983	434,460
— Gas-fired plants	517,264	510,411	477,844
— Oil-fired plants	—	120,475	132,152
	1,373,868	1,549,782	1,689,709
Unallocated corporate assets	134,077	59,667	47,915
Consolidated total assets	1,507,945	1,609,449	1,737,624
Liabilities			
Segment liabilities			
— Coal-fired and co-generation plants	98,327	82,721	113,697
— Hydro and renewable energy plants	66,357	79,082	121,404
— Gas-fired plants	309,120	340,352	317,342
— Oil-fired plants	—	62,073	67,753
	473,804	564,228	620,196
Unallocated corporate liabilities	371,768	386,671	386,156
Consolidated total liabilities	845,572	950,899	1,006,352

Note: For the purpose of monitoring segment performance and allocating resources between segments, the Chief Operating Officer monitors the tangible, intangible and financial assets and liabilities attributable to each segment. All assets and liabilities are allocated to operating segments other than corporate assets and liabilities held by the Company, 湖南湘投國際投資有限公司 (Hunan Xiangtou International Investment Company Limited, "Hunan Xiangtou"), a jointly controlled entity, and Yaneng.

Other information

For the year ended 31 December 2008

	Coal-fired and co-generation plants	Hydro and renewable energy plants	Gas-fired plants	Corporate level	Consolidated
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Additions to property, plant and equipment	7,796	32,319	9,156	137	49,408
Amortisation of deferred connection changes	1,265	—	—	—	1,265
Depreciation of property, plant and equipment	10,697	9,612	22,836	356	43,501
Loss (gain) on disposal of property, plant and equipment	12	157	86	(4)	251
Release of prepaid lease payments	321	237	351	—	909
Reversal of allowance for doubtful debts	(594)	—	—	—	(594)
Share of results of associates	(140)	(13,720)	(6,096)	—	(19,956)
Interests in associates	296,322	169,950	46,830	—	513,102

For the year ended 31 December 2009

	Coal-fired and co-generation plants	Hydro and renewable energy plants	Gas-fired plants	Oil-fired plants	Corporate level	Consolidated
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Additions to property, plant and equipment	1,838	66,826	15,136	30	100	83,930
Allowance for doubtful debts	72	—	—	—	—	72
Amortisation of deferred connection changes	1,192	—	—	—	—	1,192
Depreciation of property, plant and equipment	11,465	6,528	20,627	1,804	357	40,781
Loss (gain) on disposal of property, plant and equipment	12	(7)	70	—	—	75
Release of prepaid lease payments	281	243	309	—	—	833
Share of results of associates	(15,701)	(12,514)	(5,361)	—	—	(33,576)
Interests in associates	304,737	174,313	47,519	—	—	526,569

For the year ended 31 December 2010

	Coal-fired and co-generation plants	Hydro and renewable energy plants	Gas-fired plants	Oil-fired plants	Corporate level	Consolidated
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Additions to property, plant and equipment	3,686	8,302	1,212	30	26	13,256
Amortisation of deferred connection changes	914	—	—	—	—	914
Depreciation of property, plant and equipment	17,787	13,339	23,119	4,761	297	59,303
Loss (gain) on disposal of property, plant and equipment	132	(10)	30	—	—	152
Release of prepaid lease payments	1,118	249	314	—	—	1,681
Reversal of allowance for doubtful debts	(61)	—	—	—	—	(61)
Share of results of associates	(4,075)	(8,247)	(6,864)	—	—	(19,186)
Interests in associates	319,835	180,874	—	—	—	500,709

Geographical information

The Group principally operates in the PRC and South Korea (countries of domicile), for which operation in South Korea belongs to the gas-fired and oil-fired plants segments.

The Group's revenue from external customers attributed to the group entities' countries of domicile (i.e. the PRC and South Korea) from which revenues are derived, and information about its non-current assets located in the group entities' countries of domicile (i.e. the PRC and South Korea) in which the group entities have assets, are detailed below:

Revenue from external customers attributed to the Group by location of customers is presented as follows:

	2008	2009	2010
	US$'000	*US$'000*	*US$'000*
Revenue			
— The PRC	186,349	187,375	261,240
— South Korea	379,570	231,774	371,128
	565,919	419,149	632,368

Non-current assets other than financial instruments and deferred tax assets by location of assets is presented as follows:

	2008	2009	2010
	US$'000	*US$'000*	*US$'000*
The PRC	894,329	952,183	1,042,187
South Korea	239,280	358,291	341,790
Taiwan	46,830	47,519	—
Hong Kong	1,039	308	675
	1,181,478	1,358,301	1,384,652

Information about major customer

During the years ended 31 December 2008, 2009 and 2010, the Group's sales to customers which accounted for 10% or more of its sales is contributed by its largest customer in South Korea under the gas-fired plants segment, and contributed US$379,570,000, US$219,274,000, and US$324,095,000, respectively.

8. OTHER GAINS AND LOSSES

	Year ended 31 December		
	2008	2009	2010
	US$'000	*US$'000*	*US$'000*
Expenses related to offering exercise	—	(5,187)	(865)
Change in fair value of derivative financial instrument, net	(638)	170	(3,397)
Loss on disposal of property, plant and equipment	(251)	(75)	(152)
Net foreign exchange gains	102	38	735
	(787)	(5,054)	(3,679)

9. FINANCE COSTS

	Year ended 31 December		
	2008	2009	2010
	US$'000	*US$'000*	*US$'000*
Interest on bank borrowings	42,452	41,282	44,911
Interest on advances from related parties	517	235	—
Total borrowing costs	42,969	41,517	44,911
Less: Amounts included in the cost of qualifying assets	(94)	(1,636)	(413)
	42,875	39,881	44,498

Borrowing costs capitalised during the years ended 31 December 2008, 2009 and 2010 arose on the general borrowing pool and are calculated by applying a capitalisation rate of 6.76%, 6.67% and 5.94% per annum to expenditure on qualifying assets of subsidiaries for the respective years.

10. INCOME TAX EXPENSE

	Year ended 31 December		
	2008	**2009**	**2010**
	US$'000	*US$'000*	*US$'000*
Current tax:			
Provision for the year	12,880	12,475	18,324
(Over)underprovision in prior year	1,058	9,945	(7,459)
	13,938	22,420	10,865
Deferred tax *(Note 22)*:			
Current year	4,070	4,663	1,839
Attributable to change in tax rate	(71)	353	—
	3,999	5,016	1,839
	17,937	27,436	12,704

Current tax provision represents provision for PRC Enterprise Income Tax ("PRC EIT") and Korean Corporate Income Tax ("KCIT").

Pursuant to the relevant PRC EIT regulations for productive enterprises with foreign investment established in the PRC and engaged in the energy and transportation industry, the Company's PRC subsidiaries are eligible for a statutory income tax rate ranging from 15% to 25% as well as an exemption from income tax for two years, starting with the first profit-making year, followed by a 50% reduction in the following three years ("Tax Holidays"), upon the application of exemption being approved by the relevant tax authorities. A profit-making year is defined as the first year for which an enterprise would need to pay income tax after absorption of any loss brought forward. The provision for the PRC EIT takes into account tax exemption or tax reduction period of the Tax Holidays of certain PRC subsidiaries during the Relevant Periods.

On 16 March 2007, the Law of the PRC on Enterprise Income Tax (the "New Law") was promulgated by Order No.63 of the President of the PRC. On 6 December 2007, the State Council of the PRC issued Implementation Regulations of the New Law. The New Law and Implementation Regulations impose a single income tax rate of 25% for all the enterprises from 1 January 2008. According to the Circular of the State Council on the Implementation of Transitional Preferential Policies for Enterprise Income Tax (Guofa [2007] No. 39), those entities that previously enjoyed a preferential tax rate below 25% would change their applicable tax rate progressively to 25% over a five-years transitional period, while the other entities would decrease their applicable tax rate to 25% immediately in 2008. The tax exemption and deduction from PRC EIT for the foreign investment enterprises is still applicable until year 2012 under the New Law.

During the Relevant Periods, certain subsidiaries of the Company in the PRC were accredited as High-tech Enterprises and a preferential tax rate of 15% was granted by the relevant tax bureaus in the PRC. Apart from that, certain subsidiaries of the Company in the PRC are engaging in Western China Development and a preferential tax rate of 15% is adopted during the Relevant Periods. As a result, the tax rate of 15% is used to calculate the amount of current taxation.

Pursuant to Hong Kong tax law, the statutory income tax was calculated at 16.5% for each of the three years ended 31 December 2010. Pursuant to the tax laws in Republic of Malta and in Mauritius, the statutory income tax was calculated at 33% and 25%, respectively, for each of the three years ended 31 December 2010. However, subsidiaries of the Group operating in these jurisdictions have not generated taxable income during the Relevant Periods and therefore, no tax provision has been made by the Group in relation to these subsidiaries.

Pursuant to KCIT law, the statutory income tax of the Group's Korean subsidiaries was calculated at 27.5%, 24.2% and 24.2% of the estimated assessable profit for each of the years ended 31 December 2008, 2009 and 2010, respectively. In December 2008, the KCIT law has changed and the KCIT rate was reduced from 27.5% to 24.2% with effect from 2009. In December 2009, the KCIT law has further amended as such the aforesaid reduction of the KCIT rate from 24.2% to 22% will be effective from 2012. The effect of these reductions had been reflected in the calculation of current and deferred tax balances at 31 December 2008 and 2009.

The income tax expense for the year can be reconciled to the profit before tax per the consolidated statement of comprehensive income as follows:

	Year ended 31 December		
	2008	**2009**	**2010**
	US$'000	*US$'000*	*US$'000*
Profit before tax	41,395	61,306	77,553
Tax at PRC EIT of 25% *(Note a)*	10,349	15,327	19,388
Tax effect of expenses that are not deductible in determining taxable profit *(Note b)*	10,728	11,370	11,634
Tax effect of income that is not taxable in determining taxable profit	(946)	(763)	(4,951)
Tax effect of share of results of associates	(4,989)	(8,394)	(4,797)
Tax effect of income under Tax Holidays and tax effect of preferential tax rates granted to certain PRC subsidiaries	(2,991)	(5,081)	(5,623)
Tax effect of tax losses not recognised	2,150	—	958
Utilisation of tax losses not previously recognised	—	(52)	(98)
Tax effect of withholding tax on distributable profits of subsidiaries and associates	1,946	4,880	3,943
Under(over)provision in prior year, net *(Note c)*	1,058	9,945	(7,459)
(Decrease) increase in opening deferred tax balance resulting from change in tax rate	(71)	353	—
Effect of different tax rates of subsidiaries operating in other jurisdictions	703	(149)	(291)
Income tax expense for the year	17,937	27,436	12,704

Details of deferred tax movement have been set out in note 22.

Note:

(a) The tax rate represents the statutory rate in the jurisdiction where the operations of the Group are substantially based.

(b) The amount mainly represents staff costs of the Company that are not deductible for tax purpose.

(c) The Group's business is organised through offshore vehicles to benefit from tax treaty benefits for dividends paid from project companies through such structure to the Company eventually. However, the developments in various jurisdictions like South Korea in 2009 denying the offshore vehicles' entitlement to income tax treaty relief have caused the management to revisit its offshore project holding arrangement. As a result, the Group has made an additional tax provision of approximately US$10 million for the year ended 31 December 2009 regarding the potentially higher withholding tax rate for dividends paid through such arrangement in prior years. During 2010, the respective tax bureau has commenced tax audit on a subsidiary of the Group among others, on such offshore project holding arrangement, resulting in additional tax levy of US$4 million for the dividends paid through such arrangement in prior years. Accordingly, an overprovision of approximately US$6 million was reversed during the year ended 31 December 2010.

11. PROFIT FOR THE YEAR

	Year ended 31 December		
	2008	**2009**	**2010**
	US$'000	*US$'000*	*US$'000*
Profit for the year has been arrived at after charging (crediting):			
Recycling of loss from equity on hedge ineffectiveness of cash flow hedge	—	—	6,457
Release of prepaid lease payments	909	833	1,681
(Reversal of allowance for) allowance for doubtful debts, net	(594)	72	(61)

12. DIVIDENDS

For the year ended 31 December 2009, an interim dividend of US$158.36 per share, amounting to approximately US$16 million in aggregate, a special dividend of US$400 per share, amounting to approximately US$40 million in aggregate, and a special dividend of US$70 per share, amounting to approximately US$7 million in aggregate were approved by the board of directors of the Company and paid on 19 February 2009, 6 May 2009 and 5 November 2009, respectively.

On 3 November 2010, the board of directors of the Company declared a dividend of US$511.69 per share to be satisfied by way of a distribution in specie of shares in Tao Yuan to MPC Hold Co., the then sole shareholder of the Company, amounting to approximately US$51,169,000. The distribution results in disposal of entire equity interest in Tao Yuan (note 37).

13. EMPLOYEE BENEFITS

The Group participates in Mandatory Provident Fund Scheme ("MPF Scheme") for all of its employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Scheme Ordinance in Hong Kong. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rules of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at a rate specified in the rules. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the scheme. During the years ended 31 December, 2008, 2009 and 2010, the retirement benefit scheme contributions arising from the MPF Scheme charged to profit or loss were approximately US$504,000, US$450,000 and US$426,000, respectively.

In accordance with the relevant rules and regulations of the PRC government, all sino-foreign joint ventures established in the PRC should make contributions to a retirement fund administered by the PRC government on behalf of their registered local employees and the PRC government is responsible for the pension liability to these employees when they retire. The Group's PRC subsidiaries are required to make contributions to the retirement fund ranging from 10% to 22% of the total monthly basic salaries of the current employees. In addition, the Group's PRC subsidiaries are required by law to contribute 2% to 15% of basic salaries of the employees for staff welfare, housing, medical and education benefits. During the years ended 31 December 2008, 2009 and 2010, the expense of such arrangements for the Group's PRC subsidiaries amounted to approximately US$2,502,000, US$2,792,000 and US$3,266,000 respectively.

In accordance with the relevant rules and regulations in South Korea, all employees with more than one year of service are entitled to lump-sum service payments (the "Service Payments") equal to one month's pay of service for each year based on their rate of salary and length of service upon termination of their employment or retirement. The accrual for service indemnities is determined based on the amount that would be payable assuming all employees were to retire at the end of the reporting period. In addition, the Group's Korean subsidiaries are required by law to contribute 0.04% to 4.5% of the basic salaries of the employees for national pension, national health insurance, unemployment insurance, industrial accident compensation insurance and wage claim guarantee fund. During the years ended 31 December 2008, 2009 and 2010, the expense of such arrangements for the Group's Korean subsidiaries amounted to approximately US$296,000, US$221,000 and US$277,000, respectively. In the opinion of the directors of the Company, the accrual for such service indemnities is adequate.

The Group does not have any other significant post retirement benefit plans.

Further, in order to encourage the achievement of the Company's long-term financial and operating objectives by aligning the Company's and its employees' long-term financial interests, the Company had adopted a long-term incentive plan in October 2008 pursuant to which incentive options ("Incentive Options") would be granted, at the sole discretion of the board of directors of the Company, to employees of the Group who were able to make a substantial contribution to the attainment of the long-term financial and operating objectives of the Company.

Under the long-term incentive plan, the holders of the Incentive Options were entitled to convert the vested Incentive Options into a cash payment equal to the excess of an exercise value as published by the Company from time to time, and calculated by reference to the value of the Company based on its adjusted audited consolidated profits, over the grant value of the Incentive Options. The board of directors of the Company might in its sole discretion permit the holders to elect to receive shares of the Company on exercise of the Incentive Options in lieu of cash payment. The number of shares of the Company which the holders would receive on such exercise will be calculated based on the then market value of the Company as determined by the board of directors of the Company.

The exercise period of the Incentive Options commenced after a vesting period as specified in the plan and the grant letter or the occurrence of any of the events as specified in the long-term incentive plan, and expired in seven years from the date on which the Incentive Options were granted; however, the initial exercise date of the vested Incentive Options would not be earlier than 31 December 2010 or six months from the date on which certain events ("Exercise Events") occur which includes, (i) the listing of the shares in the Company (or any holding company of the Company) on an internationally recognised investment exchange; (ii) the sale or transfer of 51% or more of the shares in the Company or the Company's business; or (iii) the winding up of the Company. In addition, the Company could cancel the Incentive Options at any time without any compensation to the employees.

There were no Incentive Options granted for the year ended 31 December 2008, while 333,000 Incentive Options were granted to the employees of the Group during the year ended 31 December 2009. As at each of the last day of the first, second, third and fourth anniversary of the date of grant, the total number of Incentive Options exercisable would not exceed 25%, 50%, 75% and 100%, respectively, of the total Incentive Options granted to the eligible employees.

During the year ended 31 December 2009, the Group recorded total expenses of approximately US$1,120,000 with respect to the Incentive Options, which were included in staff costs in the profit or loss, with the related provision presented as a current liability in the consolidated statement of financial position at 31 December 2009.

On 4 March 2010, the board of directors of the Company approved to terminate the long-term incentive plan. The offer of grant of incentive options under the long term incentive plan and any grant letter previously issued by the Company up to 4 March 2010 were cancelled. No Incentive Options were granted to the employees of the Group during the year ended 31 December 2010. The reversal of related provision was recognised in profit or loss during the year ended 31 December 2010.

Movements in the number of Incentive Options granted by the Group during the year ended 31 December 2009 are set out below.

	Number of Incentive Options						
Grantees	At 1.1.2009	Granted during the year	Exercised during the year	At 31.12.2009	Date of grant *US$*	Grant price per incentive options	Exercise period
Directors	—	84,500	—	84,500	1.3.2009	59.20	31 December 2010 to 29 February 2016 *(Note)*
Employees	—	248,500	—	248,500	1.3.2009	59.20	31 December 2010 to 29 February 2016 *(Note)*
	—	333,000	—	333,000			

Note: The initial exercise date is the earliest of 31 December 2010 or six months from the date on which Exercise Events occur.

14. DIRECTORS' EMOLUMENTS AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

For the year ended 31 December 2008

Name of director	Directors' fees *US$'000*	Salaries and allowances *US$'000*	Contribution to retirement benefits schemes *US$'000*	Performance related incentive payments *US$'000*	Total *US$'000*
Alan Wing Shin Chan *(note a)*	—	626	31	1,171	1,828
Andrew Rowan Ian Yee *(note b)*	—	—	—	—	—
Ashish Gupta *(note b)*	—	—	—	—	—
George Raymond Zage III *(note b)*	—	—	—	—	—
Joseph Patrick Stevens *(note b)*	—	—	—	—	—
	—	626	31	1,171	1,828

For the year ended 31 December 2009

Name of director	Directors' fees *US$'000*	Salaries and allowances *US$'000*	Contribution to retirement benefits schemes *US$'000*	Performance related incentive payments *US$'000*	Incentive paid on joining *US$'000*	Contractual payments for loss of office *US$'000*	Total *US$'000*
Alan Wing Shin Chan *(note a)*	—	456	21	—	—	1,333	1,810
Andrew Rowan Ian Yee *(note b)*	—	—	—	—	—	—	—
Ashish Gupta *(note b)*	—	—	—	—	—	—	—
George Raymond Zage III *(note b)*	—	—	—	—	—	—	—
Joseph Patrick Stevens *(note b)*	—	—	—	—	—	—	—
Manuel F. Perez Dubuc *(Note c)*	—	368	23	—	50	—	441
Gregory John Karpinski *(note b and d)*	—	—	—	—	—	—	—
	—	824	44	—	50	1,333	2,251

For the year ended 31 December 2010

Name of director	Directors' fees *US$'000*	Salaries and allowances *US$'000*	Contribution to retirement benefits schemes *US$'000*	Performance related incentive payments *US$'000*	Incentive paid on joining *US$'000*	Total *US$'000*
Andrew Rowan Ian Yee *(note b)*	—	—	—	—	—	—
Ashish Gupta *(note b)*	—	—	—	—	—	—
George Raymond Zage III *(note b)*	—	—	—	—	—	—
Joseph Patrick Stevens *(note b)*	—	—	—	—	—	—
Manuel F. Perez Dubuc *(Note c)*	—	684	42	—	514	1,240
Gregory John Karpinski *(note b and d)*	—	—	—	—	—	—
Jianhua Xing *(note e)*	—	—	—	—	—	—
Zhao Yang *(note e)*	—	—	—	—	—	—
	—	684	42	—	514	1,240

No directors waived any emoluments for the Relevant Periods.

Notes:

(a) Alan Wing Shin Chan was resigned on 1 September 2009.

(b) These directors were resigned on 5 November 2010.

(c) Manuel F. Perez Debuc was appointed as the executive director of the Company on 15 June 2009.

(d) Gregory John Karpinski was appointed as the alternative director of Joseph Patrick Stevens and Andrew Rowan Ian Yee.

(e) These directors were appointed as non-executive directors of the Company on 5 November 2010.

Of the five individuals with the highest emoluments in the Group, one was a director of the Company for the year ended 31 December 2008 and 2010, and two were directors of the Comapny for the year ended 31 December 2009 whose emoluments are included in the disclosures above. The emoluments of the remaining individuals for the Relevant Periods were as follows:

	Year ended 31 December		
	2008	**2009**	**2010**
	US$'000	*US$'000*	*US$'000*
Salaries and other benefits	1,347	1,067	1,344
Contributions to retirement benefits schemes	67	68	87
Performance related incentive payments *(Note)*	709	236	689
	2,123	1,371	2,120

Note: The performance related incentive payment is determined on the extent of final achievement of corporate goals and objectives set out by the board of directors of MPC at the beginning of each fiscal year for the Relevant Periods.

(b) Employees' emoluments

Their emoluments were within the following bands:

	Year ended 31 December		
	2008	**2009**	**2010**
	No. of employees	*No. of employees*	*No. of employees*
US$322,373 to US$386,847 (equivalent to HK$2,500,001 to HK$3,000,000)	1	1	1
US$451,323 to US$515,796 (equivalent to HK$3,500,001 to HK$4,000,000)	—	2	—
US$515,797 to US$580,271 (equivalent to HK$4,000,001 to HK$4,500,000)	2	—	1
US$580,272 to US$644,745 (equivalent to HK$4,500,001 to HK$5,000,000)	—	—	1
US$644,746 to US$709,220 (equivalent to HK$5,000,001 to HK$5,500,000)	1	—	1
	4	3	4

15. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to the ordinary shareholder of the Company is based on the following data:

	Year ended 31 December		
	2008	2009	2010
	US$'000	*US$'000*	*US$'000*
Earnings			
Earnings for the purpose of basic earnings per share			
Profit for the year attributable to equity holder of the Company	16,832	27,182	56,617

	Year ended 31 December		
	2008	2009	2010
Number of shares			
Number of ordinary shares in issue for the purpose of basic earnings per share	100,000	100,000	100,000

No diluted earnings per share have been presented as there were no potential ordinary shares in issue for the Relevant Periods.

16. PROPERTY, PLANT AND EQUIPMENT

	Freehold land outside Hong Kong *US$'000 (Note 1)*	Buildings and leasehold improvements *US$'000*	Electric and steam generating facilities *US$'000*	Office and electronic equipment *US$'000*	Motor vehicles *US$'000*	Construction in progress *US$'000*	Total *US$'000*
COST							
At 1 January 2008	17,493	171,262	695,605	6,358	2,701	11,387	904,806
Exchange differences	(4,498)	1,294	(59,794)	(220)	128	207	(62,883)
Additions	–	117	1,327	578	256	47,130	49,408
Disposals	–	–	(515)	(194)	(193)	–	(902)
Transfer	–	15,745	(397)	3	–	(15,351)	–
At 31 December 2008 and 1 January 2009	12,995	188,418	636,226	6,525	2,892	43,373	890,429
Exchange differences	1,036	3,029	24,881	115	39	(94)	29,006
Adjustment of cost of property, plant and equipment *(Note 2)*	–	(8,947)	(3,714)	–	–	–	(12,661)
Additions	–	695	1,228	400	473	81,134	83,930
Acquired on acquisition of a subsidiary by a jointly controlled entity *(note 36(b)*	–	–	–	7	100	–	107
Acquired on acquisition of Daesan Plant *(note 35(a))*	–	16,217	82,034	–	–	–	98,251
Disposals	–	–	(300)	(240)	(141)	–	(681)
Transfer	–	3,548	104,346	23	–	(107,917)	–

	Freehold land outside Hong Kong *US$'000 (Note 1)*	Buildings and leasehold improvements *US$'000*	Electric and steam generating facilities *US$'000*	Office and electronic equipment *US$'000*	Motor vehicles *US$'000*	Construction in progress *US$'000*	Total *US$'000*
At 31 December 2009 and 1 January 2010	14,031	202,960	844,701	6,830	3,363	16,496	1,088,381
Exchange differences	170	5,581	19,504	87	212	1,574	27,128
Adjustment of cost of property, plant and equipment *(Note 2)*	–	–	(2,142)	–	–	–	(2,142)
Additions	–	3,554	1,021	448	337	7,896	13,256
Acquired on acquisition of subsidiaries *(note 36(c))*	–	40,262	46,389	676	398	713	88,438
Disposals	–	–	(691)	(34)	(314)	–	(1,039)
Transfer	–	1,432	17,356	103	–	(18,891)	–
At 31 December 2010	14,201	253,789	926,138	8,110	3,996	7,788	1,214,022
ACCUMULATED DEPRECIATION							
At 1 January 2008	–	45,997	156,180	3,653	1,591	–	207,421
Exchange differences	–	2,311	(7,699)	(228)	90	–	(5,526)
Provided for the year	–	8,552	33,739	861	349	–	43,501
Eliminated on disposals	–	–	(245)	(186)	(185)	–	(616)
Transfer	–	5,229	(5,229)	–	–	–	–
At 31 December 2008 and 1 January 2009	–	62,089	176,746	4,100	1,845	–	244,780
Exchange differences	–	332	5,392	104	28	–	5,856
Adjustment of cost of property, plant and equipment *(Note 2)*	–	(3,988)	(729)	–	–	–	(4,717)
Provided for the year	–	8,517	35,966	706	309	–	45,498
Eliminated on disposals	–	–	(205)	(237)	(122)	–	(564)
At 31 December 2009 and 1 January 2010	–	66,950	217,170	4,673	2,060	–	290,853
Exchange differences	–	2,199	6,137	43	165	–	8,544
Provided for the year	–	11,940	46,175	736	452	–	59,303
Eliminated on disposals	–	–	(475)	(28)	(227)	–	(730)
At 31 December 2010	–	81,089	269,007	5,424	2,450	–	357,970
CARRYING VALUES							
At 31 December 2008	12,995	126,329	459,480	2,425	1,047	43,373	645,649
At 31 December 2009	14,031	136,010	627,531	2,157	1,303	16,496	797,528
At 31 December 2010	14,201	172,700	657,131	2,686	1,546	7,788	856,052

Note:

(1) The freehold land outside Hong Kong is held by MPC Yulchon. Pursuant to the term of the land purchase agreement, the local government is responsible for the development of Yulchon 1st Local Industrial Complex, where the freehold land outside Hong Kong is located, and MPC Yulchon will pay the remaining land premium upon completion of such development, which is expected to be completed in 2013. In the opinion of directors of the Company, the land ownership certificate will be obtained without significant costs and any legal impediment upon completion of the above.

(2) The amount principally represented adjustments to the value of property, plant and equipment constructed in prior years by non-controlling shareholders of a subsidiary/ a constructor of a subsidiary of a jointly controlled entity of the Company in a plant project pursuant to the certified costs as reported in independent construction completion report; thus, the over-paid cost of property, plant and equipment and related accumulated depreciation brought forward for the project were adjusted accordingly.

The adjustment amount during the year ended 31 December 2009 also included a refund of custom duty of approximately US$3,560,000 previously paid by the Company's subsidiary MPC Korea in relation to acquisition of property, plant and equipment upon finalisation of the appeal to the respective government body during the year ended 31 December 2009. Thus, the custom duty previously included in property, plant and equipment and related accumulated depreciation brought forward were adjusted during the year ended 31 December 2009.

17. PREPAID LEASE PAYMENTS

	At 31 December		
	2008	**2009**	**2010**
	US$'000	*US$'000*	*US$'000*
Leasehold land in the PRC:			
Long-term lease	640	581	537
Medium-term lease	12,861	12,326	22,253
	13,501	12,907	22,790
Non-current portion	12,601	12,004	20,834
Current portion	900	903	1,956
	13,501	12,907	22,790

The amount represents the prepaid land use rights and is released to the consolidated statement of comprehensive income over 14 to 52 years which is equal to the period stated in the land use rights certificates granted for usage to the Group.

18. GOODWILL

	At 31 December		
	2008	**2009**	**2010**
	US$'000	*US$'000*	*US$'000*
Cost and carrying value	844	844	844

Impairment testing of goodwill:

The goodwill has been allocated to the coal-fired and co-generation unit of Nantong for impairment testing. The recoverable amount of the coal-fired and co-generation unit has been determined from value in use calculation. To calculate this, cash flow projections are based on five-year period financial budgets approved by senior management and discount rate of 16.6%, 15.3% and 13.2% as at 31 December 2008, 2009 and 2010, respectively. Cash flows beyond the five-year period are extrapolated with zero growth rate. The key assumption for the value in use calculations is the budgeted gross margin, which is determined based on the unit's past

performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the carrying amount to exceed the recoverable amount. Since the recoverable amount of the cash generating unit is higher than its carrying amount, the directors consider that the goodwill is not impaired.

19. INTERESTS IN ASSOCIATES

	At 31 December		
	2008	2009	2010
	US$'000	*US$'000*	*US$'000*
Cost of investment in unlisted associates *(note)*	352,285	352,285	331,391
Share of post-acquisition profits/losses and other comprehensive income, net of dividends received	160,817	174,284	169,318
	513,102	526,569	500,709

Note: Included in cost of investment in associates at each of the reporting date is goodwill arising from acquisition of US$9 million.

At 31 December 2008, 2009 and 2010, the Group and its jointly controlled entity had interests in the following principal associates:

Name	Place of incorporation/ registration	Registered capital and paid-up capital	Proportion of nominal value of issued capital/registered capital indirectly held by the Group 2008	2009	2010	Principal activities
Interests held by the Group						
Hubei Xisaishan Power Generation Co., Ltd. 湖北西塞山發電有限公司 ("Hubei Xisaishan")	The PRC	Registered capital of RMB945,000,000 and contributed capital of RMB945,000,000	49%	49%	49%	Generation and supply of electricity
Hubei Huadian Xisaishan Power Generation Co., Ltd. 湖北華電西塞山發電有限公司 ("Hubei Huadian")	The PRC	Registered capital of RMB480,000,000 and contributed capital of RMB217,360,000	—	—	49%	Generation and supply of electricity
Jingyuan Second Power Co., Ltd. 靖遠第二發電有限公司 ("Jingyuan Power")	The PRC	Registered capital of RMB1,305,000,000 and contributed capital of RMB1,305,000,000	30.73%	30.73%	30.73%	Generation and supply of electricity
Kuo Kuang Power Company Limited 國光電力股份有限公司 ("Kuo Kuang")	Taiwan	Registered capital of New Taiwan Dollar 3,278,000,000 and contributed capital of New Taiwan Dollar 3,278,000,000	35%	35%	— *(Note)*	Generation and supply of electricity

Name	Place of incorporation/ registration	Registered capital and paid-up capital	Proportion of nominal value of issued capital/registered capital indirectly held by the Group			Principal activities
			2008	2009	2010	
SDIC Qujing Power Generation Co., Ltd. 國投曲靖發電有限公司 ("SDIC Qujing")	The PRC	Registered capital of RMB1,000,000,000 and contributed capital of RMB1,000,000,000	37%	37%	37%	Generation and supply of electricity
Indiabulls Power Generation Limited ("IBPGL")	India	Registered capital of India Rupee 5,000,000 and contributed capital of India Ruppe 5,000,000	26%	26%	26%	Generation and supply of electricity
Interests held by the Group's jointly controlled entity						
Huaneng Hunan Yueyang Power Generation Co., Ltd. 華能湖南岳陽發電有限責任公司 ("Yueyang Power")	The PRC	Registered capital of RMB1,055,000,000 and contributed capital of RMB1,055,000,000	22.50%*	22.50%*	22.50%*	Generation and supply of electricity
Wu Ling Power Corporation 五凌電力有限公司 ("Wu Ling")	The PRC	Registered capital of RMB3,476,160,000 and contributed capital of RMB3,476,160,000	18.50%*	18.50%*	18.50%*	Generation and supply of electricity
Subsidiaries of Wu Ling						
Huaihua Yuanjiang Power Development Co., Ltd. 懷化沅江電力開發有限責任公司	The PRC	Registered capital of RMB500,000,000 and contributed capital of RMB500,000,000	17.58%*	17.58%*	17.58%*	Generation and sale of electricity
Guizhou Qing Shui Jiang Hydropower Co., Ltd. 貴州清水江水電有限公司	The PRC	Registered capital of RMB1,110,000,000 and contributed capital of RMB1,110,000,000	17.58%*	17.58%*	17.58%*	Generation and sale of electricity

Name	Place of incorporation/ registration	Registered capital and paid-up capital	Proportion of nominal value of issued capital/registered capital indirectly held by the Group 2008	2009	2010	Principal activities
Subsidiaries of Wu Ling						
Hunan Xiang Zhong Power Development Co., Ltd 湖南湘中電力有限公司	The PRC	Registered capital of RMB50,000,000 and contributed capital of RMB50,000,000	17.58%*	17.58%*	17.58%*	Generation and sale of electricity
Hunan Wuhua Hotel Co., Ltd. 湖南五華酒店有限公司	The PRC	Registered capital of RMB162,100,000 and contributed capital of RMB162,100,000	12.95%*	12.95%*	12.95%*	Hotel ownership and operation
Hunan Wuling Power Fuel Company Limited 湖南五淩電力燃料有限公司	The PRC	Registered capital of RMB30,000,000 and contributed capital of RMB30,000,000	18.50%*	18.50%*	18.50%*	Provision of fuel purchase services
Hunan Wu Ling Li Yuan Economic Development Co., Ltd. 湖南五淩力源經濟發展有限公司	The PRC	Registered capital of RMB49,795,000 and contributed capital of RMB49,795,000	18.50%*	18.50%*	18.50%*	Provision of repair and maintenance services
Hunan Wuling Electric Power Engineering Co., Ltd. 湖南五淩電力工程有限公司	The PRC	Registered capital of RMB46,000,000 and contributed capital of RMB46,000,000	18.50%*	18.50%*	18.50%*	Provision of repair and maintenance service
張家界市土木溪水電開發有限公司	The PRC	Registered capital of RMB42,000,000 and contributed capital of RMB42,000,000	—	—	11.03%*	Generation and sale of electricity
四川九源電力開發有限責任公司	The PRC	Registered capital of RMB30,000,000 and contributed capital of RMB30,000,000	—	—	18.50%*	Generation and sale of electricity

Name	Place of incorporation/ registration	Registered capital and paid-up capital	Proportion of nominal value of issued capital/registered capital indirectly held by the Group 2008	2009	2010	Principal activities
湖南中水投資有限公司	The PRC	Registered capital of RMB67,000,000 and contributed capital of RMB67,000,000	—	—	18.50%*	Generation and sale of electricity
理縣華成水電開發有限責任公司	The PRC	Registered capital of RMB65,818,420 and contributed capital of RMB65,818,420	—	—	18.50%*	Generation and sale of electricity
Guizhou Qiandong Electric Power Co., Ltd. 貴州黔東電力有限公司	The PRC	Registered capital of RMB200,000,000 and contributed capital of RMB200,000,000	13.88%	—	—	Generation and sale of electricity

* The percentage represents the effective holding indirectly held by the Group through Hunan Xiangtou (defined in note 20).

Note: Kuo Kuang was being disposed of along with the distribution in specie of shares in Tao Yuan by the Company to MPC Hold Co. as dividend during the year ended 31 December 2010 (Note 12).

The above table lists the associates of the Group which, in the opinion of the directors of the Company, principally affected the results or interests in associates of the Group. To give details of other associates would, in the opinion of directors, results in particulars of excessive length.

The summarised financial information in respect of the Group's associates is set out below:

	At 31 December		
	2008	**2009**	**2010**
	US$'000	*US$'000*	*US$'000*
Total assets	7,189,097	6,961,195	7,920,371
Total liabilities	(5,220,985)	(4,959,806)	(5,963,801)
Net assets	1,968,112	2,001,389	1,956,570
Revenue	1,456,428	1,523,144	1,618,735
Profit for the year	99,940	148,740	76,864

20. INTERESTS IN JOINTLY CONTROLLED ENTITIES

As at 31 December 2008, 2009 and 2010, the Group has a 50% interest in the registered capital and voting power in 湖南湘投國際投資有限公司 (Hunan Xiangtou International Investment Company Limited, "Hunan Xiangtou"), a company registered and operates in the PRC. The jointly controlled entity invests in and manages power generation and other kinds of energy projects in the PRC.

In 2009, Hunan Xiangtou acquired a 90% equity interest of 香格里拉縣民和水電開發有限責任公司 (Shangri-La Minhe Hydropower Development Company Limited, "Minhe Hydropower") from 雲南民和水電投資有限公司 (Yunnan Minhe Hydropower Investment Co. Ltd., "Yunnan Minhe"), an independent third party not related to the Group, at a consideration of approximately RMB216 million (equivalent to approximately US$31,584,000) (note 36(b)).

At 31 December 2008, 2009 and 2010, the Group has interests in the following principal jointly controlled entities:

Name of entity	Place of registration	Issued and fully paid up share capital/ registered capital	Effective share of issued capital indirectly held by the Group			Principal activities
			2008	2009	2010	
Hunan Xiangtou	The PRC	Registered capital of RMB4,000,000,000 and contributed capital of RMB2,738,286,838	50%	50%	50%	Development and management of energy projects
Huade Country HuideWind Power Generation Company Limited 化德縣滙德風力發電有限責任公司 ("Huide Wind Power")	The PRC	Registered capital of RMB257,390,000 and contributed capital of RMB257,390,000	49%	49%	49%	Generation and supply of electricity
Minhe Hydropower	The PRC	Registered capital of RMB240,000,000 and contributed capital of RMB240,000,000	—	45%	45%	Generation and supply of electricity

The summarised financial information in respect of the Group's interests in the jointly controlled entities which are accounted for using proportionate consolidation with the line-by-line reporting format is set out below:

	At 31 December		
	2008	2009	2010
	US$'000	*US$'000*	*US$'000*
Current assets	7,246	16,324	18,232
Non-current assets	266,575	334,225	346,719
Current liabilities	19,657	36,842	22,124
Non-current liabilities	16,646	50,140	68,873
Income recognised in profit or loss	13,744	19,927	20,676
Expenses recognised in profit or loss	1,628	4,920	9,627

21. OTHER ASSETS

	At 31 December		
	2008	2009	2010
	US$'000	*US$'000*	*US$'000*
Deposit for acquisition of a subsidiary *(note 36(c))*	—	14,000	—
Deposit paid by a jointly controlled entity for acquisition of an entity *(note 36(b))*	4,391	—	—
Prepaid insurance expenditure and usage right of electricity transmission facilities	3,115	3,941	2,073
Deposit paid for acquisition of property, plant and equipment	—	878	—
Others	1,776	2,537	2,784
	9,282	21,356	4,857

22. DEFERRED TAX ASSETS AND LIABILITIES

The following are the major deferred tax assets (liabilities) recognised by the Group and movements thereon during the current and prior years.

	Withholding tax on distributable profits	Accelerated tax depreciation	Revaluation of prepaid lease payments	Deferred connection charges	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
At 1 January 2008	(5,290)	(13,641)	—	461	(18,470)
Exchange differences	(46)	(141)	—	35	(152)
Credit to hedging reserve	—	177	—	—	177
Effect of change in tax rate — credit to profit or loss	—	71	—	—	71
(Charge) credit to profit or loss	(1,946)	(2,398)	—	274	(4,070)
At 31 December 2008 and 1 January 2009	(7,282)	(15,932)	—	770	(22,444)
Exchange differences	—	7	—	1	8
Credit to hedging reserve	—	32	—	—	32
Effect of change in tax rate — debit to profit or loss	—	(353)	—	—	(353)
Charge to profit or loss	(2,113)	(2,244)	—	(306)	(4,663)
At 31 December 2009 and 1 January 2010	(9,395)	(18,490)	—	465	(27,420)
Exchange differences	—	(580)	—	11	(569)
Acquired on acquisition of subsidiaries *(note 36(c))*	—	267	(2,095)	—	(1,828)
Credit to hedging reserve	—	30	—	—	30
(Charge) credit to profit or loss	(2,327)	456	163	(131)	(1,839)
At 31 December 2010	(11,722)	(18,317)	(1,932)	345	(31,626)

Certain deferred tax assets and liabilities have been offset. The following is an analysis of the deferred tax balances (after offset) for financial reporting purposes:

	At 31 December		
	2008	**2009**	**2010**
	US$'000	*US$'000*	*US$'000*
Deferred tax assets:			
Difference between tax allowance and accounting depreciation	721	655	1,627
Deferred connection charges	770	465	345
	1,491	1,120	1,972
Deferred tax liabilities:			
Difference between tax allowance and accounting depreciation	(16,653)	(19,145)	(19,944)
Revaluation of prepaid lease payments	—	—	(1,932)
Withholding tax on distributable profits of subsidiaries and associates	(7,282)	(9,395)	(11,722)
	(23,935)	(28,540)	(33,598)
	(22,444)	(27,420)	(31,626)

As at 31 December 2008, 2009 and 2010, the Group has unused tax losses of approximately US$10,969,000, US$10,758,000 and US$14,198,000 respectively, available for offset against future profits. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams. The tax losses will be expired at various times within a period of five years from the year of assessment.

23. INVENTORIES

	At 31 December		
	2008	**2009**	**2010**
	US$'000	*US$'000*	*US$'000*
Coal and oil	4,893	8,999	15,111
Spare parts and supplies	6,673	9,740	8,652
	11,566	18,739	23,763

24. TRADE RECEIVABLES

	At 31 December		
	2008	**2009**	**2010**
	US$'000	*US$'000*	*US$'000*
Trade receivables	63,516	66,525	96,730
Less: allowance for doubtful debts	(233)	(305)	(249)
	63,283	66,220	96,481

The Group allows credit period ranging from 0 to 90 days. The following is an aged analysis of trade receivables (net of allowance for doubtful debts) presented based on the invoice date at the end of each reporting period:

	At 31 December		
	2008	**2009**	**2010**
	US$'000	*US$'000*	*US$'000*
1 — 90 days	59,600	63,193	89,990
91 — 180 days	3,638	2,973	4,935
Over 181 days	45	54	1,556
Total	63,283	66,220	96,481

Included in the above balance at 31 December 2008, 2009 and 2010, are receivables of approximately US$1,130,000, US$2,103,000 and US$1,321,000 respectively from sale of electricity to Bao Steel Group Shanghai No. 1 Iron & Steel Co., Ltd. ("Shanghai No. 1 Iron & Steel"), the non-controlling shareholder of a subsidiary of the Company.

Over 85%, 90% and 97% of the trade receivables are neither past due nor impaired as at 31 December 2008, 2009 and 2010 respectively. The management considers that these receivables have the best credit scoring attributable under the credit review policy used by the Group. There are ten customers which account for more than 80% of the total trade receivables at each reporting date. Their settlements are within normal credit terms.

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of approximately US$7,620,000, US$4,834,000 and US$2,280,000 as at 31 December 2008, 2009 and 2010 respectively, which are past due at the end of the reporting period for which the Group has not provided for impairment loss as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances. The average age of these receivables is 58 days, 59 days and 64 days respectively.

Ageing of trade receivables which are past due but not impaired

	At 31 December		
	2008	**2009**	**2010**
	US$'000	*US$'000*	*US$'000*
Past due for:			
1-90 days	6,409	3,979	1,710
91-180 days	1,166	801	516
Over 181 days	45	54	54
Total	7,620	4,834	2,280

The Group has provided fully for all receivables over 365 days because historical experience is such that receivables that are past due beyond 365 days are generally not recoverable.

Movement in the allowance for doubtful debts

	At 31 December		
	2008	**2009**	**2010**
	US$'000	*US$'000*	*US$'000*
At beginning of the year	781	233	305
Exchange differences	46	—	5
Impairment losses recognised on receivables	94	103	—
Recovery of bad debts	(688)	(31)	(61)
At end of the year	233	305	249

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit initially granted up to the end of the reporting period.

In order to minimise credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. Accordingly, the directors of the Company believe that no further allowance is required in excess of the allowance for bad and doubtful debts.

25. AMOUNT DUE FROM A RELATED COMPANY

	At 31 December		
	2008	**2009**	**2010**
	US$'000	*US$'000*	*US$'000*
Non-trade related:			
廣西柳州融江水電開發有限責任公司 (Guangxi Liuzhou Rongjiang Hydropower Development Company, "Guangxi Liuzhou")	2,617	2,075	1,647
湖南湘投地方電力資產經營有限責任公司 (Hunan Local Power Assets Management Company Limited, "Hunan Local Power")	13	—	—
	2,630	2,075	1,647

Guangxi Liuzhou and Hunan Local Power are the non-controlling shareholders of certain subsidiaries of the Company. The amounts are unsecured, non-interest bearing and repayable on demand, except for an amount due from Guangxi Liuzhou as at 31 December 2010 of approximately US$1,356,000 which is repayable in full in 2021 and thus classified as non-current.

26. AMOUNTS DUE FROM ASSOCIATES

The amounts are unsecured, non-interest bearing and repayable on demand.

27. BANK BALANCES/PLEDGED BANK DEPOSITS AND RESTRICTED CASH

Bank balances and restricted cash carry interest at market rates which range from 0% to 2.5% per annum during the Relevant Periods and as at each reporting date. The pledged deposits carry interest at market rates which range from 0.4% to 3.3% during the Relevant Periods and as at each reporting date. The pledged bank deposits will be released upon the settlement of relevant current portion of long-term bank borrowings.

A creditor of 廣西崇左市滙源水電公司 (Guangxi Chongzuo Huiyuan Hydropower Company, "Chongzuo Huiyuan"), the minority shareholder of the Company's subisidiary Guangxi Zuojiang, applied for court order in relation to the settlement of a payable. As Guangxi Zuojiang has an amount due to Chongzuo Huiyuan (note 28), the creditor pursued Guangxi Zuojiang to settle the amount on behalf of Chongzou Huiyuan. As such, Guangxi Zuojiang's bank balance, amounting approximately US$4,391,000, was restricted for use by the court as of 31 December 2008. Such restriction for use of bank balance was withdrawn upon cancellation of the court order during the year ended 31 December 2009.

The amount of pledged bank deposits corresponds the aggregate amount of loan principal and interests payable in the immediate following repayment date of certain bank borrowings which is in the next twelve month from the reporting date, and it cannot be withdrawn. Restricted cash can only be withdrawn upon approval by the bank providing credit facilities to the Group. Further details of the restricted cash and pledged bank deposits are set out in note 31.

Included in bank balances, pledged bank deposits and restricted cash as at 31 December 2008 and 2009, is an aggregate amount of approximately US$123,920,000 and US$38,799,000 respectively, which are deposited in a commercial bank which is a fellow subsidiary of Standard Chartered Private Equity Limited, a substantial shareholder of MPC Hold Co.

28. AMOUNTS DUE TO RELATED COMPANIES

	At 31 December		
	2008	**2009**	**2010**
	US$'000	*US$'000*	*US$'000*
Non-trade related:			
Chongzuo Huiyuan	13,440	4,599	4,742
Yunnan Minhe	—	1,160	—
綿陽市三江工程總公司 Mianyang Sanjiang Engineering Company ("Mianyang Sanjiang")	521	158	202
Through In Industries Limited ("Through In")	—	—	6,150
	13,961	5,917	11,094

These related companies are the non-controlling shareholders of certain subsidiaries of the Company.

The amount due to Through In represents the Group's obligation to further acquire 15% interest in NGLE Pushan, details of which are set out in note 36(c).

The remaining amounts are unsecured, repayable on demand or repayable within twelve months from the reporting date and non-interest bearing.

29. ADVANCES FROM RELATED PARTIES

	At 31 December		
	2008	**2009**	**2010**
	US$'000	*US$'000*	*US$'000*
Chongzuo Huiyuan *(note a)*	12,045	6,753	6,960
通州熱電廠 Tongzhou Cogeneration Plant *(note b)*	3,605	3,606	3,717
Mianyang Sanjiang *(note a)*	2,195	2,197	2,265
	17,845	12,556	12,942
Less: Amounts due for settlement within one year shown under current liabilities	(14,240)	(8,950)	(9,225)
Amounts due for settlement after one year	3,605	3,606	3,717

Tongzhou Cogeneration Plant is the non-controlling shareholder of a subsidiary of the Company.

Note:

(a) The advances are unsecured, non-interest bearing and have no fixed repayment terms, except for the advance from Chongzuo Huiyuan amounting to RMB20 million, equivalent to approximately US$2,957,000, and RMB10 million, equivalent to approximately US$1,517,000, as at 31 December 2008 and 2009 respectively which bore interest at 10.5% per annum as at 31 December 2008 and 2009.

(b) The amount is unsecured, non-interest bearing and the amount will be fully repayable in 2022 and are therefore shown as non-current liabilities.

30. TRADE PAYABLES

The credit term granted by the suppliers to the Group is 90 days. The following is aged analysis of trade payables at the end of the reporting periods.

	At 31 December		
	2008	**2009**	**2010**
	US$'000	*US$'000*	*US$'000*
0 — 90 days	84,154	65,334	78,750
91 — 180 days	6,190	4,910	4,754
Over 181 days	512	289	7,251
	90,856	70,533	90,755

31. BANK BORROWINGS

	At 31 December		
	2008	2009	2010
	US$'000	*US$'000*	*US$'000*
Secured	595,936	718,761	757,613
Unsecured	40,542	38,956	40,668
	636,478	757,717	798,281
The maturity profile of the floating rate bank borrowings is as follows:			
On demand or within one year	70,406	117,702	63,629
More than one year but not more than two years	53,508	83,798	42,786
More than two years but not more than five years	364,300	351,834	474,726
Over five years	148,264	204,383	217,140
	636,478	757,717	798,281
Less: Amounts repayable on demand or due for settlement within one year shown under current liabilities	(70,406)	(117,702)	(63,629)
Amounts due for settlement after one year	566,072	640,015	734,652

All bank borrowings at the reporting dates are denominated in the functional currency of the respective group entities. The major terms of significant bank borrowings of the Group are as follows:

	Maturity date	Effective interest rate			At 31 December		
		2008	2009	2010	2008	2009	2010
					US$'000	*US$'000*	*US$'000*
Floating-rate borrowings:							
US$ London Interbank Offered Rates ("LIBOR") plus 2.25%	30 September 2012	3.12%	3.12%	—	325,000	300,000	—
One Year Corporate Bond Rate plus 1.00%	31 December 2021	7.11%	7.11%	5.47%	190,971	296,530	277,600
US$ LIBOR plus 3.7%	8 October 2014	—	—	3.76%	—	—	378,000

The other bank borrowings of the Group as at 31 December 2008, 2009 and 2010 carry interest at the PRC's lending rate less certain margin, US$ LIBOR plus 0.75%, South Korean Government Treasury Bond Rate, One Year Corporate Bond Rate plus 1.3%, or Three Year Corporate Bond Rate (note) plus 1.8% to 3%. The year of maturity of these borrowings are ranging from within twelve months from each of the reporting date to 2024.

Note: One year and Three Year Corporate Bond Rate represents mark-to-market base yield for South Korean Won-denominated non-guaranteed corporate bonds with a credit rating of AA- and a maturity of one year and three years, respectively.

The average interest rates per annum were as follows:

	2008	2009	2010
Bank borrowings	5.53%	5.30%	4.69%

In 2007, the Company obtained a senior secured credit facility amounting US$325 million, which bore interest at US$ LIBOR plus 1.75% and was repayable in 6 successive semi-annual instalments commencing March 2010. During 2008, the terms of this borrowing were amended, which, among other matters, changed the interest rate to US$ LIBOR plus 2.25%. At 31 December 2008 and 2009, the Company has drawn down US$325 million and US$300 million from this debt facility, respectively. In order to hedge against the cash flow interest rate risk of this loan, the Group entered into interest rate swap contracts with notional amount of US$150 million and US$187.5 million as at 31 December 2008 and 2009, respectively (See note 33).

In 2007, the Company also obtained a US$75 million revolving credit facility for working capital purposes, expiring 2012, which bore interest at US$ LIBOR plus 0.75% and was repayable 12 months from the facility grant date. Such revolving facility was renewed in July 2008, further amended in May 2009 for terms of certain covenants, and renewed again in August 2009. At 31 December 2008, the Company has not drawn down any such revolving facility. As at 31 December 2009, the Company had drawn in aggregate US$34 million of such revolving loan.

The above bank borrowing and revolving credit facilities were secured by the Company's assets and the Group's entire equity interest in certain subsidiaries. The loan agreements of the senior secured credit facility also required the Company to maintain deposits equivalent to the aggregate amount payable to the lenders, including any loan principal and interests, in the immediate following six-month period, as restricted cash for so long as the debt remains outstanding. Standard Chartered Private Equity Limited, a substantial shareholder of MPC Hold Co., was a fellow subsidiary of the lead arranger, facility agent and a principal lender of the senior secured credit facility and the lender and issuing bank of the revolving credit facility.

In October 2010, the Group entered into a new senior secured term loan facility with an independent commercial bank amounting to US$398 million to refinance in full the aforesaid secured credit and revolving credit facilities. The new term loan bears interest at US$ LIBOR plus 3.7% and is repayable in two annual instalments from October 2013.

The senior secured term loan facility is secured by the Company's and the Group's entire equity interest in certain subsidiaries and their assets. The loan agreements of the senior secured term loan facility also required the Company to maintain deposits equivalent to the aggregate amount payable to the lenders, including any interests, in the immediate following six-month period, as restricted cash for so long as the debt remains outstanding.

Further, the Group is subject to certain restrictive covenants under the short-term and long-term bank borrowings which, among other matters, require maintenance of certain financial ratios and also restrictions on dividends, indebtedness and other matters. The Group also pledges its entire equity interests in certain of its subsidiaries including MPC Korea, MPC Yulchon and Daesan for certain long-term bank borrowings.

In addition to the Company's and the Group's entire equity interest in certain subsidiaries as afore-mentioned, the Group also pledged the following assets to banks for credit facilities granted to the Group:

	At 31 December		
	2008	**2009**	**2010**
	US$'000	*US$'000*	*US$'000*
Property, plant and equipment	338,270	500,908	473,255
Prepaid lease payments	5,090	7,820	5,045
Trade receivables	6,083	7,132	2,529
Other receivables*	—	975	4,702
Derivative assets*	—	2,127	2,076
Bank deposits and restricted cash*	71,004	83,455	117,365
	420,447	602,417	604,972

* *Other receivables, derivative assets and bank deposits are related to the Company and pledged for credit facilities through floating charge.*

32. OTHER PAYABLES

As at 31 December 2009 and 2010, included in other payables were amounts advanced from 武漢市自籌電辦公室, the local resources and electricity office, an affiliated company of the non-controlling shareholder of a subsidiary of the Company. The loan was advanced for financing plant construction in project development stage of a subsidiary of the Company and was unsecured, bore interest at 2.25% per annum and will be fully repayable by 2012.

The maturity profile of such advance as at 31 December 2010 is as follows:

	At 31 December		
	2008	**2009**	**2010**
	US$'000	*US$'000*	*US$'000*
Within one year	—	732	1,510
More than one year, but not exceeding two years	—	1,465	2,171
More than two years, but not more than five years	—	2,106	—
	—	4,303	3,681
Less: Advance due for settlement within one year shown under current liabilities	—	(732)	(1,510)
Advance due for settlement after one year	—	3,571	2,171

The remaining other payables are unsecured, repayable on demand or repayable within twelve months from the reporting date and non-interest bearing.

33. DERIVATIVE FINANCIAL INSTRUMENTS

	2008		2009		2010	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Derivatives under hedge accounting						
Interest rate swaps	—	10,238	—	7,316	—	—
Other derivatives (not under hedge accounting)						
Foreign currency forward contract	549	—	—	—	—	—
Interest rate swaps	—	2,199	—	—	—	3,988
Commodity options	—	—	2,127	—	2,076	—
	549	2,199	2,127	—	2,076	3,988
	549	12,437	2,127	7,316	2,076	3,988
Analysed as:						
Non-current	—	10,238	329	934	—	2,925
Current	549	2,199	1,798	6,382	2,076	1,063
	549	12,437	2,127	7,316	2,076	3,988

Cash flow hedge:

Interest rate swaps

During the year ended 31 December 2008 and 2009, the Group used interest rate swap contracts to manage its exposure to interest rate movements on certain of its bank borrowings. The terms of these interest rate swap contracts were negotiated to match with those of the hedged bank borrowings (i.e. notional amount of the derivatives match with principal amounts of bank borrowings, same currency and interest rate index). As at 31 December 2008 and 2009, the directors of the Company considered that the interest rate swaps were highly effective hedging instruments. Major terms of the interest rate swaps are set out below:

Year ended 31 December 2008

Notional amount	Commencement date	Maturity	Swaps
US$150,000,000	28 February 2008	3 months	From US$ LIBOR to 4.85% per annum
US$150,000,000	28 May 2008	3 months	
US$150,000,000	28 August 2008	3 months	
US$150,000,000	28 November 2008	3 months	
US$150,000,000	27 February 2009	3 months	
US$150,000,000	28 May 2009	3 months	
US$150,000,000	28 August 2009	1 month	
US$150,000,000	25 September 2009	3 months	
US$150,000,000	29 December 2009	3 months	
US$146,250,000	25 March 2010	3 months	
US$146,250,000	25 June 2010	3 months	
US$142,500,000	27 September 2010	3 months	

Year ended 31 December 2009

Notional amount	Commencement date	Maturity	Swaps
US$150,000,000	27 February 2009	3 months	From US$ LIBOR to 4.85% per annum
US$150,000,000	28 May 2009	3 months	
US$150,000,000	28 August 2009	1 month	
US$150,000,000	25 September 2009	3 months	
US$150,000,000	29 December 2009	3 months	
US$146,250,000	25 March 2010	3 months	
US$146,250,000	25 June 2010	3 months	
US$142,500,000	27 September 2010	3 months	
US$45,000,000	28 August 2009	1 month	From US$ LIBOR to 2.58% per annum
US$45,000,000	25 September 2009	3 months	
US$37,500,000	29 December 2009	3 months	
US$35,156,250	25 March 2010	3 months	
US$35,156,250	25 June 2010	3 months	
US$32,812,500	27 September 2010	3 months	
US$175,312,500	29 December 2010	3 months	
US$157,031,250	25 March 2011	3 months	
US$157,031,250	27 June 2011	3 months	
US$138,750,000	26 September 2011	3 months	
US$138,750,000	28 December 2011	3 months	
US$46,125,000	26 March 2012	3 months	
US$46,125,000	25 June 2012	3 months	

The aggregate fair value of the interest rate swaps was estimated at a loss of approximately US$6,876,000 and a gain of approximately US$5,121,000, of which a loss of approximately US$825,000 and a gain of approximately US$161,000 was directly charged to profit or loss for each of the year ended 31 December 2008 and 2009, respectively. The amount was based on market values of equivalent instruments at the end of the reporting period. The above interest rate swap contracts effective were designated and effective as cash flow hedges as at 31 December 2008 and 2009.

Upon the full repayment of the designated bank borrowings in October 2010, the interest rate swap contracts were considered as ineffective hedging contract. Accordingly, the previous change in fair value that had been deferred in equity amounted to US$6,457,000 was released to profit or loss. These two interest rate swap contracts were terminated in October 2010.

Included in derivative liabilities as at 31 December 2008 and 2009, approximately US$10,238,000 and US$7,316,000, respectively, of the interest rate swap contracts were entered into with a commercial bank which is a fellow subsidiary of Standard Chartered Private Equity Limited, a substantial shareholder of MPC Hold Co.

Other derivatives (not under hedge accounting):

Foreign currency forward contract

Major terms of these contracts were as follows:

Year ended 31 December 2008

Notional amount	Maturity	Exchange rates
Buy US$73,000 to US$269,000 for each maturity date and total notional amount is US$1,101,000	Settle monthly from 23 January 2009 to 17 July 2009, by net settlement	Ranged from South Korean Won ("KRW") 927: US$1 to KRW1,010: US$1
Buy Euro 138,000 to Euro 468,000 for each maturity date and total notional amount is Euro 1,958,000	Settle monthly from 23 January 2009 to 17 July 2009, by net settlement	Ranged from KRW1,274.22: Euro 1 to KRW1,569.79: Euro 1

The fair value of foreign currency forward contracts were measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts.

Interest rate swaps

Year ended 31 December 2008

The following interest rate swap is considered as ineffective hedging contract in 2008 since the designated bank borrowing was fully repaid during the year ended 2007.

Notional amount	Commencement date	Maturity	Swaps
US$94,306,000	28 February 2008	6 months	From US$ LIBOR to 5% per annum
US$84,756,000	28 August 2008	6 months	
US$75,206,000	28 February 2009	6 months	

Year ended 31 December 2010

In November 2010, the Group entered into another interest rate swap contract to manage particular exposure to interest rate movements on its new senior secured term loan drawn down in October 2010; however, the instrument does not fulfill the hedge accounting criteria and its fair value at 31 December 2010 is estimated at a loss of approximately US$3,988,000 and was directly charged to profit or loss for the year.

Notional amount	Commencement date	Maturity	Swaps
US$200,000,000	10 November 2010	2 months	From US$ LIBOR to 1.99% per annum
US$200,000,000	8 January 2011	3 months	
US$200,000,000	8 April 2011	3 months	
US$200,000,000	8 July 2011	3 months	
US$200,000,000	8 October 2011	3 months	
US$200,000,000	8 January 2012	3 months	

Notional amount	Commencement date	Maturity	Swaps
US$200,000,000	8 April 2012	3 months	
US$200,000,000	8 July 2012	3 months	
US$200,000,000	8 October 2012	3 months	
US$200,000,000	8 January 2013	3 months	
US$200,000,000	8 April 2013	3 months	
US$200,000,000	8 July 2013	3 months	
US$200,000,000	8 October 2013	3 months	
US$200,000,000	8 January 2014	3 months	
US$200,000,000	8 April 2014	3 months	
US$200,000,000	8 July 2014	3 months	

The fair value of the interest rate swap is calculated at the present value of the estimated future cash flows based on observable yield curves.

Commodity options

Year ended 31 December 2009

Notional amount	Maturity	Strike price
Option to buy 16,000 Metric Tons of coal on each maturity date and total notional amount is 192,000 Metric Tons	Settle monthly from 31 January 2010 to 31 December 2010, by net settlement	US$100 per Metric Ton
Option to buy 17,000 Metric Tons of coal on each maturity date and total notional amount is 204,000 Metric Tons	Settle monthly from 31 January 2010 to 31 December 2010, by net settlement	US$100 per Metric Ton
Option to buy 10,000 Metric Tons of coal on each maturity date and total notional amount is 180,000 Metric Tons	Settle monthly from 1 January 2010 to 30 June 2011, by net settlement	US$100 per Metric Ton

Year ended 31 December 2010

Notional amount	Maturity	Strike price
Option to buy 10,000 Metric Tons of coal on each maturity date and total notional amount is 180,000 Metric Tons	Settle monthly from 1 January 2010 to 30 June 2011, by net settlement	US$100 per Metric Ton

The fair value of commodity options are measured at the date of the valuation using commodity forward price as at the dates of maturity of the contracts.

34. SHARE CAPITAL

	Number of shares	Share capital *US$'000*
Ordinary shares of US$0.40 each		
Authorised:		
At 1 January 2008, 31 December 2008, 31 December 2009 and 31 December 2010	125,000	50
Issued and fully paid:		
At 1 January 2008, 31 December 2008, 31 December 2009 and 31 December 2010	100,000	40

35. MAJOR NON-CASH TRANSACTIONS

Other than disclosed elsewhere in the Financial Information and respective notes, the Group had also entered into the following major non-cash transactions during the year:

(a) As at 31 December 2008, 2009 and 2010, unpaid construction costs of approximately US$7,210,000, US$16,153,000 and US$8,241,000 were included in other payables, respectively.

(b) Finance costs of approximately US$5,702,000, US$835,000 and US$3,738,000 were not yet paid and included in other payables as at 31 December 2008, 2009 and 2010, respectively.

(c) During the year ended 31 December 2006, an adjustment was made to the value of property, plant and equipment constructed in prior years by non-controlling shareholder of a subsidiary of the Company pursuant to the certified costs as reported in independent construction completion report; thus, the over-paid cost of property, plant and equipment and related accumulated depreciation brought forward for the projects were adjusted accordingly and such over-paid cost of approximately US$6 million would be recovered from the non-controlling shareholder. As at 31 December 2008, 2009 and 2010, the outstanding balance was approximately US$3 million, US$2 million and US$2 million, respectively.

(d) For the year ended 31 December 2009, an amount of approximately US$30,222,000 is transferred from other assets to property, plant and equipment.

(e) On 3 November 2010, the board of directors of the Company declared a dividend to be satisfied by way of a distribution in specie of shares in Tao Yuan to MPC Hold Co., the then shareholder of the Company, amounting to approximately US$51,169,000.

(f) Pursuant to the Agreement (defined in note 36 (c)), MPC BVI has an obligation to further acquire 15% interest in NGLE Pushan at a consideration of US$6,150,000 within two years from 7 April 2010, which was included in amounts due to related companies.

36. ACQUISITION OF DAESAN PLANT/A JOINTLY CONTROLLED ENTITY/ SUBSIDIARIES

(a) Acquisition of Daesan Plant

In August 2009, the Group through a wholly owned subsidiary, acquired the oil-fired combined cycle power plant of Daesan ("Daesan Plant") and related inventories in South Korea from Hyundai Heavy Industries Co., Ltd., an independent third party not related to the Group, for a cash consideration of approximately KRW125,639 million (equivalent to approximately US$102,730,000). Daesan Plant supplies electricity to independent power purchasers through the Korean Power Exchange since 2003. This acquisition has been accounted for using the purchase method.

The net assets acquired in the transaction are as follows:

	Acquiree's fair value *US$'000*
Net assets acquired:	
Property, plant and equipment	98,251
Inventories	4,479
	102,730
Total consideration satisfied by cash and net cash outflow arising on acquisition	(102,730)

Impact of acquisition on the results of the Group

Included in the profit for the year ended 31 December 2009 is approximately US$3,207,000 attributable to the business generated by Daesan. Revenue for that year includes approximately US$12,500,000 in respect of Daesan.

(b) Acquisition of Minhe Hydropower by a jointly controlled entity

In February 2009, the Group's jointly controlled entity, Hunan Xiangtou, acquired 90% of equity interest of Minhe Hydropower from Yunnan Minhe for a cash consideration of approximately RMB216,000,000, equivalent to approximately US$31,584,000 (effectively contributed by the Group amounting to approximately US$15,792,000), of which Hunan Xiangtou paid approximately US$4,391,000 as deposit as at 31 December 2008 (note 21). This acquisition has been accounted for as acquisition of assets and liabilities as the entity acquired does not constitute a business.

Consideration transferred by the Group

	US$'000
Cash	15,792

Acquisition-related costs amounting to approximately US$8,000 have been excluded from the consideration transferred and have been recognised as an expense in 2009, within the other expenses line item in the consolidated statement of comprehensive income.

The net assets acquired in the transaction by the Group are as follows:

	Fair value shared by the Group *US$'000*
Net assets acquired:	
Property, plant and equipment	107
Deposits for acquisition of property, plant and equipment	30,222
Bank balances and cash	1,083
Bank borrowings	(13,868)
	17,544
Non-controlling interests	(1,752)
Total consideration effectively contributed by the Group	15,792

Net cash outflow arising on acquisition effectively attributable to the Group:

	US$'000
Cash consideration paid	(15,792)
Deposits paid in 2008 *(note 21)*	4,391
Bank balances and cash acquired	1,083
	(10,318)

(c) Acquisition of NGLE Pushan

On 28 August 2009, MPC BVI, a wholly owned subsidiary of the Company, entered into a conditional share purchase agreement (the "Agreement") with Through In Industries Limited, a then independent third party ("the Seller"), pursuant to which the Seller agreed to sell and MPC BVI agreed to buy 85% equity interest in NGLE Pushan, which indirectly holds 70% equity interest in Nanyang Puguang, a company established in the PRC (the "First Acquisition") and is an operating coal-fired power project in Nanyang City in the southwest of Henan Province. The consideration of the First Acquisition amounted to US$34,850,000 and the transaction was completed on 7 April 2010. This acquisition has been accounted for as acquisition of business.

In addition, pursuant to the Agreement, MPC BVI has an obligation to further acquire 15% interest in NGLE Pushan at a consideration of US$6,150,000 ("Step-up Acquisition") within two years from the completion date of the First Acquisition, which is 7 April 2010. The 15% interest in NGLE Pushan represents an indirect 10.5% equity interest in Nanyang Puguang and the Step-up Acquisition was not yet completed at the end of the reporting period. The obligation to acquire additional interests in Nanyang Puguang is accounted for as forward contract.

NGLE Pushan is acquired so as to continue the expansion of the Group's business.

Consideration transferred

	US$'000
Cash	34,850

Acquisition-related costs amounting to approximately US$1,743,000, have been excluded from the consideration transferred and have been recognised as an expense in 2010, within the other expenses line item in the consolidated statement of comprehensive income.

The net assets acquired in the transaction are as follows:

	Fair value *US$'000*
Net assets acquired:	
Property, plant and equipment	88,438
Prepaid lease payments	11,029
Deferred tax assets	267
Inventories	3,997
Trade receivables	9,256
other receivables and prepayments	1,333
Other assets	59
Bank balances and cash	33,628
Trade payables	(3,117)
other payables and accruals	(14,789)
Deferred tax liabilities	(2,095)
Bank borrowings	(43,088)
	84,918

The receivables acquired (which principally comprised trade and other receivables) in these transactions with a fair value of approximately US$10,589,000 had a gross contractual amount of US$10,589,000. The whole amount was expected to be collectible at acquisition date.

Discount on acquisition arising on acquisition

	US$'000
Consideration transferred	34,850
Non-controlling interests	34,392
Less: Pre-acquisition dividend from Nanyang Puguang to MPC BVI	(803)
Fair value of identifiable net assets acquired	(84,918)
Discount on acquisition arising on acquisition	(16,479)

Net cash inflow arising on acquisition:

	US$'000
Cash consideration paid	(34,850)
Deposit paid in 2009 *(note 21)*	14,000
Bank balances and cash acquired	33,628
	12,778

In the opinion of the directors of the Company, the Seller was in need of funds to settle its commitments and obligations and accordingly, the Group has more bargaining power to negotiate a better consideration through favorable payment terms offered and resulting in a discount on acquisition in the acquisition of NGLE Pushan. The amount is recognised in profit or loss for the year ended 31 December 2010.

None of the discount on acquisition arising on the acquisition is expected to be taxable for tax purposes.

Impact of acquisition on the results of the Group

Included in the profit for the year ended 31 December 2010 is approximately US$899,000 attributable to the additional business generated by NGLE Pushan. Revenue for the year includes approximately US$61,380,000 in respect of NGLE Pushan.

37. DISPOSAL OF A SUBSIDIARY

On 3 November 2010, the board of directors of the Company declared a dividend of US$511.69 per share to be satisfied by way of a distribution in specie of shares in Tao Yuan to MPC Hold Co., the then sole shareholder of the Company, amounting to approximately US$51,169,000. The entire equity interest in Tao Yuan was disposed of. The net assets of Tao Yuan at the date of disposal were as follows:

	US$'000
Dividend satisfied by distribution in specie	51,169

	3 November 2010 *US$'000*
Analysis of assets and liabilities over which control was lost:	
Interest in an associate	51,365
Amount due from associate	3,095
Amount due to MPC	(4,117)
Bank balance	826
	51,169
Gain on disposal	—
Net cash outflow arising on disposal:	
Bank balance disposed	(826)

38. COMMITMENTS

(a) Operating commitments

The Group as leasee

	Year ended 31 December		
	2008	**2009**	**2010**
	US$'000	*US$'000*	*US$'000*
Minimum lease payments under operating leases during the year in respect of premises	1,372	1,691	1,858

At the end of each reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of premises which fall due as follows:

	Year ended 31 December		
	2008	**2009**	**2010**
	US$'000	*US$'000*	*US$'000*
Within one year	1,404	2,041	2,520
In the second to fifth year inclusive	2,684	3,780	1,394
Over five years	3,513	3,807	4,292
	7,601	9,628	8,206

Operating lease payments represent rentals payable by the Group for certain of its premises. Leases are negotiated and rentals are fixed for two to ten years.

In accordance with the power purchase agreements ("PPA") entered into between MPC Korea and Korea Electric Power Corporation ("KEPCO") in 1996 (the PPA is subsequently transferred to MPC Yulchon upon the restructuring of the Group's operations in South Korea in July 2009), MPC Korea was required to construct electricity transmission facilities for connection of MPC Korea's power plant ("Yulchon Plant") to the power grid of KEPCO and MPC Korea was obligated under the PPA to sell such facilities to KEPCO within six months of commencing operation of Yulchon Plant. MPC Korea constructed electricity transmission facilities with a net book value of approximately US$2,862,000 and was subsequently disposed of to KEPCO in 2005 for an amount approximate to US$1,365,000, resulting in a loss on disposal of approximately US$1,497,000 (equivalent to approximately KRW1,707 million) in 2005. The sales proceeds had been fully settled as of 31 December 2008.

In connection with such disposition of the electricity transmission facilities to KEPCO in 2005, MPC Korea has a right of use of the facilities for 20 years, over the term of the PPA. Accordingly, it is considered as a sale and leaseback transaction and results in an operating lease. The difference between the net book value of the facilities and the related proceeds of approximately US$1,497,000 was considered as future lease payments and was recorded as long-term prepaid expenses. The carrying value of the long-term prepaid expenses as at 31 December 2008, 2009 and 2010 is approximately US$1,007,000, US$1,013,000 and US$949,000 (equivalent to approximately KRW1,204 million, KRW1,182 million and KRW1,094 million), respectively. These long-term prepaid expenses are to be amortised over the term of the PPA.

The Group as lessor

Certain of the Group's equipment is held for rental purpose under operating lease since 2007 with a carrying amount of approximately US$475,000, US$348,000 and US$228,000 as at 31 December 2008, 2009 and 2010, respectively, and expected to generate rental yield of 9% on an ongoing basis.

Further, the Group has signed long-term electricity supply contracts with power purchasers which, among other matters, requires the Group to make some of its generation capacity available for a fixed capacity charge.

At the end of each reporting period, the Group had contracted with lessees for future minimum lease payments in respect of leasing of equipment and power purchasers for capacity charge payments as follows:

	Year ended 31 December		
	2008	**2009**	**2010**
	US$'000	*US$'000*	*US$'000*
Within one year	36,822	39,748	40,234
In the second to fifth year inclusive	147,315	159,021	160,965
After five years	422,429	416,302	381,267
	606,566	615,071	582,466

(b) Capital commitments

	Year ended 31 December		
	2008	**2009**	**2010**
	US$'000	*US$'000*	*US$'000*
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of acquisition of property, plant and equipment	454	1,121	437

In addition to the above, the Group's share of the capital commitments of its jointly controlled entity are as follows:

	Year ended 31 December		
	2008	**2009**	**2010**
	US$'000	*US$'000*	*US$'000*
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of acquisition of property, plant and equipment	11,417	5,549	2,824

(c) Other commitments

In addition to the Group's commitment in relation to capital contribution in Hunan Xiangtou, amounting approximately US$92,338,000, US$92,420,000, and US$95,257,000 as at 31 December 2008, 2009 and 2010, respectively, and commitment in relation to capital contribution in Hubei Huadian, amounting approximately US$19,432,000 as at 31 December 2010, as indicated in notes 19 and 20, respectively, the Group has the commitment at the end of the reporting period as follows:

In November 2007, the Company, through a wholly owned subsidiary, became a 26% shareholder of IBPGL, a joint venture company specifically established in India to bid for a power project in Bhaiyathan, India ("Bhaiyathan Project"). The remaining 74% of the shares of IBPGL is held by Indiabulls Power Limited ("IBPL"), a subsidiary of Indiabulls Real Estate Limited ("IBREL"), a public company listed on the Bombay Stock Exchange and the National Stock Exchange of India.

In December 2007, IBPGL submitted a bid to the Chhattisgarh Electricity Board ("CSEB") in India to develop the Bhaiyathan Project. Pursuant to the requirements of such bid documents, the Company also provided an equity undertaking (the "Equity Undertaking") to CSEB under which the Company will invest by way of equity contribution the amount not invested by IBPGL in the event that IBPGL fails to invest all or part of the amount proposed to be invested by IBPGL under the bid documents. In consideration for the issuance of the Equity Undertaking by the Company, IBREL provided an indemnity to the Company (the "Original IBREL Indemnity") pursuant to which if the Company is called upon to invest more than its 26% equity share in the Bhaiyathan Project, it will invest that additional equity not invested by IBPGL or indemnify the Company in respect of 74% of its obligations under the Equity Undertaking. IBPGL was awarded the right to develop the Bhaiyathan Project in 2008; however, the Company decided not to proceed with the investment in the Bhaiyathan Project in early 2009 in view of the deteriorating condition of the global financial markets. IBPL, which is itself also a public company listed on the Bombay Stock Exchange and the National Stock Exchange of India, formed a new project company, Indiabulls CSEB Bhaiyathan Power Limited ("ICBPL"), to proceed with the Bhaiyathan Project on its own. Other than the payment of attributable share capital of IBPGL amounting to Indian Rupee 1.3 million (equivalent to approximately US$28,000) as at 31 December 2008, 2009 and 2010, the Company has not made any capital injection to IBPGL. In December 2009, the Original IBREL Indemnity has been supplemented by a new indemnity under which IBREL has agreed that, given that the Company is no longer interested in the project, in the event of: (i) the failure of IBPGL to invest in equity in the Bhaiyathan Project; (ii) if the Company is called upon to invest any amount in the Bhaiyathan Project or IBPGL; or (iii) if the Company or IBPGL is required to otherwise perform any obligations in relation to the Bhaiyathan Project, the Company may, by written notice to IBREL, require IBREL to make payment or contribute equity directly to ICBPL or IBPGL or perform any obligation whether prior to or after the Company being required to make payment under the Equity Undertaking or investing such amount in the Bhaiyathan Project or IBPGL or otherwise perform any obligation (the "IBREL Indemnity"). The current estimation of the total project cost for the Bhaiyathan Project is approximately US$1.6 billion of which US$400 million is expected to be funded by equity contributions by the shareholders of IBPGL. The Directors of the Company have no reason to believe that ICBPL and IBREL will not fully perform their obligations in relation to the Bhaiyathan Project and under the IBREL Indemnity, respectively. Accordingly, in the opinion of the directors of the Company, the Group's present capital commitments or outstanding obligation on IBPGL and CSEB are insignificant.

39. RELATED PARTY DISCLOSURES

The Group have early applied the partial exemptions set out from disclosure requirements for government-related entities under IAS 24 (Revised) Related Party Disclosures in advance of its effective date.

The ultimate holding company of the Group is CGNPHC, which is a state-owned enterprise under the direct supervision of the State Council of the PRC. Accordingly, the Group is controlled by CGNPHC. The transactions and balances, which are conducted in the ordinary course of business, including deposits placements, borrowings and other general banking facilities, with other PRC government related entities are exempted according to the paragraphs 25 to 27 of IAS 24 (Revised) Related Party Disclosures.

Apart from details of the balances with related parties disclosed in the consolidated statement of financial position on pages 8 and 9 and other details disclosed elsewhere in the Financial Information, the Group also entered into the following significant transactions with related parties during the year:

Name of related company	*Note*	**Nature of transactions**	**2008**	**2009**	**2010**
			US$'000	*US$'000*	*US$'000*
Shanghai No. 1 Iron & Steel	*(i)*	Sales of electricity	(25,024)	(21,572)	(24,574)
		Purchase of fuel	6,025	5,106	5,911
		Utility service fee paid	404	406	358
Chongzuo Huiyuan	*(i)*	Interest expense	515	235	—
		Management fee paid	44	44	44
Mianyang Sanjiang	*(i)*	Maintenance expense	461	366	280
		Management fee paid	35	35	71
Yueyang Power	*(ii)*	Consultancy fee income	(202)	(178)	(199)
Hunan Xiangtou	*(iii)*	Consultancy fee income	(310)	(168)	(887)
Hubei Xisaishan	*(ii)*	Consultancy fee income	(122)	(53)	(53)
		Sales of electricity dispatch quota	(197)	—	—
SDIC Qujing	*(ii)*	Consultancy fee income	—	(60)	—
Jingyuan Power	*(ii)*	Consultancy fee income	—	(44)	—
Guangxi Liuzhou	*(i)*	Maintenance expense	534	455	490
		Management fee paid	22	11	22
Standard Chartered Bank (Hong Kong) Limited	*(iv)*	Interest expense	14,906	12,478	10,148
		Bank charges expense	293	1,197	177
		Interest income	(477)	(65)	(3)
		Written off of arrangement fee	—	—	3,410

Notes:

(i) These related companies are the non-controlling shareholders of certain subsidiaries of the Company.

(ii) Yueyang Power, Hubei Xisaishan, SDIC Qujing and Jingyuan Power are associates of the Company or the Company's jointly controlled entity.

(iii) Hunan Xiangtou is a jointly controlled entity of the Company.

(iv) The company was a fellow subsidiary of Standard Chartered Private Equity Limited, a substantial shareholder of MPC Hold Co. during the year before the Company was acquired by CGNPC Huamei in November 2010.

Compensation of key management of personnel

The remuneration of directors and other members of key management was as follows:

	Year ended 31 December		
	2008	**2009**	**2010**
	US$'000	*US$'000*	*US$'000*
Short-term benefits	3,219	3,510	3,569
Post-employment benefits	96	112	146
	3,315	3,622	3,715

The remuneration of directors and key executives is determined by having regard to the performance of individuals and the Group and market trends.

B. ULTIMATE HOLDING COMPANY

In the opinion of the directors of the Company, CGNPHC has become the ultimate holding company of the Company since 5 November 2010.

C. DIRECTORS' REMUNERATION

Save as disclosed in the Financial Information, no other remuneration has been paid or payable by the Group to the directors of the Company for the Relevant Periods.

D. SUBSEQUENT EVENTS

No significant events took place subsequent to 31 December 2010.

E. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies of the Group subsequent to 31 December 2010.

Yours faithfully,

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

RECONCILIATION STATEMENT

The reconciliation of the appraised values as at 31 March 2011 of the property interests held by the MP Group prepared by Vigers Appraisal & Consulting Limited with their net book values as at 31 December 2010 as derived from the financial information of the MP Group are as follows:

	HK$'000
Net book value of the properties as at 31 December 2010	1,703,757
Movement for the period from 31 December 2010 to 31 March 2011 (unaudited)	
Depreciation provided during the period	(1,420)
Net book value as at 31 March 2011	1,702,337
Valuation surplus	965,163
Valuation of the properties as at 31 March 2011 as set out in the Property Valuation Report set out in Appendix V *(Note)*	2,667,500

Note:

As set out in the property valuation report of Vigers Appraisal & Consulting Limited ("Vigers") in Appendix V to this circular, Vigers has attributed no commercial value to parts of the properties (The properties comprised Property Nos. 1 to 14, 21 and 22) without title certificates. The market value of these parts of the properties without title certificates as at 31 March 2011 would be HK$656,820,000 assuming all relevant title certificates have been obtained.

The valuation of the properties of the MP Group of approximately HK$2,667,500,000 shown above comprised the aggregate market value of the properties of HK$2,010,680,000 (for parts of the properties with title certificates) and HK$656,820,000 (for parts of the properties without title certificates) as at 31 March 2011.

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(A) ACCOUNTANT'S REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

TO THE DIRECTORS OF
SILVER GRANT INTERNATIONAL INDUSTRIES LIMITED

We report on the unaudited pro forma financial information (the "Unaudited Pro Forma Financial Information") of Silver Grant International Industries Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group"), as set out in Appendix III to the circular dated 30 June 2011 (the "Circular"), which has been prepared by the directors of the Company for illustrative purposes only, to provide information about how the proposed subscription of 776,424,000 shares (the "Subscription") of CGNPC Huamei Investment Limited ("CGNPC Huamei" together with its subsidiaries and the Group collectively referred as the "Enlarged Group") might have affected the financial information of the Group presented. The basis of preparation of the Unaudited Pro Forma Financial Information is set out in Section B of this appendix.

Respective Responsibilities of directors of the Company and Reporting Accountants

It is the responsibility solely of the directors of the Company to prepare the Unaudited Pro Forma Financial Information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

It is our responsibility to form an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of Opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purpose of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

The Unaudited Pro Forma Financial Information is for illustrative purpose only, based on the judgements and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in future and may not be indicative of:

- the financial position of the Enlarged Group as at 31 December 2010 or any future date; or
- the results and cash flows of the Enlarged Group for the year ended 31 December 2010 or any future period.

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group so far as such policies related to the transactions; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
30 June 2011

(B) UNAUDITED PRO FORMA FINANCIAL INFORMATION

The Unaudited Pro Forma Financial Information of the Enlarged Group has been prepared to illustrate the effect of the Subscription. The aggregated consideration for the Subscription is HK$776,424,000 and will be satisfied by cash.

The unaudited pro forma consolidated statement of financial position of the Enlarged Group is prepared based on the audited consolidated statement of financial position of the Group as at 31 December 2010 as extracted from the annual report of the Company issued on 21 March 2011, after making pro forma adjustments relating to the Subscription, as if the Subscription had been completed on 31 December 2010.

The unaudited pro forma consolidated income statement and the unaudited pro forma consolidated statement of cash flows of the Enlarged Group are prepared based on the audited consolidated income statement and consolidated statement of cash flows of the Group for the year ended 31 December 2010 as extracted from the annual report of the Company issued on 21 March 2011, after making pro forma adjustments relating to the Subscription, as if the Subscription had been completed on 1 January 2010.

The Unaudited Pro Forma Financial Information is based on the aforesaid historical data after giving effect to the pro forma adjustments described in the accompanying notes. A narrative description of the pro forma adjustments of the Subscription that are (i) directly attributable to the transactions and (ii) factually supportable, is summarised in the accompanying notes.

The Unaudited Pro Forma Financial Information of the Enlarged Group has been prepared by the directors of the Company for illustrative purposes only and is based on a number of assumptions, estimates, uncertainties and currently available information. Accordingly, and because of its nature, the Unaudited Pro Forma Financial Information of the Enlarged Group does not purport to predict what the results and cash flows of the Enlarged Group will be after the Subscription or the financial position of the Enlarged Group will be on completion of the Subscription.

1. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Audited consolidated statement of financial position of the Group as at 31 December 2010 *HK$'000*	Pro forma adjustment *HK$'000* *(Note)*	Unaudited pro forma consolidated statement of financial position of the Enlarged Group *HK$'000*
Non-current assets			
Investment properties	2,541,194		2,541,194
Property, plant and equipment	260,630		260,630
Goodwill	7,001		7,001
Interest in associates	1,492,301	776,424 *(a)*	2,268,725
Interest in jointly controlled entities	266,331		266,331
Structured finance securities	5,075		5,075
Available-for-sale investments	1,038,604		1,038,604
Loan receivables	295,858		295,858
	5,906,994		6,683,418
Current assets			
Inventories, at cost	327		327
Investment in distressed assets through establishment of a special purpose vehicle	65,245		65,245
Held-for-trading investments	126,237		126,237
Trade receivables	10,825		10,825
Deposits, prepayments and other receivables	199,259		199,259
Amounts due from associates	430,081		430,081
Amounts due from jointly controlled entities	61,543		61,543
Loan receivable with embedded derivative	117,581		117,581
Loan receivables	139,250		139,250
Available-for-sale investments	654,511		654,511
Bank balances and cash	1,338,558	(776,424) *(a)*	562,134
	3,143,417		2,366,993
Assets classified as held-for-sale	62,036		62,036
Total assets	9,112,447		9,112,447

	Audited consolidated statement of financial position of the Group as at 31 December 2010 *HK$'000*	Pro forma adjustment *HK$'000 (Note)*	Unaudited pro forma consolidated statement of financial position of the Enlarged Group *HK$'000*
Current liabilities			
Trade payables	106,406		106,406
Accrued charges, rental deposits and other payables	576,731		576,731
Borrowings	438,062		438,062
Taxation payable	151,236		151,236
	1,272,435		1,272,435
Liabilities associated with assets classified as held-for-sale	62,036		62,036
Total assets less current liabilities	7,777,976		7,777,976
Capital and reserves			
Share capital	436,970		436,970
Reserves	6,603,290		6,603,290
Equity attributable to owners of the Company	7,040,260		7,040,260
Non-controlling interests	268,167		268,167
Total equity	7,308,427		7,308,427
Non-current liabilities			
Deferred tax liabilities	380,101		380,101
Bank borrowings	89,448		89,448
	469,549		469,549
Total equity and non-current liabilities	7,777,976		7,777,976

Note:

(a) The adjustment represents the subscription of 776,424,000 shares of CGNPC Huamei, representing approximately 29.41% of the enlarged issued capital of CGNPC Huamei, satisfied by cash consideration of HK$776,424,000. The investment in 29.41% equity interests of CGNPC Huamei is regarded as interests in associates, as in the opinion of the directors, the Group is able to exercise significant influence through its voting power in general meetings.

2. UNAUDITED PRO FORMA CONSOLIDATED INCOME STATEMENT

	Audited consolidated income statement of the Group for the year ended 31 December 2010 *HK$'000*	Pro forma adjustment *HK$'000 (Note)*	Unaudited pro forma consolidated income statement of the Enlarged Group *HK$'000*
Property management fee income	156,310		156,310
Rental income	70,037		70,037
	226,347		226,347
Cost of sales and services	(100,746)		(100,746)
	125,601		125,601
Income from investment in distressed assets through establishment of a special purpose vehicle	50,996		50,996
Dividend income from listed and unlisted securities	13,299		13,299
Other income, gains and losses	158,133		158,133
Change in fair value of held-for-trading investments	(775)		(775)
Administrative expenses	(164,983)		(164,983)
Gain on disposal of available-for-sale investments	1,597		1,597
Reversal of revaluation deficit of leasehold properties	8,133		8,133
Change in fair value of investment properties	172,518		172,518
Change in fair value of financial assets at fair value through profit or loss	172,619		172,619

	Audited consolidated income statement of the Group for the year ended 31 December 2010 *HK$'000*	Pro forma adjustment *HK$'000* *(Note)*	Unaudited pro forma consolidated income statement of the Enlarged Group *HK$'000*
Change in fair value of structure finance securities	(3,967)		(3,967)
Finance costs	(26,144)		(26,144)
Share of results of associates	149,455	67,581 *(a)*	217,036
Share of results of jointly controlled entities	65,610		65,610
Profit before taxation	722,092		789,673
Taxation charge	(151,910)		(151,910)
Profit for the year	570,182		637,763
Profit for the year attributable to:			
Owners of the Company	530,818		598,399
Non-controlling interests	39,364		39,364
	570,182		637,763

Note:

(a) The adjustment represents the share of result of CGNPC Huamei for the period from 21 January 2010 (date of incorporation) to 31 December 2010 and the share of result of Meiya Power Company Limited and its subsidiaries (collectively referred as the "MP Group") for the year ended 31 December 2010, assuming that the Subscription is completed on 1 January 2010. The share of results of CGNPC Huamei Group was determined by the summation of the loss of CGNPC Huamei for the period ended 31 December 2010 of US$27,018,000 and the profit attributable to owners of the MP Group of US$56,617,000, multiplied by 29.41%, being the equity interest to be owned by the Group and converted at a translation rate of HK$7.7634, being the average exchange rate for the year ended 31 December 2010. For the purpose of the preparation of the unaudited pro forma consolidated income statement of the Enlarged Group, it is assumed that the fair value of assets and liabilities of the MP Group at 1 January 2010 are the same as their carrying amount, accordingly, there is no pro forma adjustment made to the depreciation and amortisation charge recorded by the MP Group. Upon completion of the Subscription of CGNPC Huamei by the Group, a purchase price allocation will be carried out to the underlying assets and liabilities of the MP Group which may result in adjustment to their carrying amount and the corresponding depreciation and amortisation subsequently.

3. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF CASH FLOWS

	Audited consolidated statement of cash flows of the Group for the year ended 31 December 2010 *HK$'000*	Pro forma adjustments *HK$'000 (Notes)*	Unaudited pro forma consolidated statement of cash flows of the Enlarged Group *HK$'000*
OPERATING ACTIVITIES			
Profit before taxation	722,092	67,581 *(a)*	789,673
Adjustments for:			
Share of results of associates	(149,455)	(67,581) *(a)*	(217,036)
Share of results of jointly controlled entities	(65,610)		(65,610)
Depreciation of property, plant and equipment	11,902		11,902
Amortisation of land use right	599		599
Finance costs	26,144		26,144
Change in fair value of held-for-trading investments	775		775
Imputed interest on consideration receivable from disposal of an associate	(13,075)		(13,075)
Income from investment in distressed assets through establishment of a special purpose vehicle	(50,996)		(50,996)
Interest income	(113,875)		(113,875)
Gain on disposal of available-for-sale investments	(1,597)		(1,597)
Net gain on disposal of property, plant and equipment	(246)		(246)
Loss on disposal of land use right	1,686		1,686
Reversal of revaluation deficit of leasehold properties	(8,133)		(8,133)
Change in fair value of investment properties	(172,518)		(172,518)
Change in fair value of financial assets at fair value through profit or loss	(172,619)		(172,619)
Change in fair value of structured finance securities	3,967		3,967

	Audited consolidated statement of cash flows of the Group for the year ended 31 December 2010 *HK$'000*	Pro forma adjustments *HK$'000 (Notes)*	Unaudited pro forma consolidated statement of cash flows of the Enlarged Group *HK$'000*
Operating cash flows before movements in working capital	19,041		19,041
Increase in inventories	(29)		(29)
Decrease in held-for-trading investments	5,804		5,804
Increase in trade receivables	(707)		(707)
Increase in deposits, prepayments and other receivables	(999)		(999)
Increase in trade payables	7,206		7,206
Increase in accrued charges, rental deposits and other payables	265,858		265,858
Cash generated from operations	296,174		296,174
Interest paid	(26,144)		(26,144)
Tax paid	(9,830)		(9,830)
NET CASH FROM OPERATING ACTIVITIES	260,200		260,200

	Audited consolidated statement of cash flows of the Group for the year ended 31 December 2010 *HK$'000*	Pro forma adjustments *HK$'000 (Notes)*	Unaudited pro forma consolidated statement of cash flows of the Enlarged Group *HK$'000*
INVESTING ACTIVITIES			
Receipt of income and principal repayment from recovery of distressed assets purchased through establishment of a special purpose vehicle	129,952		129,952
Receipt of consideration receivable from disposal of an associate	100,000		100,000
Purchase of property, plant and equipments	(3,609)		(3,609)
Additions of investment properties	(40,076)		(40,076)
Purchase of available-for-sale investments	(28,403)		(28,403)
Additions of financial assets at fair value through profit or loss	(304,980)		(304,980)
Dividend received from associates	9,811		9,811
Interest received	113,875		113,875
Interest income received from financial assets at fair value through profit or loss	19,018		19,018
Advance to an ex-associate	(28,000)		(28,000)
Deposits received for assets held-for-sale	62,036		62,036
Repayment from associates	472,063		472,063
Advance to associates	(799,747)		(799,747)
Repayment from jointly controlled entities	36,537		36,537
Advance of loan receivables	(571,894)		(571,894)
Receipt of loan receivables	590,040		590,040
Proceeds on disposal of property, plant and equipment	488		488
Proceeds on disposal of available-for-sale investments	22,022		22,022
Proceeds on disposal of land use right	25,704		25,704
Distribution from of a jointly controlled entity	6,166		6,166
Capital injection to associates	(1,164,572)		(1,164,572)
Subscription of shares of CGNPC Huamei	—	(776,424) *(b)*	(776,424)
NET CASH USED IN INVESTING ACTIVITIES	(1,353,569)		(2,129,993)

	Audited consolidated statement of cash flows of the Group for the year ended 31 December 2010 *HK$'000*	Pro forma adjustments *HK$'000*	Unaudited pro forma consolidated statement of cash flows of the Enlarged Group *HK$'000*
FINANCING ACTIVITIES			
Repayment of bank loans	(182,453)		(182,453)
Net proceeds from issue of new shares	718,764		718,764
Dividend paid	(218,485)		(218,485)
Bank loans raised	236,686		236,686
Increase in amount due to an associate from recovery of distressed assets	34,300		34,300
Decrease in amount due to an associate for distribution from recovery of distressed assets	(57,089)		(57,089)
Increase in other payables from recovery of distressed assets	142,080		142,080
Decrease in other payables for distribution from recovery of distressed assets	(229,195)		(229,195)
NET CASH FROM FINANCING ACTIVITIES	444,608		444,608
NET DECREASE IN CASH AND CASH EQUIVALENTS	(648,761)		(1,425,185)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	1,979,724		1,979,724
Effect of foreign currency rate changes	7,595		7,595
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	1,338,558		562,134
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS			
Bank balances and cash	1,338,558		562,134

Notes:

(a) Being share of result of CGNPC Huamei for the period from 21 January 2010 (date of incorporation) to 31 December 2010 and the share of result of the MP Group for the year ended 31 December 2010. Details of the calculation are set out in Section B(2) "Unaudited Pro Forma Consolidated Income Statement".

(b) This is the cash consideration of HK$776,424,000 paid for the Subscription.

1. MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP

Set out below is the management discussion and analysis of the operating results and business review extracted from the annual reports of the Company for the three years ended 31 December 2010.

REVIEW OF THE YEAR ENDED 31 DECEMBER 2010 OF THE GROUP

Review of Results

Profit for the year attributable to owners of the Company increased by HK$124.5 million to HK$530.8 million (2009: HK$406.3 million), representing an increment of approximately 31%. However, basic earnings per share only increased by 11% to HK$0.247 (2009: HK$0.223) due to the dilution effect of 364,140,000 new shares issued earlier this year.

The increase was mainly a net effect of the factors listed in the following paragraphs.

First of all, the fair values of the Group's investment properties increased significantly in light of the liquidity flood and particularly the hot property market in the PRC. The change in fair value of investment properties increased by approximately HK$114.1 million to HK$172.5 million (2009: HK$58.4 million).

Secondly, the Group recognized a significant profit derived from the change in the fair value of financial assets at fair value through profit or loss. Approximately HK$146.0 million was attributable to the valuation of the Group's US$25 million convertible bonds of Winsway Coking Coal Holdings Limited ("Winsway Coking Coal") which had been converted into Winsway Coking Coal's ordinary shares immediately before its listing in October 2010.

Thirdly, profit contribution from associates increased by HK$113.0 million. The increase was mainly due to increase in profit contribution from Zhong Hai You Qi (Tai Zhou) Petrochemical Company Limited ("Zhong Hai You Qi") in the amount of approximately HK$97.0 million. During the year, the increase in the unit selling prices of Zhong Hai You Qi's products was larger than the increase in the unit cost of production which enhanced gross profit margin. In addition, Zhong Hai You Qi changed its product structure by increasing the sales of naphtha and bitumen products which are not subject to sales tax and therefore further enhanced gross profit margin.

Lastly, profit contribution from jointly controlled entities increased by HK$57.5 million. The increase was mainly attributable to the increase in profit contribution from Tai Zhou United East Petrochemical Company Limited ("TZ United East") in the amount of approximately HK$43.0 million. There was large demand for the key product of TZ United East — methyl ethyl ketone during the year which resulted in higher selling prices with larger gross margin.

The profit enhancing effect of the aforesaid factors was partially compensated by the following two reasons.

The first one is there was a one-off gain on disposal of an associate amounted to approximately HK$122.5 million in 2009. The Group aborted its investment in the redevelopment project "Zi You Xiao Zhen" by disposing its entire 22.62% equity interest in the associate北京君合百年房地產開發有限公司(Beijing Junhe Bainian Property Development Limited)("Junhe Bainian") in 2009. No such gain was recorded in 2010.

The other one is the significant increase in taxation charge amounted to approximately HK$109.7 million. Increase in taxation charge was attributable to the deferred taxation in respect of the fair value gain of investment properties located in the PRC and the Land Appreciation Tax of investment properties disposed and pending to be disposed.

Sales of petrochemical products/Cost of sales and services

In 2009, the board composition of a subsidiary engaged in petrochemical operations was changed. Consequently, the Group lost its control over the subsidiary, which was then reclassified as a jointly controlled entity. Due to this reason, there were no sales of petrochemical products being reported in 2010. For the same reason, cost of sales and services was proportionately reduced.

Administrative expenses

Administrative expenses for the year increased by approximately HK$24.3 million, representing an increment of 17%. The increase was mainly due to increase in bad debt provision in two PRC subsidiaries amounting to approximately HK$10.3 million in aggregate and the reallocation of certain labour cost amounting to approximately HK$11.1 million to administrative expenses in the current year to comply with the new PRC accounting standards. Such cost was absorbed in property management fee income in the previous years.

Business Review & Prospects

Property Investments, Development and Management

Properties Leasing

Gross rental income for the year increased by 6% to HK$70.0 million (2009: HK$65.8 million). The increase was partly due to RMB appreciation and partly due to raise of unit rental. Despite the vacating of the south apartment block of East Gate Plaza to prepare for the selling of individual flat unit, the Group is able to relocate some of the existing tenants in the south apartment block to the north apartment block to mitigate the adverse effect on rental income. Profit contribution for the year (excluding change in fair value of investment properties) increased by 14% to HK$20.1 million (2009: HK$17.7 million).

In the second half year of 2010, the Group commenced the selling of the residential flats in the south apartment block of East Gate Plaza. The purpose is to realize further working capital to finance future investments. The residential flat units will be sold to retail customers.

Property Management

At the end of the reporting period, there were 21 projects (2009: 21 projects) under the management of Beijing Yinda Property Management Limited ("Yinda"). The total floor area under the management of Yinda exceeds 3.0 million square meters. The revenue of Yinda increased 12% to HK$156.3 million (2009: HK$139.0 million). However, net profit dropped 77% to HK$3.1 million (2009: HK$13.2 million). The reason is attributable to the increase in staff cost of approximately HK$8.0 million due to salary increment and raise in social security fund during the current year.

Property Development

Cinda Jianrun

Cinda Jianrun Property Company Limited ("Cinda Jianrun") is still in negotiations for a property development opportunity with a site area of approximately 300,000 square meters located in the Chao Yang District of Beijing. In light of the current severe property market condition and regulatory measures, the Board anticipates that the negotiation will be a prolonged process and will last for an extended period before reaching a conclusion.

Kema

Kema Yinxiang Industries Limited ("Kema"), a 50% owned jointly controlled entity of the Group, is a construction material supplier specialized in providing all-round bathroom solutions to customers. Its business is the design, manufacture and wholesaling of Italian style bathroom products in its own brand name of《科馬印象》. The core product is bathroom suite known as the "CubiX series". CubiX series are pre-made modules of bathroom structures capable of being combined into different stylish and tailored bathrooms.

For the current year, Kema recorded a gross revenue of approximately HK$211.4 million (2009: HK$89.8 million) with a net profit of approximately HK$13.7 million (2009: HK$3.4 million). Although the magnitude of net profit was not significant, the growth in gross revenue and net profit was very significant. During both years under review, Kema was concentrating its effort on expanding its operations so as to build up a fast and sustainable profit growth. The Group has an intention to spin-off Kema at appropriate time.

Natural Resources Venture

The Group completed its investment of RMB980 million (equivalent to approximately HK$1,107.4 million) in 49% equity interest in Guoyang Tiantai Investment Limited ("Guoyang Tiantai") in March 2010 pursuant to the Capital Increase Agreement dated 18 March 2010. The other 51% equity of Guoyang Tiantai was held by Shanxi Guoyang New Energy Co., Ltd. ("Guoyang Xinneng") whose shares are listed on the Shanghai Stock Exchange (Stock code: 600348). The controlling shareholder of Guoyang Xinneng is known as Yangquan Coal (Group) Company Limited ("Yangquan Coal"), which is one of the largest coal enterprises in Shanxi Province, China.

Guoyang Tiantai is principally engaged in the consolidation, exploitation, utilization, investment and construction projects in respect of coal resources. Guoyang Tiantai is one of the designated entities formed to undertake the mergers and restructuring of the coal industry in Shanxi Province. It has actively participated in the takeover work of coal mines in the region since its establishment in March 2010 as follows:

Period	Area	No. of mines acquired	Total Capacity *('000 tons)*	Interest held by the JV *(%)*	Original Capacity (per annum) *('000 tons)*	Capacity after redevelopment (per annum) *('000 tons)*	Considerations *(RMB million)*
Sep 2010	Yicheng	2	28,937	49%	—	—	135
Dec 2010	Pingding	10	82,799	100%	1,470	2,700	224
Mar 2011	Ningwu	1	—	51%	150	1,200	51

The Directors anticipated that Guoyang Tiantai will accelerate its acquisition process in 2011 to increase the production capacity to approximately 10 million tons per annum. However, as the coal mines acquired by Guoyang Tiantai are undergoing a construction and redevelopment work, we expect it may gradually contribute profits to the Group after 2012.

Petrochemical Products

Zhong Hai You Qi

The Group has an effective interest of 23.03% in Zhong Hai You Qi. Its principal business is manufacturing and trading of fuel oil which is the raw material for lubricant oil production and bitumen. The current production capacity of Zhong Hai You Qi is 1.5 million tons per annum. Zhong Hai You Qi achieved a record high in both production and sales volume of 1.177 million tons and 1.17 million tons in 2010 respectively, representing over 99% of the sales production ratio. As a result, it recorded an after tax profit of approximately HK$385.8 million (2009: HK$192.6 million) and contributed approximately HK$88.8 million (2009: HK$30.0 million) profit to the Group. The increase in profit was due to the fact that in 2010, the increase in the unit selling prices of Zhong Hai You Qi's products was larger than the increase in the unit cost of production which enhanced profit margin. Moreover, Zhong Hai You Qi changed its product structure by increasing the sales of naphtha and diesel products which are not subject to sales tax and therefore further enhanced profit margin.

TZ United East

The Group holds 50% equity interest in TZ United East. Its principal business is the manufacturing and trading of an organic solvent methyl ethyl ketone. The current production capacity of TZ United East is 40,000 tons per annum.

In 2010, TZ United East recorded an after tax profit of approximately HK$114.0 million (2009: HK$23.6 million) and contributed approximately HK$57.0 million (2009: HK$11.8 million) profit to the Group. The increase in after tax profit was due to the fact that there was large demand for the key product-methyl ethyl ketone in 2010. TZ United East was able to sell the products at higher prices with larger gross margin.

JC International

On 31 January 2011, the Company through its indirect non-wholly owned subsidiary Konson Investment Limited ("Konson") entered into a legally binding letter of intent with Jiangxi Copper Company Limited ("Jiangxi Copper") and China Ordins Corporation ("China Ordins") to invest in a 20% equity interest in Jiangxi Copper International Trading Limited ("JC International") at a consideration of RMB200.0 million (equivalent to approximately HK$236.7 million). The remaining equity was owned as to 60% by Jiangxi Copper and as to 20% by China Ordins. By relying on the resources and capital platforms of Jiangxi Copper Corporation and Jiangxi Copper, JC International endeavours to develop a variety of businesses including spot trading, import and export trading, futures trading of non-ferrous metals such as copper, lead, zinc as well as other kind of metals. As a result, JC International has preliminarily established a channel and an operating mechanism for its business development. The Board considers that it is beneficial to the Group to have the opportunity to invest in the JC International and to seize the business opportunities brought about by the prospects of the non-ferrous metals in the PRC.

Financial Investments

Distressed Assets Business

The Orient Portfolios

The disposal of the Orient Portfolio was completed in 2009 and the disposal of the second portfolio of distressed assets owned by China Orient Asset Management Corporation ("the Second Orient Portfolio") was substantially completed in 2010.

Revenue contribution from the Second Orient Portfolio for the year was approximately HK$47.8 million (2009: HK$44.1 million). In summary, the cumulative cash recoveries of the Second Orient Portfolio was approximately RMB912.0 million (equivalent to approximately HK$1,079.3 million) in aggregate, representing a recovery rate of 2.44%. In the opinion of the Board, the disposal of the Second Orient Portfolio was successfully completed. Despite the completion of the disposal of two portfolios, Dongxin Union Asset Management Corporation Limited ("Dongxin Union"), at the request of China Orient Asset Management Corporation, had made application and obtained approval to further extend its business license to 31 December 2011 so as to properly dissolve and deregister Dongxin Union and to repay any residual investment to its joint venture partner(s).

Other Financial Investments

The Group strategically invested, directly and indirectly, in certain PRC enterprises. These enterprises have good potential for separate listing. Some of them have already been listed. As at 31 December 2010, the carrying value of these strategic investments was approximately HK$1,693.1 million in aggregate (2009: HK$435.5 million) with individual allocation detailed below:

	2010	**2009**
	HK$ million	*HK$ million*
Winsway Coking Coal	684.3	—
Zqgame	498.7	58.9
China XD Electric	155.8	56.6
CUP	110.1	105.3
SINOMA	63.5	63.5
Bai Nian De Cheng	94.7	63.4
China New Material	40.0	40.0
BBMG	38.8	37.1
Others	7.2	10.7
	1,693.1	435.5

Winsway Coking Coal (Hong Kong: 1733)

Winsway Coking Coal is a conglomerate platform enterprise engaged in the businesses of coal import, cross-border coal logistic (mainly across the borders of China-Mongolia and China-Russia) and equipment developments and operations, selection processing and trading. On 30 March 2010, the Company invested USD25.0 million (equivalent to HK$195.0 million) in the convertible bond of Winsway Coking Coal. The entire convertible bond was converted into Winsway Coking Coal's ordinary shares in September 2010. Pursuant to the relevant HKFRS, the convertible bond was fair valued on 24 September 2010 which generated a fair value gain of approximately HK$146.0 million and was recognised as profit for the year. Winsway Coking Coal was then listed in October 2010. The Company is interested in approximately 146.5 million shares in Winsway Coking Coal with six months lock up period ending on 10 April 2011. Based on the closing price of HK$4.67 per share as at 31 December 2010, the carrying value of the Winsway Coking Coal shares amounted to approximately HK$684.3 million with an estimated unrealized gain approximates to HK$360.1 million in aggregate (excluding the fair value gain in respect of the convertible bond). However, the Group can only recognize the gains, which amount may be significantly different from the estimation, upon selling of the shares after the lock-up period.

Zqgame (Shenzhen: 300052)

On 11 February 2010, Shenzhen Zhongqingbao Interaction Network Co., Ltd. ("Zqgame") succeeded in obtaining a listing status on the ChiNext of the Shenzhen Stock Exchange. Zqgame is a online game developer and operator based in Shenzhen and is the first on-line gamer listed on the ChiNext of the Shenzhen Stock Exchange. The Group has a beneficial interest in approximately 9 million share of the A shares of Zqgame which was subsequently increased to approximately 11.7 million as a result of a 3 for 10 bonus issue on 6 May 2010. As at 31 December 2010, based on a market closing price of RMB21.61 per share, the estimated unrealized gain before taxation attributable to the owners of the Company approximates to HK$306.0 million in aggregate. The Group's A shares are subjected to a one-year lock-up period which was ended on 10 February 2011. The Group is currently considering realizing a portion of or even the entire holding. Depending on the selling price per share, the Group may recognize significant gain in 2011 upon realization of the A shares. Compared with the balance as at 31 December 2009, the increase in the carrying amount was due to the effect of the above said unrealized gains.

China XD Electric (Shanghai: 601179)

The Group is beneficially interested in approximately 16.7 million A shares in China XD Electric Co., Ltd. ("China XD Electric"). The A shares of China XD Electric was listed on the Shanghai Stock Exchange on 28 January 2010 at the issue price of RMB7.9 per share. As at 31 December 2010, based on a market closing price of RMB7.9 per share, the estimated unrealized gain before taxation approximates to HK$96.6 million in aggregate. The Group's A shares are subjected to a one-year lock-up period which was ended on 27 January 2011. The Group is currently considering realizing a portion of or even the entire holding. Depending on the selling price per share, the Group may recognize significant gain in 2011 upon realization of the A shares. Compared with the balance as at 31 December 2009, the increase in the carrying amount was due to the effect of the above said unrealized gains.

CUP

China UnionPay ("CUP") is the largest bank card association and credit card issuers in the mainland China having a very bright business prospect. The Group invested RMB93.0 million (equivalent to approximately HK$110.1 million) in CUP (and is beneficially interested in approximately 17.5 million ordinary shares) in January 2008.

SINOMA (Hong Kong: 1893)

The Group has an effective interest in approximately 23.1 million foreign domestic shares in the shares capital of China National Materials Company Limited ("SINOMA"), which can be freely transferred after the application to be made to the China Securities Regulatory Commission.

Bai Nian De Cheng

During the year, the Group increased its investment in北京百年德誠創業投資中心 ("Bai Nian De Cheng") from RMB56.0 million to RMB80.0 million (equivalent to approximately HK$94.7 million). Bai Nian De Cheng is a closed-end fund which is discretionary operated by a professional fund manager. The fund will invest principally in equity interests, loan capital and convertible notes of target investees which have potential for separate listing. The Group made the investment for the purpose of leveraging the expertise and the business network of the fund manager.

China New Material

The Group holds HK$40.0 million exchangeable notes in China New Material (Zhongpu) Holdings Limited ("China New Material") which are capable of converting into listed securities of China New Material upon listing.

BBMG (Hong Kong: 2009, Shanghai: 601992)

The Group has an effective interest in approximately 12.6 million domestic A shares in the share capital of BBMG Corporation ("BBMG"), which is subject to a lock-up period of 12 months from 1 March 2011.

Strategic Shareholder

On 10 February 2010, the Company issued 364,140,000 new shares to CGNPC International at a price of HK$2.00 per share for the purpose to broaden the shareholder base and strengthen its capital base. A net proceed of approximately HK$718.8 million was raised to further enhance Group's working capital for future business developments. CGNPC International becomes a strategic shareholder of the Company with an equity interest of approximately 16.67%.

On the same date, the Company entered into a non-legally binding letter of intent with CGNPC International for the purpose of co-investing in projects recommended by CGNPC International. The projects shall be resources, energy and nuclear related such as new nuclear power assets, general power assets, uranium mine resources and application of nuclear technology. The projects shall also satisfy certain return requirements and legal and financial due diligence.

Given the strong background of CGNPC International, the Board believes that, CGNPC International will bring in quality projects to the Group which will broaden the Group's sources and magnitude of recurring income in the future.

For the time being, the Group is negotiating with CGNPC International for the possibility of participating in certain power projects including but not limited to clean power and nuclear power station. The Board is confident that one or more of such negotiations will be concluded in the near future.

Growth Strategies

The Board has decided to concentrate its effort on investing in the natural resources and energy sectors. Currently, the Group is considering certain investment opportunities in coal, power and petrochemical projects for the purpose of extending the source of recurring income and expanding the magnitude of recurring earnings of the Group.

The Group has an intention to expand the business scale of the existing petrochemical projects by strengthening the utilization of raw materials, expanding the deeper processing of raw material, manufacturing of high market demand products and to extend the products line. Amongst which, TZ United East has intention to construct a 1.0 million tons heavy oil production facility, Zhong Hai You Qi has intention to expand its oil refinery capacity by 3.0 million tons and to construct a 0.6 million tons lubricant oil facility. By further expanding the production capacity of the petrochemical operations, the Group can enjoy the benefit of economic of scale which will eventually become a stable source of revenue and profit of the Group.

Financial Review

Exchange Exposure

The Group's principal assets, liabilities, revenue and payments are denominated in HKD and RMB. Moreover, the Board is capable of maintaining a net monetary asset position denominated in RMB for the Group. Therefore, the Board is confident that the Group's exposure to exchange rate fluctuations in respect of RMB will not have material adverse effect on the financial position of the Group in light of the continuous and mild appreciation of the RMB to HKD exchange rate. In addition, the Board does not anticipate that there is any material exchange exposure in respect of other currencies.

At the end of the reporting period, the Group has no material liability denominated in other foreign currencies other than RMB. There was also no hedging transaction contracted for by the Group during the year.

Working Capital & Borrowings

At the end of the reporting period, the Group's total borrowings amounted to approximately HK$527.5 million in aggregate. The composition of these borrowings is summarized below:

	HK$'m	*Percentage*
Short term borrowings	438.1	83%
Long term borrowings	89.4	17%
Total	527.5	100%

Interests for all borrowings were charged at floating rates ranging from 1.90% per annum to 4.86% per annum.

At the end of the reporting period, the Group's cash and bank balances was HK$1,338.6 million in aggregate. The Group's net cash balance and net current assets were approximately HK$811.1 million and HK$1,871.0 million respectively. In view of the Group's strong working capital base and the relatively high level of net cash, the Board is confident that the Group has adequate working capital to meet daily operations and to finance future expansion. Moreover, the Group has a sound and strong financial position.

At the end of the reporting period, the gearing ratio and current ratio of the Group were 7.5% (2009: 9.0%) and 2.4x (2009: 3.1x) respectively.

Investment properties

Increase in the carrying amount was due to increase in fair values. There were no material additions (other than costs incurred in renovating the East Gate Plaza) or disposals during the year.

Interest in associates/amounts due from associates

Both carrying amounts increased significantly and were mainly due to the new investment in Guoyang Tiantai.

Loan receivable with embedded derivative

The loan was made to an independent borrower for the purpose of utilizing a portion of the Group's idle funds for better returns. The loan is repayable on 30 June 2011 and was fully secured by a pledge of certain listed securities.

Loan receivables

	2010	**2009**
	HK$'000	*HK$'000*
Carrying balances under non-current assets	295,858	339,751
Carrying balances under current assets	139,250	111,975
Total	435,108	451,726

These were loan made to certain independent borrowers for the purposes of utilizing a portion of the Group's idle funds for better returns and to increase interest income in the current low deposit rates period.

Deposit, prepayment and other receivables

	2010	**2009**
	HK$'000	*HK$'000*
Carrying balances under non-current assets	—	142,111
Carrying balances under current assets	199,259	115,074
Total	199,259	257,185

Amounts in both years were mainly represented by the fair value of the proceeds at the end of the reporting period to be received by installments amounting to approximately HK$150.0 million (2009: HK$236.9 million) in respect of the disposal of an associate, CII Limited ("CII"). The last installment amounting to HK$150.0 million will be settled by the end of 2011. Decrease in overall balance was mainly due to HK$100.0 million scheduled repayment received in 2010.

Available-for-sale investments

	2010	2009
	HK$'000	*HK$'000*
Carrying balances under non-current assets	1,038,604	435,494
Carrying balances under current assets	654,511	—
Total	1,693,115	435,494

Significant increase in the carrying balances was due to the investment in the Winsway Coking Coal convertible bond early this year and the appreciation in values of the certain investments after they were listed in HK and in the PRC during the year.

Bank balance and cash

The significant decrease in bank balances and cash was mainly due to the payment of registered capital to Guoyang Tiantai during the year.

Capital Structure

At the end of the reporting period, the shareholders' fund of the Group was approximately HK$7,040.3 million and has increased by approximately HK$1,870.8 million or approximately 36% compared to that as at 31 December 2009. The increase was mainly due to increase in retained profit, additional capital raised by the issuance of 364,140,000 new shares and the significant appreciation of available-for-sale investments.

During the year, the Company paid HK$218.5 million to shareholders of the Company as final dividend for the year ended 31 December 2009, which has an effect of reducing the overall capital.

Human Resources

At the end of the reporting period, the Group employed approximately 1,130 (2009: 1,460) employees in Hong Kong and in the PRC. The Group offers its employees competitive remuneration packages, which are consistent with the prevailing market practices. The Group's remuneration policies remain unchanged during the year. Total staff costs for the year was approximately HK$108.7 million (2009: HK$92.6 million). The increase in staff cost was mainly due to the staff cost in respect of the appointment of a senior management, an executive director and a non-executive director during the year. The staff cost of Yinda, which accounted for most of the headcounts, also increased due to the implementation of minimum pay and increase in social security fund in respect of those workers from other provinces. To mitigate the pressure from the increase in staff cost, contracts of a portion of the workers of Yinda were terminated and were replaced by sub-contracting arrangements. As a result, the total number of employees of the Group was reduced.

REVIEW OF THE YEAR ENDED 31 DECEMBER 2009 OF THE GROUP

Review of Results

Profit attributable to owners of the Company increased by HK$319.2 million to HK$406.3 million (2008: HK$87.1 million), representing an increment of approximately 367%. Basic earnings per share also increased by 365% to HK$0.223 (2008: HK$0.048).

The increase was mainly attributable to the following three factors:

First of all, the Group aborted its investment in the redevelopment project "Zi You Xiao Zhen" by disposing its entire 22.62% equity interest in Junhe Bainian in 2009. A gain on disposal of approximately HK$122.5 million was thus recognized.

Secondly, the fair values of the Group's investment properties and leasehold properties increased significantly in light of the rapid and prominent recovery of the property market after the financial tsunami triggered by the subprime crisis in September 2008. Consequently, the Group recognized revaluation gains of approximately HK$65.6 million in aggregate in 2009. However, there was a revaluation loss of approximately HK$39.3 million in 2008 in light of the recessed market shortly after the outbreak of the financial tsunami. The effect of the foregoing was to increase the profit of 2009 by approximately HK$104.9 million.

Lastly, due to the same reason caused by the subprime crisis, the Group recognized unrealized gains of approximately HK$48.5 million in aggregate in respect of held for trading investments in 2009. However, there were unrealized losses of approximately HK$35.4 million in aggregate in 2008. The effect was to increase the profit of 2009 by approximately HK$83.9 million.

Administrative Expenses

Administrative expenses for the year increased by approximately HK$22.9 million, representing an increment of 19%. The increase was mainly due to three factors. Firstly, there was full year absorption of the expenses of a subsidiary engaged in petrochemical operations which was acquired in late 2008. Secondly, expenses of approximately HK$8.9 million in aggregate were paid in 2009 in relation to the disposal of distressed assets which required disposal notices to be published on newspapers in the mainland China. Lastly, the Group raised the salaries of the employees in a PRC subsidiary by 10% to 20% in 2009 so as to remain competitive.

Impairment Loss of/Gain on Disposal of AFS Investment

The amounts in both years were related to the Group's investment in Tongjitang China Medicines Company ("Tongjitang"). In light of the operating loss of Tongjitang and the under-performance of the Tongjitang's ADS prices, the Group recognized impairment loss in 2008. In October 2009, Tongjitang utilized its idle funds to redeem all the ADSs held by the Group at a price of USD4.1 per ADS. In this regard, last year's impairment loss was substantially reversed and recognized as income in 2009.

Share of Results of Associates

The amount in 2009 was mainly share of results of Zhong Hai You Qi. The Group acquired Zhong Hai You Qi in late 2008. The amount in 2008 was mainly share of results of CII. CII ceased to contribute significant profit to the Group starting from mid 2008.

Taxation Charge

Increase mainly due to the deferred tax provision in respect of the revaluation gain of investment properties.

Business Review & Prospects

Property Investments, Development and Management

The operations in respect of property leasing remained pretty stable. However, profit contribution for the year has dropped by 34% to HK$17.7 million (2008: HK$26.4 million) due to increased expenditures in respect of salaries and consultancy fee in 2009. The Group's main source of rental income is from the East Gate Plaza. Gross rental income for the year increased by 21% to HK$65.8 million (2008: HK$54.4 million). The increase was partly due to RMB appreciation and partly due to raise of unit rental.

The Board is considering a business proposal to dispose all the residential flats in one service apartment block in East Gate Plaza. The purpose is to realize further working capital for future investments.

The operations of Yinda were stable for both years under review. At the end of the reporting period, there were 21 projects (2008: 23 projects) under the management of Yinda. The total floor area under the management of Yinda exceeds 3.0 million square meters. The revenue of Yinda for the year was HK$139.0 million (2008: HK$147.1 million). Net profit for the year was HK$13.2 million (2008: HK$11.5 million). The decrease in revenue was due to termination of two projects in 2009. Despite the foregoing, net profit was increased by approximately 15% due to reduction in the expenditures in respect of property accessories in 2009.

On 11 August 2009, the Group aborted its investment in the redevelopment project "Zi You Xiao Zhen" by disposing of its entire 22.62% equity interest in Junhe Bainian at a consideration of approximately HK$152.3 million and recognised a gain on disposal amounting to approximately HK$122.5 million. The Board was aware that the controlling shareholder of Junhe Bainian has liquidity problem which will inevitably affect the next stages of development of "Zi You Xiao Zhen" to a certain extent. In the opinion of the Board, by aborting the "Zi You Xiao Zhen" project, the Group could get out of the prevailing uncertain situation and get back the funds invested in Junhe Bainian for investing in other more promising investment opportunities.

Cinda Jianrun

Cinda Jianrun is currently negotiating for a property development opportunity with a site area of approximately 300,000 square meters located in the Chao Yang District of Beijing. In light of the current market condition and regulatory environment, the Board anticipates that the negotiation will be a prolonged process and will last for an extended period before reaching a conclusion.

Kema

The Company's jointly controlled entity Kema was established in 2008. During the year, Kema was concentrating its effort on expanding its operations. In this regard, profit contribution from Kema was only minimal. The Group has confidence in the business model of Kema and has established business plan for Kema to build up sustainable and fast profit growth in the next few years. The Group has an intention to spin-off Kema at appropriate time.

Infrastructure Investments

CII barely contributes any material profit to the Group for the year (2008: HK$23.5 million). During the year, CII has been liquidating its assets and investments pursuant to its shareholders' decision to cease the operations of CII.

On 19 November 2009, the Company, in conjunction with the other shareholders of CII, entered into an agreement to sell its entire interest in CII to a third party and ceased its investment in infrastructure project. The consideration receivable by the Company is approximately HK$358.2 million and is payable by three installments. The Company has received the first HK$100.0 million installment in December 2009. Pursuant to the agreement, the second HK$100.0 million installment will be paid to the Company on 31 December 2010 and the remaining HK$158.2 million third installment will be paid to the Company on 31 December 2011.

Petrochemical Products

The Group's petrochemical operations were a new business segment acquired in late 2008. The principal activities are the operation of crude oil storage tanks, crude oil loading and unloading terminal, crude oil refinery and processing.

Zhong Hai You Qi

The Group has an effective interest of 23.03% in Zhong Hai You Qi. The current production capacity of Zhong Hai You Qi is 1.5 million tons per annum. During the year, the international crude oil prices dropped to a relatively reasonable level which enables crude oil refinery and processing to operate at a profit margin. In 2009, Zhong Hai You Qi recorded an after tax profit of approximately RMB170.1 million and contributed approximately HK$30.0 million profit to the Group.

TZ United East

The Group holds 50% equity interest in TZ United East. The current production capacity of TZ United East is 72,000 tons per annum. In 2009, the retail prices of petrochemical products had recovered gradually from a below-cost level to a profitable level. As a result, TZ United East was capable of making an after tax profit amounting to approximately RMB20.8 million and contributed approximately HK$11.8 million profit to the Group.

Financial Investments

Distressed Assets Business

The Huarong Portfolio

The performance in disposing the Huarong Portfolio was unsatisfactory in the past two years, particularly during the post-financial crisis period in 2009. Therefore, after serious negotiations with China Huarong Asset Management Corporation ("China Huarong"), a compromised arrangement was reached by the end of 2009. The Group agreed to sell all the remaining distressed assets with a carrying value of approximately HK$88.8 million in the Huarong Portfolio back to China Huarong at a total consideration of RMB63.7 million for the purpose of realizing further working capital and concentrating effort on other businesses of the Group.

The amount of cash recovered from the Huarong Portfolio was RMB498.6 million in aggregate, which is equal to the cost of acquiring the Huarong Portfolio. Having taken into account the effect of RMB appreciation during the past few years and the interest generated from the cash recovered, the Group was able to achieve a breakeven investment, as a whole, in investing in the Huarong Portfolio.

The Orient Portfolio

The disposal of the Orient Portfolio was substantially completed in 2009. The revenue contribution for the year was only HK$1.7 million (2008: HK$40.0 million). The decrease in revenue contribution was due to and was in line with the decrease in the amount of distressed assets outstanding and pending disposal. To summarize, the cumulative cash recoveries of the Orient Portfolio was approximately RMB662.2 million (equivalent to approximately HK$749.9 million) in aggregate, representing a recovery rate of 3.1%. In the opinion of the Board, the disposal of the Orient Portfolio was successfully completed.

During the year, the Group, in partnership with certain investors, acquired the Second Orient Portfolio. The Group's participating interest in the Second Orient Portfolio is approximately 46% with a cost of investment amounted to approximately HK$118.1 million (after netting off cash recovered and included in the distressed assets package). Revenue contribution from the Second Orient Portfolio for the year was approximately HK$44.2 million. The Board set a target of completing the disposal of the Second Orient Portfolio in two years. For the year ended 31 December 2009, the cumulative cash recoveries of the Second Orient Portfolio was approximately RMB618.3 million (equivalent to approximately HK$700.2 million) in aggregate, representing a recovery rate of 1.7%.

Other Financial Investments

The Group strategically invested directly and indirectly in certain PRC enterprises, which have potential for separate listing. These enterprises are engaged in, but not limited to, power related, banking related, financial services and information technology businesses. As at 31 December 2009, the carrying value of these strategic investments was approximately HK$435.5 million in aggregate (2008: HK$435.3 million) with individual allocation detailed below:

Investment Projects	*HK$'m*
CUP	105.3
SINOMA	63.5
Bai Nian De Cheng	63.4
Zqgame	58.9
China XD Electric	56.6
China New Material	40.0
BBMG	37.1
Others	10.7
	435.5

CUP

CUP is the largest bank card association and credit card issuers in the mainland China having a very bright business prospect.

SINOMA

The Group has an effective interest in approximately 23.1 million shares in the shares capital of SINOMA, which are unlisted shares for the time being. The Group is pursuing the conversion of these shares into listed H shares. After conversion, the shares will be freely disposable.

Bai Nian De Cheng

The Group invested RMB56.0 million (equivalent to HK$63.4 million) in Bai Nian De Cheng. The Group made the investment for the purpose of leveraging the expertise and the investment network of the fund manager.

Zqgame

On 11 February 2010, Zqgame succeeded in obtaining a listing status on the ChiNext of the Shenzhen Stock Exchange. The Group has an indirect effective interest in approximately 9 million shares of the A shares of Zqgame. Since its listing, the A shares of Zqgame was trading at a market price of over RMB30.0 per share. Based on a market price of RMB30.0 per share, the estimated unrealized gain approximates to HK$270.4 million in aggregate. However, the Group's A shares are subjected to a one-year lock-up period ending on 10 February 2011. The Group can only recognize the gains, which amount may be significantly different from the current estimation, upon selling of the A shares after the lock-up period.

XD Electric

The Group is beneficially interested in approximately 16.7 million A shares in China XD Electric. The A shares of China XD Electric was listed on the Shanghai Stock Exchange on 28 January 2010 at the issue price of RMB7.9 per share. Currently, the A shares of China XD Electric was trading at market price of around RMB7.7 per share. Based on a market price of RMB7.7 per share, the estimated unrealized gain approximates to HK$88.7 million. However, the Group's A shares are subjected to a one-year lock-up period ending on 27 January 2011. The Group can only recognize the gains, which amount may be significantly different from the current estimation, upon selling of the A shares after the lock-up period.

China New Material

The Group holds HK$40.0 million exchange notes in China New Material which are capable of converting into the listed securities of China New Material upon listing.

Growth Strategies

The Board has decided to concentrate its effort on investing in the natural resources and energy sectors. Currently, the Group is considering certain investment opportunities in coal, power and petrochemical projects for the purpose of extending the source of recurring income and expanding the magnitude of recurring earnings of the Group.

Financial Review

Exchange Exposure

The Group's principal assets, liabilities, revenue and payments are denominated in HKD and RMB. Moreover, the Board is capable of maintaining a net monetary asset position denominated in RMB for the Group. Therefore, the Board is confident that the Group's exposure to exchange rate fluctuations in respect of RMB will not have material adverse effect on the financial position of the Group in light of the continuous and mild appreciation of the RMB to HKD exchange rate. In addition, the Board does not anticipate that there is any material exchange exposure in respect of other currencies.

At the end of the reporting period, the Group has no material liability denominated in other foreign currencies other than RMB. There was also no hedging transaction contracted for by the Group during the year.

Working Capital & Borrowings

At the end of the reporting period, the Group's total borrowings amounted to approximately HK$464.8 million in aggregate. The composition of these borrowings is summarized below:

	HK$'m	*Percentage*
Short term borrowings	179.1	39%
Long term borrowings	285.7	61%
	464.8	100%

Interests for all borrowings were charged at floating rates ranging from 2.17% per annum to 4.86% per annum.

At the end of the reporting period, the Group's cash and bank balances was HK$1,979.7 million in aggregate. And the Group's net cash balance and net current assets were approximately HK$1,514.9 million and HK$1,848.6 million respectively. In view of the Group's strong working capital base and the relatively high level of net cash, the Board is confident that the Group has adequate working capital to meet daily operations and to finance future expansion. Moreover, the Group has a sound and strong financial position.

At the end of the reporting period, the gearing ratio and current ratio of the Group were 9% (2008: 16%) and 3.2x (2008: 2.1x) respectively.

During the year, the Company early redeemed its convertible note with a principal amount of US$52.5 million (equivalent to approximately HK$409.5 million) at a 5% discounted consideration of approximately US$49.9 million (equivalent to approximately HK$389.0 million). All accrued interests on convertible note amounting to approximately HK$0.6 million were waived and recognised as other income.

Investment Properties

The increase in the carrying amount was due to increase in fair values. There were no material addition or disposal during the year.

Interest In Associates/Amounts Due from Associates

Both carrying amounts decreased significantly and were due to the disposal of CII and Junhe Bainian during the year.

Loan Receivables

These were loan made to certain independent borrowers for the purposes of utilizing a portion of the Group's idle funds for better returns and to increase interest income in the current low deposit rates period.

Deposits, Prepayments and Other Receivables

Amounts in 2009 were principally the fair value of the proceeds at initial recognition to be received by installments amounting to approximately HK$236.9 million (amongst which approximately HK$142.1 million will be settled by the end of 2011 and thus was classified as non-current asset; the remaining will be settled by the end of 2010 and thus was classified as current asset) in respect of the disposal of CII. Amounts in 2008 were principally the proceeds receivable amounting to approximately HK$165.6 million in respect of the disposal of subsidiaries in the year before.

Bank Balances and Cash

The significant increase in bank balances and cash was mainly due to the receipt of a huge amount of invested funds following the disposal of the two associates, CII and 君合百年 during the year.

Other Major Accounting Items

During the year, the board composition of a subsidiary engaged in petrochemical operations was changed. Consequently, the Group lost its control over the subsidiary, which was then reclassified as a jointly controlled entity. Due to this reason, the carrying balances of certain major accounting items in the consolidated statement of financial position (such as property, plant and equipment, inventories, deposit, prepayments and other receivables, trade payables, borrowings and minority interest) decreased significantly.

Capital Structure

At the end of the reporting period, the shareholders' fund of the Group was approximately HK$5,169.4 million and has increased by approximately HK$299.8 million or approximately 6% compared to that as at 31 December 2008. The increase was mainly due to increase in retained profit.

During the year, the Company paid HK$163.9 million to shareholders of the Company as final dividend for the year ended 31 December 2008, which has an effect of reducing the overall capital.

Human Resources

At the end of the reporting period, the Group employed approximately 1,460 (2008: 1,620) employees in Hong Kong and in the PRC. The Group offers its employees competitive remuneration packages, which are consistent with the prevailing market practices. The Group's remuneration policies remain unchanged during the year. Total staff costs for the year was approximately HK$92.6 million (2008: approximately HK$87.0 million).

The decrease in the number of employees was due to the deemed disposal of a petrochemical subsidiary during the year. The deemed disposal was a result of the Group lost its control over the board of directors of that subsidiary.

REVIEW OF THE YEAR ENDED 31 DECEMBER 2008 OF THE GROUP

Review of Results

Profit attributable to equity holders of the Company for the year ended 31 December 2008 has decreased by HK$235.8 million to HK$87.1 million (2007: HK$322.9 million), representing a decrease of approximately 73%. Basic earnings per share has decreased by HK$0.129 to HK$0.048 (2007: HK$0.177), also representing a decrease of approximately 73%.

The decrease was mainly due to the diminution in the fair values of investment properties and leasehold properties, the diminution in the fair values of trading securities and the significant decrease in net foreign exchange gain. Such diminution in the fair values was due to the outbreak of the financial tsunami in September 2008, which has led to severe deterioration in the investment environment. The fair values of investment properties, leasehold properties and trading securities have further decreased by HK$20.1 million, HK$19.1 million and HK$35.4 million respectively. The significant decrease in net foreign exchange gain is due to the decrease in the Group's average balance of RMB deposits and the reason that RMB to HKD exchange rate did not appreciate further during the year. Such decrease amounted to approximately HK$71.4 million.

Other reasons leading to the decrease in profit attributable to equity holders of the Company were that there were one-off disposal gains recognised in 2007 in the amount of HK$38.6 million and HK$48.5 million in respect of the partial disposal of the Tongjitang ADSs and the disposal of the Shenyang subsidiaries respectively.

On a net basis, profit contribution from the distressed assets business in 2008 was HK$33.9 million (2007: HK$38.2 million) and was mainly derived from the Orient Portfolio.

For the year ended 31 December 2008, the Group recognised a one-off impairment loss in the amount of HK$25.4 million in respect of its investment in Tongjitang due to the unrealised holding loss, which was resulted from the marking to market price of the Tongjitang ADSs. The Group also recognised another one-off impairment loss in the amount of HK$21.1 million in respect of its investment in the "Si He Yuan" project due to the written off of a deposit upon abortion of the project.

The revenue from sale of properties in 2007 was derived from the Shenyang Tiexi district project under the Shenyang subsidiaries, following the disposal of the same in the last quarter of 2007 and due to the fact that there was no completed development project available for sales in 2008, no revenue from sale of properties was recorded in 2008. Due to the same reason, cost of sales in 2008 was significantly reduced. In 2008, a new source of revenue was recorded in respect of the sales of petrochemical products, which was derived from the petrochemical projects acquired in the last quarter of 2008 from an associate of the Group, CII. As the new revenue from sales of petrochemical products has more than compensated the decrease in the revenue generated from rental income and covered the direct expenses incurred in respect of property development, which was mainly attributable to the "Si He Yuan" project. As a result, there was no material change in the operating income for both years. Operating income for 2008 was HK$99.2 million (2007: HK$101.0 million).

Business Review & Prospects

Property Investments, Development and Management

For the year ended 31 December 2008, profit contribution from leasing of investment properties increased slightly by 9% to HK$26.4 million (2007: HK$24.3 million) and was pretty stable for both years. The Group's main source of rental income is from the East Gate Plaza. During the year, the gross rental income in respect of the East Gate Plaza recorded a slight decrease to approximately HK$54.1 million (2007: HK$62.6 million).

The operations of Yinda were stable for both of the current year under review and the last year. At the balance sheet date, there were 21 projects (2007: 21 projects) under the management of Yinda. The total floor area under the management of Yinda exceeds 3.0 million square meters. The revenue of Yinda for the year was HK$147.1 million (2007: HK$105.2 million). Net profit for the year was HK$11.6 million (2007: net loss of HK$1.8 million). The increase in revenue and profit was mainly attributable to the short-term appointment of Yinda for the management of three properties during the period of the 2008 Beijing Olympic Game. In the coming years, Yinda will concentrate its effort in soliciting new projects with high profit margin in order to enhance shareholders' return.

Re-development project

The Group invested in the re-development of the Tong Zhou District in Beijing through its 22.62% owned associate namely Junehe Bainian.

The re-development project was named "Zi You Xiao Zhen", which has a site area and gross development area of 320,000 square metres and 830,000 square metres respectively. According to the development plan, the "Zi You Xiao Zhen" project will be developed by four phases in four years' time.

As at 31 December 2008, the Group has invested approximately HK$582.4 million (2007: HK$484.0 million) in aggregate in the "Zi You Xiao Zhen" project.

However, due to the outbreak of the financial tsunami in September 2008, the progress of the "Zi You Xiao Zhen" project was delayed for the purpose of awaiting for more market data and economic indicators before entering into the next stage of development. Moreover, the directors have recently learnt that the controlling shareholder of Junehe Bainian is considering the disposal of its entire interest in Junehe Bainian due to its own funding needs. The act of the controlling shareholder will inevitably affect the next stage of development of the "Zi You Xiao Zhen" to a certain extent. In this regard, the Group may also dispose of its interests in Junehe Bainian at the same time or may acquire additional interests in Junehe Bainian, depending on the disposal price of the controlling shareholder. However, the Group has not yet arrived at any decision for the time being.

Cinda Jianrun

Cinda Jianrun has made no significant investment since its incorporation in January 2008. Despite this, the Group had further paid RMB200.0 million (equivalent to approximately HK$222.2 million) funds into Cinda Jianrun as previously agreed. Cinda Jianrun is currently negotiating for a potential investment opportunity for the purpose of commencing its business.

Kema

In 2008, the Group made investment in a newly incorporated company named Kema in Beijing. The Group contributed RMB50.0 million (equivalent to HK$55.6 million) to Kema as registered capital for an equity interest of 50%. The Group accounted for its interest in Kema as a jointly controlled entity.

Infrastructure Investments

The shareholders of CII have decided not to utilize CII as a platform to co-operate and to invest in infrastructure projects. In this regard, CII focus on liquidating all its investments and projects during the year and in the coming year. The funds realized will be distributed to the shareholders of CII as soon as practicable. As a consequence of the above strategic change, profit contribution from CII has decreased significantly to HK$23.5 million (2007: HK$54.8 million).

In the last quarter of 2008, the Group has acquired the entire investments in the petrochemical project and a shareholder's loan from CII at a total consideration of approximately HK$184.8 million so as to invest in the petrochemical industry directly.

Petrochemical Products

During the year, the Group invested in a new core-business, which is the production and trading of petrochemical products. The new core-business is conducted through TZ United East, Tai Zhou Dong Tai Petrochemical Company Limited ("Dong Tai Petrochemical") and Zhong Hai You Qi. TZ United East and Dong Tai Petrochemical were indirectly held subsidiaries in which the Group is interested in 50% and 69.78% respectively. Zhong Hai You Qi is an indirectly held associate in which the Group is interested in 23.03%.

The operation results of the new core-business was barely breakeven in 2008 due to high crude oil price during the majority times of 2008 and the fact that the new core-business has contributed operation results of less than a quarter since acquisition.

Financial Investments

Distressed Assets Business

The Huarong Portfolio

The progress of the disposal of the Huarong Portfolio was unsatisfactory. China Huarong failed to complete the disposal within the time limit of its servicing contract. Despite the fact that the servicing contract had been extended to 31 December 2008, the disposal of the Huarong Portfolio has not been completed. After serious negotiations with China Huarong, the Group agreed to further extend the

servicing contract to 31 December 2009 in light of the recent financial crisis, which affected all economies over the world. The Group believes that the PRC economy will start to recover in the second half year of 2009, which will benefit the disposal of the Huarong Portfolio. Moreover, the Group has removed the target cash recovery rate so as to give China Huarong more flexibility in disposing the Huarong Portfolio.

The Group will push for the completion of the disposal of the Huarong Portfolio within the extended period and will try its best effort to ensure the disposal of the Huarong Portfolio will not lead to any loss to the Group as a whole.

Up to 31 December 2008, the cumulative principal amount of distressed assets in the Huarong Portfolio that has been disposed was approximately HK$27.6 billion, representing approximately 68% of the total principal amount of the Huarong Portfolio. The cumulative cash recovered was approximately HK$540.6 million. The effective cash recovery rate was approximately 2.0%. As at 31 December 2008, the carrying value of the outstanding debts in the Huarong Portfolio was approximately HK$12.8 billion in aggregate.

After deducting operating expenses and management fee payable to China Huarong, loss attributable to the Huarong Portfolio for the period was less than HK$1.0 million and was included in the share of results of jointly controlled entities.

The Orient Portfolio

Profit contribution from the Orient Portfolio for the year ended 31 December 2008 was HK$33.9 million (2007: HK$100.2 million). The decrease was due to and was in line with the decrease in the amount of outstanding distressed assets pending disposal. The cumulative cash recovery of the Orient Portfolio was RMB633.4 million (equivalent to HK$703.8 million), representing a recovery rate of 2.97%.

During the year, the Group together with certain investors had agreed to make investment in the Second Portfolio. The investment is conditional upon approval being obtained from the relevant PRC authorities. After netting off the cash recovered and included in the Second Portfolio, the acquisition cost of the Second Portfolio will be RMB227.3 million (equivalent to HK$252.6 million). The Group's participating interest in the Second Portfolio is approximately 46%, or equivalent to approximately HK$115.9 million.

Other Financial Investments

Tongjitang

The Group has an investment in Tongjitang with a historical cost of approximately HK$74.2 million. The investment representing 2,086,000 Tongjitang's ADSs which are listed on the New York Stock Exchange. The market value of the investment as at 31 December 2008 was approximately US$6.3 million (equivalent to approximately HK$48.8 million) with an unrealized loss of HK$25.4 million, which has been recognized as an impairment loss in the consolidated income statement (2007: Unrealized gain of HK$86.1 million).

On 9 March 2008, two senior executives of Tongjitang have made an offer to acquire all the outstanding ADSs of Tongjitang at a consideration of USD10.20 each for the purpose of privatizing Tongjitang. However, the privatization offer was withdrawn on 27 June 2008.

For the year ended 31 December 2008, Tongjitang incurred a net loss of approximately HK$58.1 million, which was mainly due to the impairment related to intangible assets and goodwill and share base compensation expense in the amount of HK$112.2 million and HK$22.7 million respectively. The directors believe that the current under performance of Tongjitang's ADS price is due to the current bad market sentiment and the aforesaid one-off impairments. In the long run, the ADS price of Tongjitang will improve and reflect the actual value of Tongjitang.

Cinda International

During the year, the Group acquired 40,022,000 shares, representing an equity interest of approximately 9.58%, in Cinda International Holdings Limited ("Cinda International") (formerly known as Hantec Investment Holdings Limited). Cinda International is an indirectly owned subsidiary of China Cinda Asset Management Corporation ("China Cinda"). Cinda International is a company listed on the Stock Exchange which is engaged in the businesses of leveraged foreign exchange trading services and securities broking, commodities and future broking, corporate financial advisory, asset management and individual financial planning in Hong Kong.

In light of the strong background of China Cinda and with its support, the Board believes that this would attract investors and other financial institutions from both the PRC and Hong Kong requiring financial services to subscribe the services of Cinda International. For this reason, the Board has confidence in the prospect and profitability of Cinda International and also believes that the investment will be capable of generating capital gain to the Group in the future.

Bai Nian De Cheng

During the year, the Group invested RMB56.0 million (equivalent to HK$62.2 million) in 北京百年德誠創業投資中心 ("Bai Nian De Cheng"), which is a newly established closed-end fund and is discretionary operated by a professional fund manager, for the purpose of leveraging the expertise of the fund manager.

Other Financial Investments

During the year, the Group made certain strategic investments directly and indirectly by investing, in certain PRC enterprises, which have the potential for separate listing. The business of these enterprises include, but not limited to, power, banking, financial services and information technology. The carrying value of these investments amounted to approximately HK$435.3 million in aggregate and comprises the following projects:

	HK$ million
中國銀聯	103.3
北京金隅	36.4
中國西電電器	55.6
中青寶	57.8
Bai Nian De Cheng	62.2
Tongjitang	48.8
Others	71.2
	435.3

Financial Review

Exchange Exposure

At the balance sheet date, the Group had a USD denominated convertible note in the amount of USD52.5 million (equivalent to HK$409.5 million). This convertible note has been early redeemed in full after the balance sheet date at a 5% discounted price. The Group does not have material USD denominated assets and liabilities as at the date of this report. In this regard, exchange exposure in respect of USD is limited.

Except for the above, the Group's principal assets, liabilities, revenue and payments are denominated in HKD and RMB. The RMB exchange rate has been appreciating continuously in the past few years and became stabilized in 2008. The directors expect that the RMB exchange rate will fluctuate slightly at the current level and the exchange exposure in respect of RMB will not have material adverse effect on the Group's results. In addition, the directors do not anticipate that there is any material exchange exposure in respect of other currencies.

Working Capital & Borrowings

The Group's total borrowings excluding the convertible note at the balance sheet date amounted to HK$385.1 million of which HK$336.8 million was short-term bank loan. The remaining was long-term bank loan. Over 90% of the short-term bank loan was represented by the working capital loan utilized by Beijing East Gate Development Co., Ltd. and TZ United East and the remaining were the current portion of long-term mortgage loan and bank loan.

Interest rate for the bank loans was charged at fixed rate ranging from 6.2% to 7.47% per annum and floating rate with reference to the interest rate quoted by the People's Bank of China. The interest rate for the mortgage loan was charged at floating rate and the prevailing applicable interest rate was ranging from 2.3% to 2.625% per annum. After the balance sheet date, the Group has early redeemed the convertible note in March 2009.

The cash and bank balances at the balance sheet date was HK$792.4 million in aggregate. In addition, the Group has net current assets in the amount of HK$1,342.4 million at the balance sheet date. Moreover, the Group has unutilized banking facilities in the amount of HK$855.6 million. In this regard, the directors are confident that the working capital of the Group is adequate for daily operations and the Group has a sound and good financial position.

During the year, the Group acquired an additional office premises at a total consideration of HK$50.0 million for the purpose of expanding its existing office premises. The new office premises was partially financed by a mortgage loan in the amount of HK$25.9 million with interest charged at a floating rate on the basis of prime rate less 2.7% per annum.

At the balance sheet date, the gearing ratio and current ratio of the Group were 16% (2007: 12%) and 2.1x (2007: 3.1x) respectively.

Cash and bank balances as at 31 December 2008 decreased significantly. It was mainly attributable to the payment of dividend as to HK$145.7 million and the payment of HK$222.2 million funding to Cinda Jianrun during the year.

As at the balance sheet date, short-term liabilities increased significantly but long-term liabilities also decreased significantly. Both were mainly attributable to the same reason that at the balance sheet date, the Group had an outstanding convertible note in the amount of HK$389.0 million will be repayable in November 2009. Therefore, the convertible note was reclassified from non-current liability as at 31 December 2007 to current liability as at 31 December 2008. However, the convertible note has been early redeemed in full amount after the balance sheet date in March 2009.

The acquisition of the petrochemical products business in the fourth quarter of 2008 has caused significant increase in certain balance sheet items, as compared to 2007, such as property, plant and equipment, inventories, accrued charges, rental deposits and other payables, trade payables and borrowings.

Capital Structure

As at 31 December 2008, the shareholders' fund of the Group was HK$4,869.6 million representing a decrease of HK$136.4 million or 3% decrease from that as at 31 December 2007.

During the year, the Company paid HK$145.7 million to shareholders of the Company as final dividend for the year ended 31 December 2007, which has an effect of reducing the overall capital.

Human Resources

As at 31 December 2008, the Group employed approximately 1,620 (2007: 1,400) employees in Hong Kong and in the PRC. The Group offers its employees competitive remuneration packages, which are consistent with the prevailing market practice. The Group's remuneration policies remain unchanged during the current year. Total staff costs for the current year increased by 20% to HK$87.0 million (2007: HK$72.2 million). The increase in both the number of employees and the staff costs was due to the acquisition of the petrochemical projects during the year.

2. MANAGEMENT DISCUSSION AND ANALYSIS OF THE TARGET GROUP

(I) MANAGEMENT DISCUSSION AND ANALYSIS OF CGNPC HUAMEI

REVIEW OF THE PERIOD FROM 21 JANUARY 2010 (DATE OF INCORPORATION) TO 31 DECEMBER 2010

CGNPC Huamei was incorporated in Hong Kong with limited liability on 21 January 2010. It is principally engaged in investment holding.

Results and financials

For the period from 21 January 2010 (date of incorporation) to 31 December 2010 (the "Relevant Period"), CGNPC Huamei recorded net loss before tax of approximately US$27 million.

The non-current assets include investment in a subsidiary in the amount of US$1,025 million. The current liabilities include (i) amount due to immediate holding company amounting to approximately US$332.6 million which was mainly the Shareholder Loan and (ii) bank borrowings amounting to approximately US$745.7 million which was mainly the Bank Loan.

Capital Structure, liquidity, financial resources

As at 31 December 2010, net liabilities of CGNPC Huamei amounted to approximately US$27 million. Total assets of CGNPC Huamei amounted to approximately US$1,086.7 million and total liabilities amounted to approximately HK$1,113.7 million. Bank borrowings amounted to approximately US$773 million.

As at 31 December 2010, total bank and cash balance of CGNPC Huamei was approximately US$0.6 million.

As at 31 December 2010, the current ratio of CGNPC Huamei was 0.17 times.

Treasury policies, exchange rate risk and hedging

CGNPC Huamei has monetary assets and liabilities mainly denominated in HK$ and RMB. During the Relevant Period, CGNPC Huamei did not enter into any derivative contracts to hedge its foreign currency exposure and would consider hedging significant foreign currency exposure should the need arises.

Charges on assets

As at 31 December 2010, bank borrowings in the amount of approximately US$773 million were guaranteed by CGNPC.

Contingent liabilities

CGNPC Huamei did not have significant contingent liabilities as at 31 December 2010.

Significant Investments, material acquisitions and disposals

CGNPC Huamei had made the following acquisition and disposal for the Relevant Period.

On 28 April 2010, CGNPC Huamei entered into the Share Purchase Agreement with MPC Cayman, pursuant to which CGNPC Huamei acquired the entire issued share capital of Meiya Power from MPC Cayman for a consideration of US$1,045 million. The transaction was completed in November 2010.

On 5 November 2010, CGNPC Huamei and MPC Cayman entered into an option agreement (the "Option Agreement"), pursuant to which MPC Cayman granted to CGNPC Huamei a call option to acquire the entire issued share capital of a company

incorporated in Malaysia from MPC Cayman at the exercise price of US$1.00 (the "Call Option") for a consideration of US$40 million. On 22 December 2010, CGNPC Huamei entered into a sale and purchase agreement with an independent third party (the "Option Buyer"), pursuant to which CGNPC Huamei agrees to assign and the Option Buyer agrees to purchase the Call Option for a consideration of US$61 million. The completion of the disposal of the Call Option took place in early 2011.

Employees and remuneration policy

As at 31 December 2010, CGNPC Huamei had no employees.

(II) MANAGEMENT DISCUSSION AND ANALYSIS OF THE MP GROUP

Overview

Meiya Power is a diversified power producer in Asia in terms of fuel type and geography with a portfolio of gas-fired, hydro, wind, coal-fired and co-generation projects in the PRC and Korea. Meiya Power has invested in over 20 power projects in commercial operation with a total attributable installed capacity of 4,384.7 MW as of 31 December 2010. Meiya Power conducts power generation business through subsidiaries, jointly controlled companies and associate companies in which Meiya Power has less than a majority interest.

Set out below is the management discussion and analysis of the MP Group for the three years ended 31 December 2010.

RESULTS OF OPERATIONS

Below is summary income statement and segment information of the MP Group for the three years ended 31 December 2010.

	Year ended 31 December		
	2008	**2009**	**2010**
	(in USD millions)		
Revenue	565.9	419.1	632.4
Operating profit	57.4	63.6	80.0
Operating margin	10.1%	15.2%	12.7%
Discount on acquisition of subsidiaries	—	—	16.5
Share of results of associates	20.0	33.6	19.2
Profit before tax	41.4	61.3	77.5
Income tax expense	17.9	27.4	12.7
Profit for the year	23.5	33.9	64.8
Profit for the year attributable to owner of the Company	16.8	27.2	56.6
Segment revenue			
Coal-fired and co-generation plants	97.0	108.3	173.7
Hydro and renewable energy plants	33.3	35.3	43.7
Gas-fired plants	435.6	263.0	368.0
Oil fired plant	—	12.5	47.0
Segment profit			
Coal-fired and co-generation plants	3.1	33.8	15.7
Hydro and renewable energy plants	29.7	34.5	30.4
Gas-fired plants	66.5	48.3	62.7
Oil fired plant	—	6.0	15.5

Year ended 31 December 2010 compared to year ended 31 December 2009

Key Highlights

For the year ended 31 December 2010, the MP Group recorded profit attributable to owner of the company of approximately USD56.6 million, representing an increase of 108.1% as compared to USD27.2 million in 2009. Profit before tax amounted to approximately USD77.5 million, representing an increase of 26.4% as compared to USD61.3 million in 2009.

Revenue

Revenue of the MP Group amounted to approximately USD632.4 million in 2010. Compared to USD419.1 million in 2009, there was an increase of approximately 50.9%, primarily due to (1) an increase in revenue from Yulchon Power Project as a result of higher generation of electricity demand attributable to economic recovery from global financial crisis in Korea; (2) full year contribution from Daesan Power Project with its acquisition in August 2009 and (3) contribution from Puguang Power Project, which was acquired in April 2010.

Operating profit

Operating profit for the year ended 31 December 2010 was approximately USD80.0 million, increased by 25.8% from USD63.6 million. Operating profit margin decreased to 12.7% in 2010 from 15.2% in 2009, given higher revenue mix from projects in Korea which has a lower operating margin than those in the PRC. In addition, the repair and maintenance costs increased by 56.9% to USD18.1 million in 2010 from USD11.5 million in 2009 due to major overhaul activities at several plants. Most of power plants of the MP Group perform their own routine maintenance. Major overhauls, which are usually outsourced to qualified contractors, are carried out from every 12 months to six years, depending on accumulated rainning hours and start-up times of boilers and turbines of each plant. Overhaul costs are recognized in operating expenses in the period in which they are incurred.

Discount on acquisition of subsidiaries

Meiya Power has acquired 59.5% interest of Puguang Power Project in 2010. Upon its acquisition, there was a discount on acquisition of USD16.5 million recorded in the income statement, representing the excess of share of fair value acquired over consideration paid.

Share of results of associate

Share of results of associates decreased by 42.9% to USD19.2 million for the year ended 31 December 2010, compared to USD33.6 million for the year ended 31 December 2009. Earnings from those minority-owned coal-fired plants dropped to USD4.6 million in 2010 from USD16.2 million, due to higher coal price. Wuling Hydro Project contributed USD8.2 million in 2010, decreased from USD13.1 million in 2009, due to lower waterflow caused by severe drought in the Hunan region in the first quarter of 2010. Taiwan Kuokuang Power projects contributed USD6.9 million in 2010, increased from USD5.4 million in 2009.

Income tax expenses

Income tax expense was approximately USD12.7 million for the year ended 31 December 2010, decreased 53.6% compared to USD27.4 million in 2009. During 2009, the MP Group revisited the Group's offshore project holding arrangements in connection with recent developments in various jurisdictions where our projects are located. A special tax provision of approximately USD10 million regarding the withholding tax exposure for dividend paid by a particular project in prior years was made. In 2010, the MP Group reached an agreement on the additional tax levy of a particular project related to the dividends paid in prior years. As such, there was a reversal of approximately USD6 million tax provision.

Segmental information

Revenue from coal-fired and co-generation plants increased 60.2% to USD173.7 million for the year ended 31 December 2010 from USD108.3 million for the year ended 31 December 2009 due to contribution from Puguang Power Project amounting to USD61.4 million since its acquisition in April 2010.

Revenue from hydro and renewable energy plants increased slightly to USD43.7 million for the year ended 31 December 2010 from USD35.3 million for the year ended 31 December 2009 due to commercial operation of Phase I and Phase II of the Huide Wind Project in first quarters of 2009 and 2010 respectively.

Revenue from gas-fired plants increased 39.9% to USD368.0 million for the year ended 31 December 2010 from USD263.0 million for the year ended 2009 mainly due to an increase in revenue from Yulchon Power Project as a result of increase in net generation of electricity demand attributable to economic recovery from global financial crisis in Korea and higher tariff reflecting upward trend of fuel price in 2010.

Revenue from oil-fired plant increased to USD47.0 million for the year ended 31 December 2010 from USD12.5 million for the year ended 31 December 2009 due to full year contribution from Daesan Power Project which was acquired in August 2009.

Segment profit from coal-fired and co-generation plants decreased 53.6% to USD15.7 million for the year ended 31 December 2010 from USD33.8 million for the year ended 31 December 2009 due to increase in coal prices that affected the profit margin of power plants in China. Share of results from associates decreased from USD15.7 million in 2009 to USD4.1 million in 2010 due to the same reason.

Segment profit from hydro and renewable energy plants decreased slightly to USD30.4 million for the year ended 31 December 2010 from USD34.5 million for the year ended 31 December 2009. This is a result from the decline in share of results from an associate, from USD12.5 million in 2009 to USD8.2 million in 2010, due to lower water flow caused by severe drought at Wuling Hydro Project in the first quarter of 2010.

Segment profit from gas-fired plants increased to USD62.7 million for the year ended 31 December 2010 from USD48.3 million for the year ended 31 December 2009 due to a general improvement of efficiency which resulted in higher operating margin. In addition, the share of results from an associate increased from USD5.4 million in 2009 to USD6.9 million in 2010.

Segment profit from oil-fired plant increased to USD15.5 million for the year ended 31 December 2010 from USD6.0 million for the year ended 31 December 2009 due to full year contribution from Daesan Power Project with its acquisition in August 2009.

Year ended 31 December 2009 compared to year ended 31 December 2008

Key Highlights

For the year ended 31 December 2009, MPC recorded profit for the year attributable to owner of the company of approximately USD27.2 million, representing an increase of 61.9% as compared to USD16.8 million in 2008; and profit before tax of approximately USD61.3 million, representing an increase of 48.1% as compared to USD41.4 million in 2008.

Revenue

Revenue of the MP Group amounted to approximately USD419.1 million for the year ended 31 December 2009, compared to USD565.9 million for the year ended 31 December 2008, a decrease of 25.9% mainly due to drop in generation and tariff of Yulchon Power Project. Lower demand of electricity in 2009 as a result of a slowdown in Korea's economic growth accounted for reduced utilization hours during the global financial crisis. Lower tariff reflected primarily the market trend of fuel price. This was partially offset by an increase in revenue from our coal-fired and cogen, hydro and renewable energy projects in PRC attributable to increasing demand, and additional income from Daesan Power Project acquired during 2009.

Operating profit

Operating profit for the year ended 31 December 2009 was approximately USD63.6 million, increased by 10.8% from USD57.4 million for the year ended 31 December 2008. Operating profit margin increased to 15.7% in 2009 from 10.1% in 2008, given lower proportion of generation from the projects in Korea which has lower operating margin than those plants in the PRC. The margin is lower in Korea since the power tariff is adjusted to reflect changes of fuel price. In addition, repair and maintenance expenses dropped by 38.2% from USD18.6 million in 2008 to USD11.5 million in 2009 due to savings benefitted from negotiation with a major service provider.

Share of results of associate

Share of results of associates increased by 68.0% to USD33.6 million for the year ended 31 December 2009, compared to USD20.0 million for the year ended 31 December 2008, as a result of higher electricity demand in certain PRC provinces. Earnings from those minority-owned coal-fired plants increased to 13.1 million in 2009 from USD0.7 million in 2008. Wuling Hydro Project contributed USD13.1 million in 2009, decreased from USD13.7 million in 2008, due to exchange loss on debts denominated in foreign currency. Taiwan Kuokuang Power projects contributed USD5.4 million in 2009, decreased from USD6.1 million in 2008.

Income tax expenses

Income tax expense was approximately USD27.4 million for the year ended 31 December 2009, increased 53.1% compared to USD17.9 million in 2008. During 2009, the MP Group revisited the Group's offshore project holding arrangements in connection with recent developments in various jurisdictions where our projects

are located. A special tax provision of approximately USD10 million regarding the withholding tax exposure for dividend paid by a particular project in prior years was made.

Segmental information

Revenue from coal-fired and co-generation plants increased 11.6% to USD108.3 million for the year ended 31 December 2009 from USD97.0 million for the year ended 31 December 2008 due to increased in both net generation and tariff rates. The increase in revenue was primarily due to increased demand in the region. The weighted average tariff increased as a result of tariff adjustment in 2008.

Revenue from hydro and renewable energy plants increased slightly to USD35.3 million for the year ended 31 December 2009 to USD33.3 million for the year ended 31 December 2008 due to commercial operations of Phase I of the Huide Wind Project in March 2009.

Revenue from gas-fired plants decreased 39.6% to USD263.0 million for the year ended 31 December 2009 from USD435.6 million for the year ended 31 December 2008 mainly due to drop in revenue from Yulchon Power Project as a result of decrease in both net generation and tariff. Lower demand as a result of a decline in Korea's economic conditions accounted for reduced utilization hours in 2009. Lower tariff primarily reflected the downward movement of market trend of fuel price.

Revenue from oil-fired plant of USD12.5 million for the year ended 2009 represented the contribution from Daesan Power Project since it was acquired in August 2009.

Segment profit from coal-fired and co-generation plants increased to USD33.8 million for the year ended 31 December 2009 from USD3.1 million for the year ended 31 December 2008 due to improvement in operating margins when the coal price in general declined from the last quarter of 2008. Share of results of associates increased from USD0.1 million in 2008 to USD15.7 million in 2009 due to similar reason.

Segment profit from hydro and renewable energy plants increased slightly to USD34.5 million for the year ended 31 December 2009 from USD29.7 million for the year ended 31 December 2008 mainly due to a reduced depreciation charge of USD4.7 million as a result of the finalization of the value of property, plant and equipment constructed in the prior year. Share of results from an associate decreased from USD13.7 million in 2008 to USD12.5 million in 2009 due to exchange loss on debts denominated in foreign currency at Wuling Hydro Project.

Segment profit from gas-fired plants decreased 27.3% to USD48.3 million for the year ended 31 December 2009 from USD66.5 million for the year ended 31 December 2008 mainly due to lower operating margins resulting from decline in net generation in 2009 due to lower demand in Korea after global financial crisis. Share from results of an associate decreased from USD6.1 million in 2008 to USD5.4 million in 2009.

Segment profit from oil-fired plant of USD6.0 million for the year ended 2009 represented the contribution from Daesan Power Project since it was acquired in August 2009.

CAPITAL STRUCTURE, LIQUIDITY, FINANCIAL RESOURCES

The consolidated bank borrowings as of 31 December 2008, 2009 and 2010 are set out below:

	As of 31 December		
	2008	**2009**	**2010**
	(in USD millions)		
Secured	596.0	718.7	757.6
Unsecured	40.5	39.0	40.7
	636.5	757.7	798.3
Bank borrowings by currency:			
Denominated in USD	320.3	330.6	375.0
Denominated in RMB	125.2	130.6	145.7
Denominated in KRW	191.0	296.5	277.6
	636.5	757.7	798.3
The maturity profile of the floating rate bank borrowings is as follows:			
On demand or within 1 year	70.4	117.7	63.6
More than 1 year but not more than 2 years	53.5	83.8	42.8
More than 2 years but not more than 5 years	364.3	351.8	474.7
Over 5 years	148.3	204.4	217.2
	636.5	757.7	798.3

As at 31 December 2010, net asset value of the MP Group amounted to approximately USD731.3 million. Total assets of the MP Group amounted to approximately USD1,737.6 million and total liabilities amounted to approximately USD1,006.3 million. The MP Group had approximately USD96.5 million of trade receivables, USD23.8 million of inventories and USD90.8 million of trade payable. Bank borrowings amounted to approximately USD798.3 million, of which the current portion was approximately USD63.6 million.

As at 31 December 2010, total bank and cash balance of the MP Group was approximately USD185.7 million, of which the balance of pledged bank deposits and restricted cash amounted to approximately USD90.5 million.

As at 31 December 2010, the current ratio and the gearing ratio of the MP Group were 1.54 times and 86.0% respectively. The gearing ratio is calculated as net debt divided by total equity.

As at 31 December 2009, the MP Group's net asset value amounted to approximately USD658.5 million. Total assets of the MP Group amounted to approximately USD1,609.4 million and total liabilities amounted to approximately USD950.9 million. The MP Group had approximately USD66.2 million of trade receivables, USD18.7 million of inventories and USD70.5 million of combined trade payable and bills payable. Bank borrowings amounted to approximately USD757.7 million, of which the current portion was approximately USD117.7 million.

As at 31 December 2009, the total bank and cash balance of the MP Group was approximately USD133.6 million, of which the balance of pledged bank deposits and restricted cash amounted to approximately USD73.2 million.

As at 31 December 2009, the current ratio and the gearing ratio of the MP Group were 0.92 times and 97.3% respectively. The gearing ratio is calculated as net debt divided by total equity.

As at 31 December 2008, the MP Group's net asset value amounted to approximately USD662.4 million. Total assets of the MP Group amounted to approximately USD1,507.9 million and total liabilities amounted to approximately USD845.5 million. The MP Group had approximately USD63.3 million of trade receivables, USD11.6 million of inventories and USD90.8 million of trade payable. Bank borrowings amounted to approximately USD636.5 million, of which the current portion was approximately USD70.4 million.

As at 31 December 2008, the total bank and cash balance of the MP Group was approximately USD230.4 million, of which the balance of pledged bank deposits and restricted cash amounted to approximately USD75.4 million.

As at 31 December 2008, the current ratio and the gearing ratio of the MP Group were 1.36 times and 64.0% respectively. The gearing ratio is calculated as net debt divided by total equity.

The table below sets out a summary of cash flows:

	Year ended 31 December		
	2008	**2009**	**2010**
	(in USD millions)		
Net cash from operations	135.5	57.2	116.8
Net cash used in investing activities	(46.1)	(138.6)	(25.3)
Net cash from (used in) financing activities	7.0	(13.3)	(58.1)
Net increase (decrease) in cash and cash equivalents	96.4	(94.7)	33.4

Net cash from operating activities

The MP Group recorded a positive operating cash flow of approximately USD116.8 million for the year ended 31 December 2010, which was primarily attributable to the revenue from sales of electricity and steam, reduced by the cash outflow for procurement of fuels and spare parts, tax payments and operating expenses, increased by USD59.6 million compared to the year ended 31 December 2009 mainly due to higher profit from operations of majority-owned subsidiaries.

Net cash generated from operating activities decreased by USD78.3 million in 2009 compared to 2008 mainly due to a temporary working capital which reflected movements from trade payable due to decrease in fuel price.

Net cash used in investing activities

The net cash used in the MP Group's investing activities amounted to approximately USD25.3 million in 2010, among which cash inflow from investing activities was primarily attributable to dividends received from associates and acquired from subsidiaries, whereas cash outflow was primarily attributable to purchasing fixed assets and capital contribution to an associate. Compared to 2009, cash used in investing activities decreased by USD113.3 million mainly due to consideration for acquisition of Daesan Power Project and Langdu Hydro Project in 2009.

Net cash used in investing activities increased by USD92.5 million in 2009 compared to 2008 mainly due to the acquisition of the Daesan Power Project and payment of a deposit for the Puguang Power Project acquisition.

Net cash used in financing activities

In 2010, the net cash flow used in the MP Group's financing activities amounted to approximately USD58.1 million, including primarily obtaining and repayment of bank borrowings, and repayment of loan interest. Compared to 2009, cash used in financing activities increased by USD44.8 million mainly due to net repayment of bank borrowings.

Net cash used in financing activities increased by USD20.3 million in 2009 compared to 2008 mainly due to USD62.8 million in dividends paid to shareholders, which was offset by new bank borrowings for new project development and acquisition.

TREASURY POLICIES, EXCHANGE RATE RISK AND HEDGING

Treasury and funding policies

The Board and management of MP Group set treasury policies that are subject to periodic internal review. The treasury policies are intended to mitigate financial risks related to fluctuation in foreign exchange rates, interest rates, fuel costs and liquidity. Management cautiously use forward contracts and derivatives for hedging transactions and for managing the Group's assets and liabilities. For every derivative transaction, a detailed review of the costs and benefits is performed. The review is submitted to the Board for review and approval. No derivative contract will be signed without Board approval. Exposure to potential loss from hedging activities

is controlled by identifying and limiting the maximum potential losses up to a capped amount. For interest rate hedging, the capped amount is determined as the difference between the market floating rate and the fixed rate secured, multiplied by the underlying loan as the principal. For fuel cost hedging and foreign exchange rate hedging, the capped amount is the value of the options purchased at a certain strike price. There is no plan to use any derivative financial instrument for any speculative purpose.

The MP Group maintains a set of comprehensive internal control procedures to facilitate the effective operation of business. There is a cash management system involving management team responsible for functions in the treasury cycle, including cash receipt, cash disbursement, reconciliation of balances, investment management, debt management, among others. Authorization controls are important due to the magnitude of many of the transactions in the treasury cycle and often reflect major decisions by management. Appropriate authorization must be obtained for all activities in treasury cycle, including opening and use of opening accounts, payment, purchase and sale, among others. Substantiation and evaluation controls tools are established because they are effective tools in the detection of misstatements. Reconciliation for detail records for cash, advance and expense accounts with bank statements occurs on a regular basis.

Foreign currency exchange risk

The MP Group's transactions are mainly denominated in RMB, KRW and USD. Its functional currency is USD. All of revenues collected are substantially collected in RMB and KRW, some of which are converted into foreign currencies to (i) purchase foreign-made equipment and parts for repair and maintenance, (ii) make investments in certain joint ventures or acquire interests from other companies, and (iii) pay out dividends to the shareholders of our project companies. The management manages and monitors this exposure to ensure approximate measures are implemented on a timely and effective manner.

The RMB is not a freely convertible currency. The PRC government may take actions that could cause future exchange rates to vary significantly from current or historical exchange rates. Fluctuations in exchange rates may adversely affect the value, translated or converted into USD, of our net assets, earnings and any dividends we or our associates declare.

Derivative financial instruments

During the years ended 31 December 2008, 2009 and 2010, the MP Group has three types of derivative contracts: interest swaps, coal call options and foreign currency forward contracts.

To manage interest rate risk, the MP Group has entered the following interest rate swaps to manage exposure to interest rate movements on bank borrowings.

In December 2005, an interest rate swap was entered in which MP Group paid a fixed interest rate of 5% and received floating LIBOR based on a notional amount. This swap terminated on 28 August 2009. Since the loan in connection with this swap had been repaid in 2007, it was not included in hedge accounting. The fair value was estimated at a liability of approximately USD2.2 million as at 31 December 2008.

In November 2007, an interest rate swap was entered in which MP Group paid a fixed interest rate of 4.85% and received floating LIBOR based on a notional amount. This swap had a term of three years and terminated on 29 December 2010. It was included in hedge accounting in the years ended 31 December 2008 and 2009. The fair value was estimated at a liability of approximately USD10.2 million and USD6.3 million as at 31 December 2008 and 2009 respectively.

In February 2009, an interest rate swap was entered in which MP Group paid a fixed interest rate of 2.58% and received floating LIBOR based on a notional amount. This swap commenced in August 2009 and terminated on November 2010, when the early repayment of the related loan. It was included in hedge accounting in the year ended 31 December 2009. The fair value was estimated at a liability of approximately USD1.1 million as at 31 December 2008 and 2009 respectively.

In November 2010, the MP Group entered into an interest rate swap contract to manage exposure to interest rate movements on a new loan drawn down in October 2010. MP Group paid a fixed interest rate of 1.99% and received floating LIBOR based on a notional amount. This swap commenced in November 2010 and terminates on October 2014. However, the instrument does not fulfill the hedge accounting criteria under IFRS. Its fair value at 31 December 2010 was estimated at a loss of approximately USD4.0 million and was directly charged to profit and loss for the year.

To manage exposure to risks from rising coal prices, the MP Group has entered into option agreements. On 18 September 2009, Two agreements were entered, with total notional amounts of 192,000 metric tons and 204,000 metric tons. These agreements each had call options with strike price per unit of USD100 per metric ton of coal and monthly settlement for the period from 1 January, 2010 to 31 December 2010. The commodity reference price is Coal-Newcastle-Global Coal. On 3 November, 2009, the Group entered another agreement to further reduce exposure to coal price. The terms of this contract were similar to other coal options other than the contract period, which was from 1 January 2010 to 30 June 2011.

MP Group settled in USD and Euro with a particular service vendor in Korea. To manage exposure to foreign currency exchange risks, certain foreign currency forward contracts had been entered in 2008, with total notional amounts of USD 1.1 million and Euro 2.0 million. The exchange rates ranged from KRW927: USD1 to KRW1,010: USD1 for the USD forward contracts and ranged from KRW1,274.22: Euro 1 to KRW1,569.79: Euro 1 for the Euro forward contracts. These forward contracts were settled monthly by net settlement.

CHARGES ON ASSETS

During the years ended 31 December 2008, 2009 and 2010, the MP Group's entire equity interest in certain subsidiaries were pledged to secure bank facilities. In addition, Meiya Power pledged assets below to banks for credit facilities granted to the MP Group.

	At 31 December		
	2008	**2009**	**2010**
	(in USD millions)		
Property, plant and equipment	338.2	500.9	473.2
Prepaid lease payments	5.1	7.8	5.1
Trade receivables	6.1	7.1	2.5
Other receivables	—	1.0	4.7
Derivative assets	—	2.1	2.1
Bank deposits and restricted cash	71.0	83.5	117.4
	420.4	602.4	605.0

As at 31 December 2010, total banking facility amounted to USD961 million, of which USD894 million had been utilized and unutilized amount available for additional borrowing was approximately USD67 million.

CONTINGENT LIABILITIES

The MP Group did not have significant contingent liabilities as at 31 December 2010.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS

The MP Group had made the following acquisition and disposal for the year ended 31 December 2008, 2009, and 2010.

In February 2009, the MP Group acquired 45% of equity interest of Shangri-La Minhe Hydropower Development Company Limited ("Langdu Hydro Project"), through its jointly controlled entity at a cash consideration of USD15.8 million. Langdu Hydro Project commenced operation in 2010. Included in the profit for the year ended 31 December 2010 was approximately loss of USD1.0 million attributable to the business generated by Langdu Hydro Project. Revenue for 2010 included approximately USD1.2 million in respect of Langdu Hydro Project.

In August 2009, the MP Group through a wholly owned subsidiary acquired the oil-fired combined cycle power plant of MPC Daesan Power Co., Ltd. in Korea for a cash consideration of USD102.7 million. Included in the profit for the year ended 31 December 2009 and 2010 was approximately USD3.2 million and USD8.4 million respectively attributable to the business generated by Daesan Power Project. Revenue for 2009 and 2010 included approximately USD12.5 million and USD47.0 million respectively in respect of Daesan Power Project.

On 28 August 2009, the MP Group entered into a conditional share purchase agreement with an independent third party, pursuant to which the MP Group agreed to purchase 59.5% effective equity interest in Nanyang General Light Electric Co., Ltd ("Puguang Power Project"), a company established in the PRC and being an operating coal-fired power project in Henan province. The transaction was completed on 7 April 2010. Included in the profit for the year ended 31 December 2010 was approximately USD0.9 million attributable to the business generated by Puguang Power Project. Revenue for 2010 included approximately USD61.4 million in respect of Puguang Power Project.

On 3 November 2010, the MP Group declared a dividend to be satisfied by way of a distribution in specie of shares in a subsidiary.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2010, the MP Group had approximate 1,100 employees. For the year ended 31 December 2008, 2009 and 2010, the MP Group incurred approximately USD26.3 million, USD28.9 million and USD32.5 million in staff costs respectively.

The staff remuneration of the MP Group comprises basic salary and bonus payment, which is made with reference to the operating results of the MP Group and results of performance assessment on the employees.

3. STATEMENT OF INDEBTEDNESS

As at 30 April 2011, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had outstanding indebtedness as follows:

Borrowings

As at the close of business on 30 April 2011, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had bank borrowings of approximately HK$289,719,000.

Other payables

As at the close of business on 30 April 2011, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had an amount due to a non-controlling shareholder of a subsidiary in relation to a shareholder's loan granted to the subsidiary of approximately HK$23,598,000. The amount is unsecured and is repayable on demand.

In addition, the Group had an amount due to an independent third party in relation to purchase of land use right in the PRC of approximately HK$51,304,000. The amount is secured by certain investment properties and is repayable on demand.

Pledged assets

The Group pledged certain investment properties and leasehold land and buildings which had an aggregate carrying value of approximately HK$1,778,935,000 and HK$193,000,000 at 30 April 2011, respectively to secure general banking facilities granted to the Group and an amount due to an independent third party in relation to purchase of land use right in the PRC.

Save as disclosed above and apart from intra-group liabilities and normal trade payables in the ordinary course of business, the Group did not have any bank borrowings, bank overdrafts, loans or other similar indebtedness, mortgage, charges, finance leases or hire purchases commitments, guarantees or other material contingent liabilities outstanding at the close of business on 30 April 2011.

4. WORKING CAPITAL

The Directors are of the opinion that taking into account the Group's existing cash and bank balances, the present available banking facilities, the expected internally generated funds and the cash consideration to be paid for the Subscription, the Group has sufficient working capital for its present requirements, that is, for at least the next twelve months from the date of publication of this circular in the absence of unforeseen circumstances.

Vigers Appraisal & Consulting Limited
International Asset Appraisal Consultants

10th Floor, The Grande Building
398 Kwun Tong Road
Kowloon
Hong Kong

30 June 2011

The Directors
Silver Grant International Industries Ltd.
Suite 4901, 49th Floor, Office Tower
Convention Plaza
No. 1 Harbour Road
Wanchai
Hong Kong

Dear Sirs,

In accordance with the instructions of Silver Grant International Industries Ltd. (the "Company") for us to value the property interests held by the Enlarged Group in the People's Republic of China (the "PRC"), the Hong Kong Special Administrative Region of the PRC ("Hong Kong") and Republic of Korea ("South Korea"), we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of such property interests as at 31 March 2011 (the "date of valuation") for the purpose of incorporation into the circular.

Our valuation is our opinion of the market value of the property interest which we would define market value as intended to mean "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".

In valuing Property Nos. 1, 3 to 14 in Group I and Property Nos. 21 and 22 in Group II, we have adopted a combination of the market and depreciated replacement cost approach in assessing the land portion of the property and the buildings and structures standing on the land respectively. Hence, the sum of the two results represents the market value of the property as a whole. In the valuation of the land portion, reference has been made to the standard land price and the sales evidence as available to us in the locality. As the nature of the buildings and structures cannot be valued on the basis of market value, they have therefore been valued on the basis of their depreciated replacement costs. The depreciated replacement cost approach considers the current cost of replacement (reproduction) of the buildings and improvements less deductions for physical deterioration and all relevant forms of obsolescence and optimization. The depreciated replacement cost approach generally furnishes the most reliable indication of value for property in the absence of a known market based on comparable sales. The approach is subject to adequate potential profitability of the business.

In valuing Property Nos. 2 and 15 to 20 in Group I and Property Nos. 23 to 26 in Group III, we have valued the property interest by the direct comparison approach assuming sale of the property in its existing state with the benefit of vacant possession and by making reference to comparable sales transactions as available in the relevant market.

For property interests in Groups IV and V which are rented by the Enlarged Group in Hong Kong and the PRC, we have assigned no commercial value to them mainly due to the prohibition against assignment or sub-letting, the lack of substantial profit rents or the short term nature of such interests.

Our valuation has been made on the assumption that the owner sells the property interests on the open market in its existing state without the benefit of a deferred terms contract, leaseback, joint venture, management agreement or any similar arrangement which would serve to increase the value of the property interests. In addition, no forced sale situation in any manner is assumed in our valuation.

We have not caused title searches to be made for the property interests at the relevant government bureau in the PRC. We have been provided with certain extracts of title documents relating to the property interests in the PRC. However, we have not inspected the original documents to verify the ownership, encumbrances or existence of any subsequent amendments which may not appear on the copies handed to us. In undertaking our valuation for the property interests in the PRC, we have relied on the legal opinion ("the PRC legal opinion") provided by the Company's PRC legal advisers, Grandall Legal Group (Shenzhen), Duty & Win Partnership and Tianchi Law Firm.

We have relied to a considerable extent on information provided by the Company and have accepted advice given to us by the Company on such matters as planning approvals or statutory notices, easements, tenure, occupation, lettings, site and floor areas and in the identification of the property and other relevant matter. We have also been advised by the Company that no material facts had been concealed or omitted in the information provided to us. All documents have been used for reference only.

All dimensions, measurements and areas included in the valuation certificates are based on information contained in the documents provided to us by the Company and are approximations only. No on-site measurement has been taken.

We have inspected the exterior and, where possible, the interior of the properties. However, we have not carried out a structural survey nor have we inspected woodwork or other parts of the structures which are covered, unexposed or inaccessible and we are therefore unable to report that any such parts of the properties are free from defect. No tests were carried out on any of the services.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the property interests nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property interests are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

Our valuation is prepared in accordance with the HKIS Valuation Standards on Properties (First Edition 2005) published by The Hong Kong Institute of Surveyors (HKIS) and the requirements set out in Chapter 5 and Practice Note 12 to the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited.

Unless otherwise stated, all money amounts stated are in Renminbi (RMB) and Hong Kong Dollars (HK$). The exchange rate used in valuing the property in the PRC as at 31 March 2011 was HK$1=RMB0.842. There has been no significant fluctuation in the exchange rate for RMB against Hong Kong Dollars (HK$) between that date and the date of this letter.

We enclose herewith a summary of valuation and the valuation certificates.

Yours faithfully,
For and on behalf of
Vigers Appraisal & Consulting Limited
Raymond Ho Kai Kwong
Registered Professional Surveyor
MRICS MHKIS MSc(e-com)
Managing Director

Note: Mr. Raymond Ho Kai Kwong, Chartered Surveyor, MRICS MHKIS MSc(e-com), has over twenty-four years' experiences in undertaking valuations of properties in Hong Kong and has over seventeen years' experiences in valuations of properties in the PRC and Asia Pacific regions.

SUMMARY OF VALUATION

Group I — Property interests owned by the Enlarged Group in the PRC

	Property	Market Value in existing state as at 31 March 2011
1.	A parcel of land, various buildings and structures located at Land Plot U12 in Wuhan Economic and Technology Development Zone, Wuhan City, Hubei Province, the PRC	RMB73,600,000 (equivalent to HK$87,410,000)
2.	15 residential units located at Building 2, Dongmen Residential Area, Hanyang District, Wuhan City, Hubei Province, the PRC	RMB7,930,000 (equivalent to HK$9,420,000)
3.	3 parcels of land, various buildings and structures located at Pentong Village, Heping, Congzou County and Na Tan Chu, Ting Liang Village, Ning Ming County, Guangxi Province, the PRC	RMB151,560,000 (equivalent to HK$180,000,000)

	Property	Market Value in existing state as at 31 March 2011
4.	3 parcels of land, various buildings and structures located at No. 70 Longwang District, Fushi Village, Fushi Town, Rong'an County, Guangxi Province, the PRC	RMB153,370,000 (equivalent to HK$182,150,000)
5.	3 parcels of land, various buildings and structures located at No. 2 Second Ring Road South, San Jiang River Bank, Zong Xin Village, Hong En Village, Mianyang Economic Development Zone, Mianyang City, Sichuan Province, the PRC	RMB204,400,000 (equivalent to HK$242,760,000)
6.	A parcel of land, various buildings and structures located at Guanfu Village, Huayang Town, Shuangliu County, Chengdu City, Sichuan Province, the PRC	RMB41,840,000 (equivalent to HK$49,690,000)

	Property	Market Value in existing state as at 31 March 2011
7.	3 parcels of land, various buildings and structures located at No. 12 Central Road, Nantong City, Jiangsu Province, the PRC	RMB98,990,000 (equivalent to HK$117,570,000)
8.	A parcels of land, various buildings and structures located at No. 27 Changjiang East Road, Chengdong Town, Hai'an County, Nantong City, Jiangsu Province, the PRC	RMB67,030,000 (equivalent to HK$79,610,000)
9.	2 parcels of land, various buildings and structures located at Bihua Road, Tongzhou Economic Development Zone, Tongzhou District, Nantong City, Jiangsu Province, the PRC	RMB33,610,000 (equivalent to HK$39,920,000)
10.	3 parcels of land, various buildings and structures located at De Bao Tu Country, Huade County, Wulanchabu City, Inner Mongolia, the PRC	RMB40,650,000 (equivalent to HK$48,280,000)

	Property	Market Value in existing state as at 31 March 2011
11.	27 parcels of land, various buildings and structures located at Pushan Town, Elong District, Nanyang City, Henan Province, the PRC	RMB266,850,000 (equivalent to HK$316,920,000)
12.	3 parcels of land, various buildings and structures located at No. 125 Chuan Qiao Road and No. 2 Yun Qiao Road, Pudong New District, Shanghai City, the PRC	RMB87,620,000 (equivalent to HK$104,060,000)
13.	2 parcels of land and various buildings located at No. 735 Chang Jiang Road, Baoshan District, Shanghai City, the PRC	No commercial value
14.	6 parcels of land located at Gezan Country, Langdu Village, Shangri-La County, Yunnan Province, the PRC	RMB465,530,000 (equivalent to HK$552,890,000)

	Property	Market Value in existing state as at 31 March 2011
15.	The eastern portion of Basement 1, Levels 2, 3, 4 and 5 and the whole of Levels 6, 7 and 8 of Hua Po Lou, No. 28 Dong Zhong Jie Jia, Dong Cheng District, Beijing City, the PRC	No commercial value
16.	Upper and lower units of House F4, Jinbi Garden, Yinhu Road, Luohu District, Shenzhen City, Guangdong Province, the PRC	RMB8,140,000 (equivalent to HK$9,670,000)
17.	Units 508 and 509, Level 5, Block B, East Gate Plaza, No. 29 Dongzhong Street, Dongcheng District, Beijing City, the PRC	RMB17,300,000 (equivalent to HK$20,550,000)
18.	A unit on Level 1 of a building located at No. 22 Dongzhong Street, Dongcheng District, Beijing City, the PRC	RMB6,080,000 (equivalent to HK$7,220,000)

	Property	Market Value in existing state as at 31 March 2011
19.	A unit on Basement Level 1 of a building located at No. 36 Dongzhong Street, Dongcheng District, Beijing City, the PRC	RMB2,920,000 (equivalent to HK$3,470,000)
20.	Levels 4 to 31 of South Apartment Tower, Levels 4 to 31 of North Apartment Tower, Basement 2, Basement 1, Mezzanine Level and South Levels 1 to 3 of East Gate Plaza, No. 19 Dongzhong Street, Dongcheng District, Beijing City, the PRC	RMB2,074,800,000 (equivalent to HK$2,464,130,000)
	Sub-total:	**RMB3,802,220,000 (equivalent to HK$4,515,720,000)**

Group II — Property interests owned by the Enlarged Group in South Korea

	Property	Market Value in existing state as at 31 March 2011
21.	A parcel of land, various buildings and structures located at Yulchon 1st Local Industrial Complex, Haeryong-myeon, Suncheon-Shi, Jeollanam-do, South Korea	No commercial value
22.	Various buildings and structures located at 634 Dokgot-ri, Daesan-eup, Seosan-shi, Chungcheongnam-do, South Korea	No commercial value
	Sub-total:	**Nil**

Group III — Property interests owned by the Enlarged Group in Hong Kong

	Property	Market Value in existing state as at 31 March 2011
23.	Offices 1, 2 and 9 on 49th Floor, Office Tower, Convention Plaza, No. 1 Harbour Road, Wan Chai, Hong Kong	HK$131,000,000
24.	Unit 101 on 1st Floor, Block E, Nos. 13-15 Hong Shing Street, Kornhill, Quarry Bay, Hong Kong	HK$5,500,000
25.	Unit 116 on 1st Floor, Block G, Nos. 5-7 Hong Shing Street, Kornhill, Quarry Bay, Hong Kong	HK$5,950,000
26.	Duplex apartment 9B on 9th and 10th Floors and Car Parking Space No. 106 on 2nd Level Basement, No. 6A Bowen Road, Mid-Levels, Hong Kong	HK$62,000,000
	Sub-total:	**HK$204,450,000**

Group IV — Property interests rented by the Enlarged Group in the PRC

	Property	Market Value in existing state as at 31 March 2011
27.	Room 2102 on Level 21, Jin Jiang Sun Hotel, No. 589 West Donggang Road, Lanzhou City, Gansu Province, the PRC	No commercial value
28.	A parcel of Land located at Tongjiangdeng, Langdu Village, Shangri-La County, Yunnan Province, the PRC	No commercial value
29.	A parcel of Land located near to Shangri-La County Gezan Transformer Substation, Langdu Village, Shangri-La County, Yunnan Province, the PRC	No commercial value
30.	Room 1102 on Block 1, Ming Du Yuan, No. 22 Jin Pu Road, Nanning City, Guangxi Province, the PRC	No commercial value

	Property	Market Value in existing state as at 31 March 2011
31.	Rooms 1508-1509 on Level 15, Canway Building, No. 66 Nan Li Shi Road, West District, Beijing City, the PRC	No commercial value
32.	Rooms 08-13 on Level 14, Pos Plaza, No. 1600 Century Avenue, Pudong, Shanghai City, the PRC	No commercial value
33.	No. 7 of Block 4, Na Chi De Nan Area, Xiang Ba La Avenue, Jiangtang Town, Shangri-La County, Yunnan Province, the PRC	No commercial value
34.	Level 2, Office Block A, No. 999 Hanpu North Road, Yuelu District, Changsha City, Hunan Province, the PRC	No commercial value
	Sub-total:	**Nil**

Group V — Property interest rented by the Enlarged Group in Hong Kong

	Property	Market Value in existing state as at 31 March 2011
35.	15th Floor, Harbour Centre, No. 25 Harbour Road, Wan Chai, Hong Kong	No commercial value
	Sub-total:	**Nil**
	Grand-total:	**HK$4,720,170,000**

VALUATION CERTIFICATES

Group I — Property interests owned by the Enlarged Group in the PRC

	Property	Description and Tenure	Particulars of occupancy	Market Value in existing state as at 31 March 2011
1.	A parcel of land, various buildings and structures located at Land Plot U12 in Wuhan Economic and Technology Development Zone, Wuhan City, Hubei Province, the PRC	The property comprises a parcel of land with a site area of approximately 78,299.371 sq.m. and 12 buildings and various ancillary structures erected thereon completed in various stages between 1997 and 2005. The buildings have a total gross floor area of approximately 8,418.68 sq.m. The buildings mainly include a turbine building, a composite building, an office building, pump rooms and a gatehouse. The land use rights of the property have been granted for a term expiring on 11 October 2029 for power plant use.	The property is occupied by the Enlarged Group for power generation, office and ancillary uses.	RMB73,600,000 (equivalent to HK$87,410,000)

Notes:

1. According to a State-owned Land Use Rights Certificate (Document No.: Wu Kai Guo Yong (95) Zi No. 87), the land use rights of the property having a site area of approximately 78,299.371 sq.m. have been granted to Wuhan Han Neng Power Development Company Limited (武漢漢能電力發展有限公司) for a term expiring on 11 October 2029 for power plant use.

2. According to a Building Ownership Certificate (Document No.: Wu Fang Quan Zheng Jing Zi No. 200301423, the building ownership rights of 12 buildings with a total gross floor area of approximately 8,418.68 sq.m. are owned by Wuhan Han Neng Power Development Company Limited (武漢漢能電力發展有限公司).

3. The PRC legal opinion states, inter alia, the following:

   (i) The land use rights and the building ownership rights of the property are legally vested in Wuhan Han Neng Power Development Company Limited (武漢漢能電力發展有限公司).

   (ii) Wuhan Han Neng Power Development Company Limited (武漢漢能電力發展有限公司) is legally entitled to use, occupy, transfer, lease, mortgage or dispose of the property.

   (iii) The property is free from any encumbrances.

	Property	Description and Tenure	Particulars of occupancy	Market Value in existing state as at 31 March 2011
2.	15 residential units located at Building 2 Dongmen Residential Area, Hanyang District, Wuhan City, Hubei Province, the PRC	The property comprises 15 units on various floors in a residential building completed in or about 1999. The property has a total gross floor area of approximately 1,441.37 sq.m.	The property is occupied by the Enlarged Group for staff quarters uses.	RMB7,930,000 (equivalent to HK$9,420,000)

Notes:

1. According to a Building Ownership Certificate (Document No.: Wu Fang Quan Zheng Yang Zi No. 9800430), the building ownership rights of the property with a total gross floor area of approximately 1,441.37 sq.m. are owned by Wuhan Han Neng Power Development Company Limited (武漢漢能電力發展有限公司).

2. The PRC legal opinion states, inter alia, the following:

   (i) The building ownership rights of the property are legally vested in Wuhan Han Neng Power Development Company Limited (武漢漢能電力發展有限公司).

   (ii) Wuhan Han Neng Power Development Company Limited (武漢漢能電力發展有限公司) is legally entitled to use, occupy, transfer, lease, mortgage or dispose of the property.

   (iii) The property is free from any encumbrances.

	Property	Description and Tenure	Particulars of occupancy	Market Value in existing state as at 31 March 2011
3.	3 parcels of land, various buildings and structures located at Pentong Village, Heping, Congzou County and Na Tan Chu, Ting Liang Village, Ning Ming County, Guangxi Province, the PRC	The property comprises 3 parcels of land with a total site area of approximately 638,352.99 sq.m. and 6 buildings and various ancillary structures erected thereon completed in various stages between 2003 and 2006. The buildings have a total gross floor area of approximately 5,619.75 sq.m. The buildings mainly include a turbine building, a composite building, an office building, pump rooms and a gatehouse. The land use rights of the property have been granted for various terms with the earliest expiry date on 12 October 2021 for industrial use.	The property is occupied by the Enlarged Group for power generation, office and ancillary uses.	RMB151,560,000 (equivalent to HK$180,000,000)

Notes:

1. According to 3 State-owned Land Use Rights Certificates (Document Nos.: Cong Guo Yong (1998) Zi No. 0213, and Ning Guo Young (2001) Zi Nos. 010131461 and 010131462), the land use rights of the property having a total site area of approximately 638,352.99 sq.m. have been granted to Guangxi Zuojing Meiya Hydropower Company Limited (廣西左江美亞水電有限公司) for various terms expiring on 12 October 2021, 15 October 2021 and 15 October 2021 respectively.

2. In the valuation of the property, we have attributed no commercial value to the 6 buildings which have not obtained the Building Ownership Certificates. For reference purposes, we are of the opinion that the depreciated replacement cost of the buildings as at the date of valuation would be RMB6,350,000 (equivalent to HK$7,540,000) assuming relevant ownership certificates have been obtained and they could be freely transferred.

3. The PRC legal opinion states, inter alia, the following:

   (i) The land use rights of the property are legally vested in Guangxi Zuojing Meiya Hydropower Company Limited (廣西左江美亞水電有限公司).

   (ii) Guangxi Zuojing Meiya Hydropower Company Limited (廣西左江美亞水電有限公司) is legally entitled to use, occupy, transfer, lease, mortgage or dispose of the property.

   (iii) The property is free from any encumbrances.

   (iv) Guangxi Zuojing Meiya Hydropower Company Limited (廣西左江美亞水電有限公司) has the rights to occupy and use the buildings. There is no legal impediment for Guangxi Zuojing Meiya Hydropower Company Limited (廣西左江美亞水電有限公司) to obtain the Building Ownership Certificates for the buildings.

	Property	Description and Tenure	Particulars of occupancy	Market Value in existing state as at 31 March 2011
4.	3 parcels of land, various buildings and structures located at No. 70 Longwang District, Fushi Village, Fushi Town, Rong'an County, Guangxi Province, the PRC	The property comprises 3 parcels of land with a total site area of approximately 91,649.67 sq.m. and 7 buildings and various ancillary structures erected thereon completed in or about 2001. The buildings have a total gross floor area of approximately 10,576.04 sq.m. The buildings mainly include a turbine building, a composite building, an office building, pump rooms and a gatehouse. The land use rights of the property have been granted for a term expiring on 9 August 2022 for hydropower plant, office, staff quarters and ancillary facilities uses.	The property is occupied by the Enlarged Group for power generation, office and ancillary uses.	RMB153,370,000 (equivalent to HK$182,150,000)

Notes:

1. According to 3 State-owned Land Use Rights Certificates (Document Nos.: Rong Guo Yong (2001) Zi Nos. 09-13-00-380 and 09-13-00-405 and Rong Guo Yong (2002) Zi No. 991), the land use rights of the property having a total site area of approximately 91,649.67 sq.m. have been granted to Guangxi Rongjiang Meiya Company Limited (廣西融江美亞有限公司) for a term expiring on 9 August 2022 for hydropower plant, office, staff quarters and ancillary facilities uses.

2. According to 7 Building Ownership Certificates (Document Nos.: Rong Fang Quan Zheng Rong An Zi Nos. 00011875 to 00011881), the building ownership rights of 7 buildings with a total gross floor area of approximately 10,576.04 sq.m. are owned by Guangxi Rongjiang Meiya Company Limited (廣西融江美亞有限公司).

3. The PRC legal opinion states, inter alia, the following:

   (i) The land use rights and the building ownership rights of the property are legally vested in Guangxi Rongjiang Meiya Company Limited (廣西融江美亞有限公司).

   (ii) Guangxi Rongjiang Meiya Company Limited (廣西融江美亞有限公司) is legally entitled to use, occupy, transfer, lease, mortgage or dispose of the property.

   (iii) The property is free from any encumbrances.

	Property	Description and Tenure	Particulars of occupancy	Market Value in existing state as at 31 March 2011
5.	3 parcels of land, various buildings and structures located at No. 2 Second Ring Road South, San Jiang River Bank, Zong Xin Village, Hong En Village, Mianyang Economic Development Zone, Mianyang City, Sichuan Province, the PRC	The property comprises 3 parcels of land with a total site area of approximately 230,639.5 sq.m. and 2 buildings and various ancillary structures erected thereon completed in various stages between 2003 and 2005. The buildings have a total gross floor area of approximately 3,989.88 sq.m. The buildings mainly include a turbine building, a composite building, an office building, pump rooms and a gatehouse. The land use rights of the property have been granted for a term expiring on 13 February 2053 for industrial use.	The property is occupied by the Enlarged Group for power generation, office and ancillary uses.	RMB204,400,000 (equivalent to HK$242,760,000)

Notes:

1. According to 3 State-owned Land Use Rights Certificates (Document Nos.: Mian Cheng Guo Yong (2003) Zi Nos. 00749 and 00750 and Mian Cheng Guo Yong (2007) Zi No. 14684), the land use rights of the property having a total site area of approximately 230,639.5 sq.m. have been granted to Mianyang Sanjiang Meiya Hydropower Company Limited (綿陽三江美亞水電有限公司) for a term expiring on 13 February 2053 for industrial use.

2. According to 2 Building Ownership Certificates (Document Nos.: Mian Fang Quan Zheng Shi Fang Jian Zi Nos. 200606598 and 200606599), the building ownership rights of 2 buildings with a total gross floor area of approximately 3,989.88 sq.m. are owned by Mianyang Sanjiang Meiya Hydropower Company Limited (綿陽三江美亞水電有限公司).

3. The PRC legal opinion states, inter alia, the following:

   (i) The land use rights and the building ownership rights of the property are legally vested in Mianyang Sanjiang Meiya Hydropower Company Limited (綿陽三江美亞水電有限公司).

   (ii) Mianyang Sanjiang Meiya Hydropower Company Limited (綿陽三江美亞水電有限公司) is legally entitled to use, transfer, lease, mortgage or dispose of the property.

   (iii) The property is subject to a mortgage in favour of Industrial and Commercial Bank of China.

   (iv) Mianyang Sanjiang Meiya Hydropower Company Limited (綿陽三江美亞水電有限公司) has to get the written consent from the mortgagee before leasing, sub-mortgaging, selling or disposing of the property.

	Property	Description and Tenure	Particulars of occupancy	Market Value in existing state as at 31 March 2011
6.	A parcel of land, various buildings and structures located at Guanfu Village, Huayang Town, Shuangliu County, Chengdu City, Sichuan Province, the PRC	The property comprises a parcel of land with a site area of approximately 52,483.71 sq.m. and 4 buildings and various ancillary structures erected thereon completed in or about 1999. The buildings have a total gross floor area of approximately 6,172 sq.m. The buildings mainly include a turbine building, a composite building, an office building, pump rooms and a gatehouse. The land use rights of the property have been granted for a term expiring on 29 May 2051 for industrial use.	The property is occupied by the Enlarged Group for power generation, office and ancillary uses.	RMB41,840,000 (equivalent to HK$49,690,000)

Notes:

1. According to a State-owned Land Use Rights Certificate (Document No.: Shuang Guo Yong (2001) Zi No. 00341), the land use rights of the property having a site area of approximately 52,483.71 sq.m. have been granted to Sichuan Hexie Electric Power Company Limited (四川和協電力有限公司) for a term expiring on 29 May 2051 for industrial use.

2. According to a Building Ownership Certificate (Document No.: Shaung Fang Quan Zheng Shaung Quan Zi No. 0089445), the building ownership rights of 4 buildings with a total gross floor area of approximately 6,172 sq.m. are owned by Sichuan Hexie Electric Power Company Limited (四川和協電力有限公司).

3. The PRC legal opinion states, inter alia, the following:

   (i) The land use rights and the building ownership rights of the property are legally vested in Sichuan Hexie Electric Power Company Limited (四川和協電力有限公司).

   (ii) Sichuan Hexie Electric Power Company Limited (四川和協電力有限公司) is legally entitled to use, occupy, transfer, lease, mortgage or dispose of the property.

   (iii) The property is free from any encumbrances.

	Property	Description and Tenure	Particulars of occupancy	Market Value in existing state as at 31 March 2011
7.	3 parcels of land, various buildings and structures located at No. 12 Central Road, Nantong City, Jiangsu Province, the PRC	The property comprises 3 parcels of land with a total site area of approximately 130,676.32 sq.m. and 30 buildings and various ancillary structures erected thereon completed in various stages between 2000 and 2005. The buildings have a total gross floor area of approximately 36,537.65 sq.m. The buildings mainly include a turbine building, a composite building, an office building, pump rooms and a gatehouse. The land use rights of the property have been granted for various terms with the earliest expiry date on 25 September 2019 for industrial use.	The property is occupied by the Enlarged Group for power generation, office and ancillary uses.	RMB98,990,000 (equivalent to HK$117,570,000)

Notes:

1. According to 3 State-owned Land Use Rights Certificates (Document Nos.: Tong Kai Guo Yong (2005) No. 1100583 and Su Tong Guo Yong (2003) Zi Nos. 1100317 and 1100318), the land use rights of the property having a total site area of approximately 130,676.32 sq.m. have been granted to Nantong Meiya Cogeneration Company Limited (南通美亞熱電有限公司) for terms expiring on 25 September 2019, 10 December 2019 and 10 December 2019 respectively.

2. According to 3 Building Ownership Certificates (Document Nos.: Nantong Fang Quan Zheng Zi No. 32004172 and Nantong Fang Zi Di Fang Quan Zheng Zi Nos. 32025352 and 32025353), the building ownership rights of 3 buildings with a total gross floor area of approximately 36,537.65 sq.m. are owned by Nantong Meiya Cogeneration Company Limited (南通美亞熱電有限公司).

3. The PRC legal opinion states, inter alia, the following:

   (i) The land use rights and the building ownership rights of the property are legally vested in Nantong Meiya Cogeneration Company Limited (南通美亞熱電有限公司).

   (ii) Nantong Meiya Cogeneration Company Limited (南通美亞熱電有限公司) is legally entitled to use, occupy, transfer, lease, mortgage or dispose of the property.

   (iii) The property is free from any encumbrances.

	Property	Description and Tenure	Particulars of occupancy	Market Value in existing state as at 31 March 2011
8.	A parcels of land, various buildings and structures located at No. 27 Changjiang East Road, Chengdong Town, Hai'an County, Nantong City, Jiangsu Province, the PRC	The property comprises a parcel of land with a site area of approximately 75,548.7 sq.m. and 22 buildings and various ancillary structures erected thereon completed in or about 2007. The buildings have a total gross floor area of approximately 23,253.75 sq.m. The buildings mainly include a turbine building, a composite building, an office building, pump rooms and a gatehouse. The land use rights of the property have been granted for a term expiring on 18 December 2053 for industrial use.	The property is occupied by the Enlarged Group for power generation, office and ancillary uses.	RMB67,030,000 (equivalent to HK$79,610,000)

Notes:

1. According to a State-owned Land Use Rights Certificate (Document No.: Su Hai Guo Yong (2004) No. X801427), the land use rights of the property having a site area of approximately 75,548.7 sq.m. have been granted to Hai'an Meiya Cogeneration Company Limited (海安美亞熱電有限公司) for a term expiring on 18 December 2053 for industrial use.

2. According to a Building Ownership Certificate (Document No.: Hai'an Fang Quan Zheng Cheng Dong Zhen Zi No. 2007002358), the building ownership rights of 22 buildings with a total gross floor area of approximately 23,253.75 sq.m. are owned by Hai'an Meiya Cogeneration Company Limited (海安美亞熱電有限公司).

3. The PRC legal opinion states, inter alia, the following:

   (i) The land use rights and the building ownership rights of the property are legally vested in Hai'an Meiya Cogeneration Company Limited (海安美亞熱電有限公司).

   (ii) Hai'an Meiya Cogeneration Company Limited (海安美亞熱電有限公司) is legally entitled to use, transfer, lease, mortgage or dispose of the property.

   (iii) The property is subject to a mortgage in favour of Agricultural Bank of China.

   (iv) Hai'an Meiya Cogeneration Company Limited (海安美亞熱電有限公司) has to get the written consent from the mortgagee before leasing, sub-mortgaging, selling or disposing of the property.

	Property	Description and Tenure	Particulars of occupancy	Market Value in existing state as at 31 March 2011
9.	2 parcels of land, various buildings and structures located at Bihua Road, Tongzhou Economic Development Zone, Tongzhou District, Nantong City, Jiangsu Province, the PRC	The property comprises 2 parcels of land with a total site area of approximately 74,818.3 sq.m. and 28 buildings and various ancillary structures erected thereon completed in or about 1998. The buildings have a total gross floor area of approximately 20,572.97 sq.m. The buildings mainly include a turbine building, a composite building, an office building, pump rooms and a gatehouse. The land use rights of the property have been granted for various terms with the earliest expiry date on 17 September 2042 for industrial use.	The property is occupied by the Enlarged Group for power generation, office and ancillary uses.	RMB33,610,000 (equivalent to HK$39,920,000)

Notes:

1. According to 2 State-owned Land Use Rights Certificates (Document Nos.: Tong Zhou Guo Yong (2000) Nos. 77 and 78), the land use rights of the property having a total site area of approximately 74,818.3 sq.m. have been granted to Tongzhou Meiya Cogeneration Company Limited (通州美亞熱電有限公司) for terms expiring on 18 April 2045 and 17 September 2042 respectively.

2. According to 5 Building Ownership Certificates (Document Nos.: Tongzhou Fang Quan Zheng Jin Sha Zi Nos. 03-11233, 03-11233-1 to 03-11233-3 and 1200001-00594), the building ownership rights of 23 buildings with a total gross floor area of approximately 14,305.99 sq.m. are owned by Tongzhou Meiya Cogeneration Company Limited (通州美亞熱電有限公司).

3. In the valuation of the property, we have attributed no commercial value to the 5 buildings which have not obtained the Building Ownership Certificates. For reference purposes, we are of the opinion that the depreciated replacement cost of the buildings as at the date of valuation would be RMB6,110,000 (equivalent to HK$7,260,000) assuming relevant ownership certificates have been obtained and they could be freely transferred.

4. The PRC legal opinion states, inter alia, the following:

   (i) The land use rights and the building ownership rights of the property are legally vested in Tongzhou Meiya Cogeneration Company Limited (通州美亞熱電有限公司).

   (ii) Tongzhou Meiya Cogeneration Company Limited (通州美亞熱電有限公司) is legally entitled to use, occupy, transfer, lease, mortgage or dispose of the property.

   (iii) The property is free from any encumbrances.

   (iv) Tongzhou Meiya Cogeneration Company Limited (通州美亞熱電有限公司) has the rights to occupy and use the buildings. There is no legal impediment for Tongzhou Meiya Cogeneration Company Limited (通州美亞熱電有限公司) to obtain the Building Ownership Certificates for the buildings.

	Property	Description and Tenure	Particulars of occupancy	Market Value in existing state as at 31 March 2011
10.	3 parcels of land, various buildings and structures located at De Bao Tu Country, Huade County, Wulanchabu City, Inner Mongolia, the PRC	The property comprises 3 parcels of land with a total site area of approximately 40,286 sq.m. and various buildings and ancillary structures erected thereon completed in or about 1999. The buildings have a total gross floor area of approximately 21,333 sq.m. The buildings mainly include a turbine building, a composite building, an office building, pump rooms and a gatehouse. The land use rights of the property have been granted for various terms with the earliest expiry date on 16 May 2008 for industrial use.	The property is occupied by the Enlarged Group for power generation, office and ancillary uses.	RMB40,650,000 (equivalent to HK$48,280,000)

Notes:

1. According to 3 State-owned Land Use Rights Certificates (Document Nos.: Hua Guo Yong (Tu) Zi Nos. 09371, 09372 and 02277), the land use rights of the property having a total site area of approximately 40,286 sq.m. have been granted to Huade County Huide Wind Power Generation Company Limited (化德縣滙德風力發電有限責任公司) for terms expiring on 16 May 2008, 16 May 2008 and 2 July 2010 respectively.

2. In the valuation of the property, we have attributed no commercial value to the buildings which have not obtained the Building Ownership Certificates. For reference purposes, we are of the opinion that the depreciated replacement cost of the buildings as at the date of valuation would be RMB13,390,000 (equivalent to HK$15,900,000) assuming relevant ownership certificates have been obtained and they could be freely transferred.

3. The PRC legal opinion states, inter alia, the following:

   (i) The land use rights of the property are legally vested in Huade County Huide Wind Power Generation Company Limited (化德縣滙德風力發電有限責任公司).

   (ii) Huade County Huide Wind Power Generation Company Limited (化德縣滙德風力發電有限責任公司) is legally entitled to use, occupy, transfer, lease, mortgage or dispose of the property.

   (iii) The property is free from any encumbrances.

   (iv) Huade County Huide Wind Power Generation Company Limited (化德縣滙德風力發電有限責任公司) is in the process of obtaining the Building Ownership Certificates for the buildings. There is no legal impediment for Huade County Huide Wind Power Generation Company Limited (化德縣滙德風力發電有限責任公司) to obtain the Building Ownership Certificates for the buildings.

	Property	Description and Tenure	Particulars of occupancy	Market Value in existing state as at 31 March 2011
11.	27 parcels of land, various buildings and structures located at Pushan Town, Elong District, Nanyang City, Henan Province, the PRC	The property comprises 27 parcels of land with a total site area of approximately 673,743.693 sq.m. and 51 buildings and various ancillary structures erected thereon completed in various stages between 1999 and 2008. The buildings have a total gross floor area of approximately 45,685.35 sq.m. The buildings mainly include a turbine building, a composite building, an office building, pump rooms and a gatehouse. The land use rights of the property have been granted for various terms with the earliest expiry date on 6 November 2021 for industrial use.	The property is occupied by the Enlarged Group for power generation, office and ancillary uses.	RMB266,850,000 (equivalent to HK$316,920,000)

Notes:

1. According to 8 State-owned Land Use Rights Certificates (Document Nos.: Wan Shi Guo Yong (1996) Zi No. 0004, Wan Shi Tu Guo Yong (99) Zi Nos. 0033 to 0036 and Wan Shi Tu guo Yong (2001) Zi Nos. 193 and 194 and Wan Long Guo Tu Yong Zi No. 10606), the land use rights of 8 parcels of land of the property having a total site area of approximately 642,909.604 sq.m. have been granted to Nanyang Genral Light Electric Company Limited (南陽普光電力有限公司) for terms expiring on 6 November 2021, 31 December 2025 and 15 August 2051 respectively.

2. According to 19 State-owned Land Use Rights Certificates (Document Nos.: Wan Long Guo Tu Yong Zi Nos. 10555 to 10573), the land use rights of 19 parcels of land of the property having a total site area of approximately 30,834.09 sq.m. have been allocated to Nanyang Genral Light Electric Company Limited (南陽普光電力有限公司).

3. In the valuation of the property, we have attributed no commercial value to the 19 parcels of land in Note 2 together with structures erected on due to the allocated nature and all buildings which have not obtained the Building Ownership Certificates. For reference purposes, we are of the opinion that the depreciated replacement cost of the buildings and structures (excluding the land) as at the date of valuation would be RMB148,740,000 (equivalent to HK$176,650,000) assuming relevant ownership certificates have been obtained and they could be freely transferred.

4. The PRC legal opinion states, inter alia, the following:

   (i) The land use rights of the property are legally vested in Nanyang Genral Light Electric Company Limited (南陽普光電力有限公司).

   (ii) Nanyang Genral Light Electric Company Limited (南陽普光電力有限公司) is legally entitled to use, transfer, lease, mortgage or dispose of the granted land parcels of the property.

   (iii) The granted land parcels of the property is subject to a mortgage in favour of China Merchants Bank.

   (iv) According to the mortgage agreement, Nanyang Genral Light Electric Company Limited (南陽普光電力有限公司) is not entitled to transfer the property and has to get the written consent from the mortgagee before leasing, sub-mortgaging, selling or disposing of the property.

   (v) Nanyang General Light Electric Company Limited (南陽普光電力有限公司) is legally entitled to use but is not entitled to transfer, lease and mortgaged the allocated land parcels of the property.

	Property	Description and Tenure	Particulars of occupancy	Market Value in existing state as at 31 March 2011
12.	3 parcels of land, various buildings and structures located at No. 125 Chuan Qiao Road and No. 2 Yun Qiao Road, Pudong New District, Shanghai City, the PRC	The property comprises 3 parcels of land with a total site area of approximately 57,441 sq.m. and 11 buildings and various ancillary structures erected thereon completed in various stages between 1995 and 2006. The buildings have a total gross floor area of approximately 13,679.88 sq.m. The buildings mainly include a turbine building, a composite building, an office building, pump rooms and a gatehouse. The land use rights of the property have been granted for a term expiring on 22 February 2048 for industrial use.	The property is occupied by the Enlarged Group for power generation, office and ancillary uses.	RMB87,620,000 (equivalent to HK$104,060,000)

Notes:

1. According to a State-owned Land Use Rights Certificate (Document No.: Hu Fang Di Pu Zi (2000) No. 0099331), the land use rights of the property having a site area of approximately 34,000 sq.m. have been granted to Shanghai Meiya Jinqiao Energy Company Limited (上海美亞金橋能源有限公司) for a term expiring on 22 February 2048 for industrial use.

2. According to 2 State-owned Land Use Rights Certificates (Document Nos.: Hu Fang Di Pu Zi (1999) No. 043817 and Hu Fang Di Pu Zi (2006) No. 050040), the land use rights of the property having a site area of approximately 23,441 sq.m. have been leased to Shanghai Meiya Jinqiao Energy Company Limited (上海美亞金橋能源有限公司) for terms expiring on 15 July 2025 and 18 May 2023 respectively.

3. According to 3 Building Ownership Certificates (Document Nos.: Hu Fang Di Pu Zi (2000) No. 0099331, Hu Fang Di Pu Zi (1999) No. 043817 and Hu Fang Di Pu Zi (2006) No. 050040), the building ownership rights of 11 buildings with a total gross floor area of approximately 13,679.88 sq.m. are owned by Shanghai Meiya Jinqiao Energy Company Limited (上海美亞金橋能源有限公司).

4. In the valuation of the property, we have attributed no commercial value to the 2 parcels of land in Note 2 together with buildings and structures erected on due to the leased nature. For reference purposes, we are of the opinion that the depreciated replacement cost of the buildings and structures (excluding the land) as at the date of valuation would be RMB22,860,000 (equivalent to HK$27,150,000) assuming relevant ownership certificates have been obtained and they could be freely transferred.

5. The PRC legal opinion states, inter alia, the following:

   (i) The land use rights and the building ownership rights of the property are legally vested in Shanghai Meiya Jinqiao Energy Company Limited (上海美亞金橋能源有限公司).

   (ii) Shanghai Meiya Jinqiao Energy Company Limited (上海美亞金橋能源有限公司) is legally entitled to use, transfer, lease, mortgage or dispose of the property.

   (iii) The property is subject to a mortgage in favour of Bank of China.

   (iv) Shanghai Meiya Jinqiao Energy Company Limited (上海美亞金橋能源有限公司) has to get the written consent from the mortgagee before leasing, sub-mortgaging, selling or disposing of the property.

	Property	Description and Tenure	Particulars of occupancy	Market Value in existing state as at 31 March 2011
13.	2 parcels of land and various buildings located at No. 735 Chang Jiang Road, Baoshan District, Shanghai City, the PRC	The property comprises 2 parcels of land with a total site area of approximately 36,305 sq.m. and 14 buildings erected thereon completed in or about 2007. The buildings have a total gross floor area of approximately 8,473.29 sq.m. The buildings mainly include a composite building, a plant room and pump rooms. The land use rights of the property have been allocated to the Enlarged Group for industrial use.	The property is occupied by the Enlarged Group for power generation, office and ancillary uses.	No commercial value

Notes:

1. According to 2 Certificates of Shanghai Real Estate Ownership (Document Nos.: Hu Fang Di Bao Zi (2004) Nos. 026245 and 026247), the land use rights of 2 parcels of land of the property having a total site area of approximately 36,305 sq.m. have been allocated to Shanghai Wei Gang Energy Company Limited (上海威鋼能源有限公司) for industrial use.

2. In the valuation of the property, we have attributed no commercial value to the property due to the allocated nature of the land. For reference purposes, we are of the opinion that the depreciated replacement cost of the buildings (excluding the land) as at the date of valuation would be RMB25,690,000 (equivalent to HK$30,510,000) assuming relevant ownership certificates have been obtained and they could be freely transferred.

3. The PRC legal opinion states, inter alia, the following:

   (i) The land use rights and the building ownership rights of the property are legally vested in Shanghai Wei Gang Energy Company Limited (上海威鋼能源有限公司).

   (ii) Shanghai Wei Gang Energy Company Limited (上海威鋼能源有限公司) can transfer and mortgage the property by applying for the relevant approvals or registration.

	Property	Description and Tenure	Particulars of occupancy	Market Value in existing state as at 31 March 2011
14.	6 parcels of land located at Gezan Country, Langdu Village, Shangri-La County, Yunnan Province, the PRC	The property comprises 6 parcels of land with a total site area of approximately 39,564.017 sq.m. As advised by the Company, the property is planned to be developed into 5 hydropower stations and the proposed gross floor area of the buildings is approximately 2,877.77 sq.m. The development is scheduled to be completed in 2011. The land use rights of the property have been granted for various terms with the earliest expiry date on 12 December 2057 for hydro-industrial construction use.	The property is under construction.	RMB465,530,000 (equivalent to HK$552,890,000)

Notes:

1. According to 6 State-owned Land Use Rights Certificates (Document Nos.: Xiang Tu Guo Yong (Ge-2007) Nos. 10 to 14 and Xiang Tu Guo Yong (Ge-2008) No. 1), the land use rights of the property having a total site area of approximately 39,564.017 sq.m. have been granted to Shangri-La Minhe Hydropower Development Company Limited (香格里拉縣民和水電開發有限公司) for terms expiring on 12 December 2057 and 16 July 2058 respectively.

2. The total construction cost expended in the development as at the date of valuation was approximately RMB405,000,000. The outstanding construction cost to complete the development was estimated to be approximately RMB170,000,000. In the course of our valuation, we have taken such cost into account.

3. The capital value when completed of the proposed development is approximately RMB640,000,000

4. The PRC legal opinion states, inter alia, the following:

   (i) The land use rights of the property are legally vested in Shangri-La Minhe Hydropower Development Company Limited (香格里拉縣民和水電開發有限公司).

   (ii) Shangri-La Minhe Hydropower Development Company Limited (香格里拉縣民和水電開發有限公司) is legally entitled to use, occupy, transfer, lease, mortgage or dispose of the property.

   (iii) The property is free from any encumbrances.

	Property	Description and Tenure	Particulars of occupancy	Market Value in existing state as at 31 March 2011
15.	The eastern portion of Basement 1, Levels 2, 3, 4 and 5 and the whole of Levels 6, 7 and 8 of Hua Po Lou, No. 28 Dong Zhong Jie Jia, Dong Cheng District, Beijing City, the PRC	The property comprises the eastern portion of Basement 1, Levels 2, 3, 4 and 5 and the whole of levels 6, 7 and 8 of an 8-storey commercial building completed in or about 2000. The property has a total gross floor area of approximately 3,289 sq.m.	The property is occupied by the Enlarged Group for office use.	No commercial value

Notes:

1. According to Sales and Purchase Agreement dated 21 November 2000, entered into between 北京百龍華波電訊工程總公司 ("Party A"), an independent third party, and Silver Grant International Industries Limited (銀建國際實業有限公司) ("Party B"), Party B agreed to purchase the property from Party A at a total consideration of RMB38,810,200.

2. In the valuation of the property, we have attributed no commercial value to the property as the title document of the property has not been obtained. For reference purposes, we are of the opinion that the market value of the property as at the date of valuation would be RMB41,500,000 (equivalent to HK$49,300,000) assuming all title document have been obtained and the property could be freely transferred.

3. The PRC legal opinion states, inter alia, the following:

   (i) Silver Grant International Industries Limited (銀建國際實業有限公司) has the rights to use the property.

	Property	Description and Tenure	Particulars of occupancy	Market Value in existing state as at 31 March 2011
16.	Upper and lower units of House F4, Jinbi Garden, Yinhu Road, Luohu District, Shenzhen City, Guangdong Province, the PRC	The property comprises House F4 with a total gross floor area of approximately 439.91 sq.m. completed in or about 1994. The land use rights of the property have been granted for a term of 70 years commencing from 2 May 1990 to 1 May 2060 for residential use.	The property is occupied by the Enlarged Group for staff quarter use.	RMB8,140,000 (equivalent to HK$9,670,000)

Notes:

1. According to 2 Certificates of Real Estate Ownership (Document Nos.: Shen Fang Di Zi Nos. 2000290478 and 2000290440), the land use rights and the building ownership rights of the property having a total gross floor area of approximately 439.91 sq.m. have been granted to 高健民 (Gao Jian Min) for a term of 70 years commencing from 2 May 1990 to 1 May 2060 for residential use.

2. According to a copy of Declaration dated 20 October 1998, 高健民 (Gao Jian Min) has declared that the property is held by him in trust of Likesway Limited, a wholly-owned subsidiary of the Company.

3. The PRC legal opinion states, inter alia, the following:

   (i) The property is legally vested in Likesway Limited.

   (ii) Likesway Limited is legally entitled to use, occupy, transfer, lease, mortgage or dispose of the property.

   (iii) The property is free from any encumbrances.

	Property	Description and Tenure	Particulars of occupancy	Market Value in existing state as at 31 March 2011
17.	Units 508 and 509, Level 5, Block B, East Gate Plaza, No. 29 Dongzhong Street, Dongcheng District, Beijing City, the PRC	The property comprises two office units on the Level 5 of an office building completed in 1998. The property has a total gross floor area of approximately 863.07 sq.m. The land use rights of the property have been granted for a term expiring on 24 December 2043 for office use.	The property is occupied by the Enlarged Group for office use.	RMB17,300,000 (equivalent to HK$20,550,000)

Notes:

1. According to a Building Ownership Certificate (Document No.: Jing Fang Quan Zheng Shi Dong Gang Ao Tai Zi No. 10038), the building ownership rights of the property with a total gross floor area of approximately 863.07 sq.m. are owned by Beijing East Gate Development Co., Ltd., a wholly-owned subsidiary of the Company.

2. The PRC legal opinion states, inter alia, the following:

   (i) The property is legally vested in Beijing East Gate Development Co., Ltd.

   (ii) Beijing East Gate Development Co., Ltd. is legally entitled to use, occupy, transfer, lease, mortgage or dispose of the property.

   (iii) The property is free from any encumbrances.

	Property	Description and Tenure	Particulars of occupancy	Market Value in existing state as at 31 March 2011
18.	A unit on Level 1 of a building located at No. 22 Dongzhong Street, Dongcheng District, Beijing City, the PRC	The property comprises a unit on the Level 1 of a 9-storey residential building plus one basement level completed in 1996. The property has a gross floor area of approximately 240.14 sq.m. The land use rights of the property have been granted for a term of 70, 50 and 40 years for residential, office and commercial uses respectively.	The property is occupied by the Enlarged Group for commercial use.	RMB6,080,000 (equivalent to HK$7,220,000)

Notes:

1. According to a Building Ownership Certificate (Document No.: Jing Fang Quan Zheng Dong Gu Zi No. C04937), the building ownership rights of the property with a gross floor area of approximately 240.14 sq.m. are owned by Beijing East Gate Development Co., Ltd., a wholly-owned subsidiary of the Company.

2. The PRC legal opinion states, inter alia, the following:

   (i) The property is legally vested in Beijing East Gate Development Co., Ltd.

   (ii) Beijing East Gate Development Co., Ltd. is legally entitled to use, occupy, transfer, lease, mortgage or dispose of the property.

   (iii) The property is free from any encumbrances.

	Property	Description and Tenure	Particulars of occupancy	Market Value in existing state as at 31 March 2011
19.	A unit on Basement Level 1 of a building located at No. 36 Dongzhong Street, Dongcheng District, Beijing City, the PRC	The property comprises a unit on the Basement Level 1 of a 6-storey residential building plus one basement level completed in 1995. The property has a gross floor area of approximately 331.39 sq.m. The land use rights of the property have been granted for a term of 70, 50 and 40 years for residential, office and commercial uses respectively.	The property is occupied by the Enlarged Group for staff quarter use.	RMB2,920,000 (equivalent to HK$3,470,000)

Notes:

1. According to a Building Ownership Certificate (Document No.: Jing Fang Quan Zheng Dong Wai Zi No. C04731), the building ownership rights of the property with a gross floor area of approximately 331.39 sq.m. are owned by Beijing East Gate Development Co., Ltd., a wholly-owned subsidiary of the Company.

2. The PRC legal opinion states, inter alia, the following:

   (i) The property is legally vested in Beijing East Gate Development Co., Ltd.

   (ii) Beijing East Gate Development Co., Ltd. is legally entitled to use, occupy, transfer, lease, mortgage or dispose of the property.

   (iii) The property is free from any encumbrances.

	Property	Description and Tenure	Particulars of occupancy	Market Value in existing state as at 31 March 2011
20.	Levels 4 to 31 of South Apartment Tower, Levels 4 to 31 of North Apartment Tower, Basement 2, Basement 1, Mezzanine Level and South Levels 1 to 3 of East Gate Plaza, No. 19 Dongzhong Street, Dongcheng District, Beijing City, the PRC	The property comprises the whole of Levels 4 to 31 of South Apartment Tower, the whole of Levels 4 to 31 of North Apartment Tower and the whole of Basement 2, Basement 1, the mezzanine floor and South Levels 1 to 3 of a composite development completed in 1998. According to the information provided, the property has a total gross floor area of approximately 128,317.01 sq.m. The land use rights of the property have been granted for various terms with the earliest expiry date on 24 December 2063.	Portion of the property is subject to various tenancies for the latest term expiring on 14 September 2020 at a total annual rent of RMB41,862,182, and the remaining portion of the property having a total gross floor area of approximately 31,586 sq.m. is vacant.	RMB 2,074,800,000 (equivalent to HK$2,464,130,000)

Notes:

1. According to 3 State-owned Land Use Rights Certificates (Document Nos.: Jing Shi Dong Gang Ao Tai Guo Yong (1999) Zi Nos. 10047 and 10050 and Jing Shi Dong Gang Ao Tai Guo Yong (2001 Chu) Zi No. 10127, the land use rights of the property having a total site area of approximately 21,662.1 sq.m. have been granted to Beijing East Gate Development Co., Ltd. for terms expiring on 24 December 2033 for commercial use, 24 December 2063 for residential use and 24 December 2063 for residential use respectively.

2. According to 3 Building Ownership Certificates (Document Nos.: Jing Fang Quan Zheng Shi Dong Gang Ao Tai Zi Nos. 10036, 10039 and 10092), the building ownership rights of portion of the property with a total gross floor area of approximately 125,855.73 sq.m. are owned by Beijing East Gate Development Co., Ltd., a wholly-owned subsidiary of the Company.

3. In the valuation of the property, we have attributed no commercial value to Levels 4 and 5 of South Apartment of the property as the building ownership rights of this portion has not been obtained by Beijing East Gate Development Co., Ltd. For reference purposes, we are of the opinion that the market value of this portion of the property as at the date of valuation would be RMB38,200,000 (equivalent to HK$45,400,000) assuming all title document have been obtained and the property could be freely transferred.

4. The PRC legal opinion states, inter alia, the following:

   (i) The property is legally vested in Beijing East Gate Development Co., Ltd.

   (ii) Beijing East Gate Development Co., Ltd. is legally entitled to use, occupy, transfer, lease, mortgage or dispose of the property.

   (iii) The property is subject to a mortgage in favour of Nanyang Commercial Bank (China) Limited.

   (iv) Beijing East Gate Development Co., Ltd. has to get the written consent from the mortgagee before leasing, sub-mortgaging, selling or disposing of the property.

Group II — Property interests owned by the Enlarged Group in South Korea

	Property	Description and Tenure	Particulars of occupancy	Market Value in existing state as at 31 March 2011
21.	A parcel of land, various buildings and structures located at Yulchon 1st Local Industrial Complex, Haeryong-myeon, Suncheon-Shi, Jeollanam-do, South Korea	The property comprises a parcel of land with a site area of approximately 165,290 sq.m. and 15 buildings and various ancillary structures erected thereon completed in various stages between 2004 and 2009. The buildings have a total gross floor area of approximately 10,805.18 sq.m. The buildings mainly include turbine buildings, composite buildings, an office building, pump rooms and gatehouses.	The property is occupied by the Enlarged Group for power generation, office and ancillary uses.	No commercial value

Notes:

1. The land has been held and occupied by MPC Yulchon Generation Co., Ltd. but not yet registered in the name of MPC Yulchon Generation Co., Ltd. because the Yulchon 1st Local Industrial Complex is still under development and scheduled to be completed in 2013. MPC Yulchon Generation Co., Ltd. will pay the remaining land premium to the local government upon the completion of the whole industrial complex. The land will then be officially registered in the name of MPC Yulchon Generation Co., Ltd without any legal impediment. MPC Yulchon Generation Co., Ltd. is legally entitled to occupy the property for power generation use.

2. In the valuation of the property, we have attributed no commercial value to the property as the title document of the land has not been obtained. The property cannot be transferred in the open market. For reference purposes, we are of the opinion that the market value of the property as at the date of valuation would be RMB238,600,000 (equivalent to HK$283,370,000) assuming all title document have been obtained and the property could be freely transferred.

	Property	Description and Tenure	Particulars of occupancy	Market Value in existing state as at 31 March 2011
22.	Various buildings and structures located at 634 Dokgot-ri, Daesan-eup, Seosan-shi, Chungcheongnam-do, South Korea	The property comprises 15 buildings and various ancillary structures completed in various stages between 1998 and 2010, which are erected on a parcel of leased land with a site area of approximately 53,569 sq.m. The buildings have a total gross floor area of approximately 17,977.67 sq.m. The buildings mainly include turbine buildings, composite buildings, an office building, pump rooms and a gatehouse.	The property is occupied by the Enlarged Group for power generation, office and ancillary uses.	No commercial value

Notes:

1. The land is leased by MPC Daesan Power Co., Ltd.

2. In the valuation of the property, we have attributed no commercial value to the property due to the fact that the land of the property is leased by MPC Daesan Power Co., Ltd. and is therefore not freely transferable in the open market. MPC Daesan Power Co., Ltd. is not entitled to transfer the property but is entitled to occupy the property for power generation use. For reference purposes, we are of the opinion that the depreciated replacement cost of the buildings and structures as at the date of valuation would be RMB117,000,000 (equivalent to HK$138,950,000) assuming all title document have been obtained and the property could be freely transferred.

Group III — Property interests owned by the Enlarged Group in Hong Kong

	Property	Description and Tenure	Particulars of occupancy	Market Value in existing state as at 31 March 2011
23.	Offices 1, 2 and 9 on 49th Floor, Office Tower, Convention Plaza, No. 1 Harbour Road, Wan Chai, Hong Kong 6,889/4,00,0000th equal undivided shares of and in Inland Lot No. 8593	The property comprises three office units on the 49th Floor of a 39-storey office building erected over a commercial podium completed in 1990. The property has a total saleable area of approximately 4,243 sq.ft. (394.18 sq.m.). The property is held under Conditions of Grant No. UB11784 for a term of 75 years commencing from 19 February 1985. The current ground rent for the Lot is HK$1,000 per annum.	The property is occupied by the Enlarged Group for office use.	HK$131,000,000

Notes:

1. According to the Land Registry record, the current registered owner of the property is Real China Development Limited, a wholly-owned subsidiary of the Company.

2. Offices 1 and 9 are subject to a mortgage in favour of Bank of China (Hong Kong) Limited dated 15 August 2007 vide memorial no. 07082402320094.

3. Office 2 is subject to a mortgage in favour of Bank of China (Hong Kong) Limited dated 31 July 2008 vide memorial no. 08082701950071.

	Property	Description and Tenure	Particulars of occupancy	Market Value in existing state as at 31 March 2011
24.	Unit 101 on 1st Floor, Block E, Nos. 13-15 Hong Shing Street, Kornhill, Quarry Bay, Hong Kong 76/700,000th equal undivided share of and in the Remaining Portion of Inland Lot No. 8566	The property comprises a residential unit on the 1st Floor of twin residential blocks of 32 and 33 storeys completed in 1986. The property has a gross floor area of approximately 881 sq.ft. (81.85 sq.m.). The property is held under Conditions of Exchange No. UB11728 for a term of 75 years commencing from 27 April 1984 with right of renewal for a further term of 75 years. The current ground rent for the Lot is HK$1,000 per annum.	The property is occupied by the Enlarged Group for staff quarter use.	HK$5,500,000

Note:

1. According to the Land Registry record, the current registered owner of the property is Twin Sparkle Limited, a wholly-owned subsidiary of the Company.

	Property	Description and Tenure	Particulars of occupancy	Market Value in existing state as at 31 March 2011
25.	Unit 116 on 1st Floor, Block G, Nos. 5-7 Hong Shing Street, Kornhill, Quarry Bay, Hong Kong 76/700,000th equal undivided share of and in the Remaining Portion of Inland Lot No. 8566	The property comprises a residential unit on the 1st Floor of twin residential blocks of 24 and 26 storeys completed in 1986. The property has a gross floor area of approximately 881 sq.ft. (81.85 sq.m.). The property is held under Conditions of Exchange No. UB11728 for a term of 75 years commencing from 27 April 1984 with right of renewal for a further term of 75 years. The current ground rent for the Lot is HK$1,000 per annum.	The property is occupied by the Enlarged Group for staff quarter use.	HK$5,950,000

Notes:

1. According to the Land Registry record, the current registered owner of the property is Twin Sparkle Limited, a wholly-owned subsidiary of the Company.

2. The property is subject to a mortgage in favour of Bank of China (Hong Kong) Limited dated 20 April 2007 vide memorial no. 07050302120032.

	Property	Description and Tenure	Particulars of occupancy	Market Value in existing state as at 31 March 2011
26.	Duplex apartment 9B on 9th and 10th Floors and Car Parking Space No. 106 on 2nd Level Basement, No. 6A Bowen Road, Mid-Levels, Hong Kong 68/700,000th equal undivided share of and in Inland Lot No. 6459	The property comprises a duplex apartment on the 9th and 10th Floor of a 13-storey residential building plus a 2-storey car-parking basement underneath completed in 1984. The gross floor area of the property (excluding the car-parking space) is approximately 3,007 sq.ft. (279.36 sq.m.). The property is held under a Government Lease for a term of 75 years commencing from 5 September 1949 with the right of renewal for a further term of 75 years. The current ground rent for the Lot is HK$542 per annum.	The property is occupied by the Enlarged Group for staff quarter use.	HK$62,000,000

Notes:

1. According to the Land Registry record, the current registered owner of the property is Silver Grant International Industries Limited.

2. The property is subject to a mortgage in favour of Bank of China (Hong Kong) Limited dated 9 December 2002 vide memorial no. UB8841493.

Group IV – Property interests rented by the Enlarged Group in the PRC

	Property	Description and Tenancy particulars	Particulars of occupancy	Market Value in existing state as at 31 March 2011
27.	Room 2102 on Level 21, Jin Jiang Sun Hotel, No. 589 West Donggang Road, Lanzhou City, Gansu Province, the PRC	The property comprises an office unit on the 21st Floor of a 25-storey building completed in 2001. The property has a gross floor area of approximately 87.2 sq.m. The property is leased to 亞能咨詢(上海)有限公司(Yaneng Consulting (Shanghai) Company Limited) by 錦江陽光酒店(Jin Jiang Sun Hotel), an independent third party, for a term from 1 December 2010 to 30 November 2011 at a monthly rent of RMB8,432.	The property is occupied by the Enlarged Group for office use.	No commercial value

Notes:

1. The PRC legal opinion states, inter alia, the following:

   (i) The tenancy agreement complies with the requirements of the PRC laws and is legally binding and enforceable between the lessor and the lessee.

   (ii) The lessee has the rights to use the property in accordance with the prescribed use.

	Property	Description and Tenancy particulars	Particulars of occupancy	Market Value in existing state as at 31 March 2011
28.	A parcel of Land located at Tongjiangdeng, Langdu Village, Shangri-La County, Yunnan Province, the PRC	The property comprises a parcel of land with site area of approximately 40,000.2 sq.m. (60 mu). The property is leased to Shangri-La Minhe Hydropower Development Company Limited (香格里拉縣民和水電開發有限公司) by 格咱鄉浪都村村委會 (Gezan Langdu Village Committee), an independent third party, for a term from 1 January 2006 to 31 December 2015 at an annual rent of RMB15,600.	The property is occupied by the Enlarged Group for storage use.	No commercial value

Notes:

1. The PRC legal opinion states, inter alia, the following:

   (i) The property is a collectively owned land parcel. Under the PRC laws, the property is not entitled to be transferred or leased to third parties for non-agricultural use. As the land parcel is leased for non-agricultural use, the tenancy agreement is subject to the risk of being void.

   (ii) Shangri-La Minhe Hydropower Development Company Limited (香格里拉縣民和水電開發有限公司) has confirmed the property is being leased for temporary storage of construction materials. The property will be vacated when the relevant construction works have been completed.

	Property	Description and Tenancy particulars	Particulars of occupancy	Market Value in existing state as at 31 March 2011
29.	A parcel of Land located near to Shangri-La County Gezan Transformer Substation, Langdu Village, Shangri-La County, Yunnan Province, the PRC	The property comprises a parcel of land with site area of approximately 3,100 sq.m. The property is leased to Shangri-La Minhe Hydropower Development Company Limited (香格里拉縣民和水電開發有限公司) by 格咱鄉格咱村初古社 (Gezan Village Chugushe), an independent third party, for a term from 1 April 2008 to 1 April 2012 at an annual rent of RMB20,000.	The property is occupied by the Enlarged Group for storage use.	No commercial value

Notes:

1. The PRC legal opinion states, inter alia, the following:

   (i) The property is a collectively owned land parcel. Under the PRC laws, the property is not entitled to be transferred or leased to third parties for non-agricultural use. As the land parcel is leased for non-agricultural use, the tenancy agreement is subject to the risk of being void.

   (ii) Shangri-La Minhe Hydropower Development Company Limited (香格里拉縣民和水電開發有限公司) has confirmed the property is being leased for temporary storage of construction materials. The property will be vacated when the relevant construction works have been completed.

	Property	Description and Tenancy particulars	Particulars of occupancy	Market Value in existing state as at 31 March 2011
30.	Room 1102 on Block 1, Ming Du Yuan, No. 22 Jin Pu Road, Nanning City, Guangxi Province, the PRC	The property comprises an office unit on the 11th Floor of a 20-storey building completed in 2000. The property has a gross floor area of approximately 203.34 sq.m. The property is leased to Guangxi Rongjiang Meiya Hydropower Company Limited (廣西融江美亞水電有限公司) by 南寧港昌房地產有限公司 (Nanning Gangchang Real Estate Company Limited), an independent third party, for a term from 1 December 2009 to 31 December 2012 at an annual rent of RMB178,126.	The property is occupied by the Enlarged Group for office use.	No commercial value

Notes:

1. The PRC legal opinion states, inter alia, the following:

   (i) The tenancy agreement complies with the requirements of the PRC laws and is legally binding and enforceable between the lessor and the lessee.

   (ii) The lessee has the rights to use the property in accordance with the prescribed use.

	Property	Description and Tenancy particulars	Particulars of occupancy	Market Value in existing state as at 31 March 2011
31.	Rooms 1508-1509 on Level 15, Canway Building, No. 66 Nan Li Shi Road, West District, Beijing City, the PRC	The property comprises an office unit on the 15th Floor of a 22-storey building completed in 2001. The property has a gross floor area of approximately 203.34 sq.m. The property is leased to 亞能咨詢(上海)有限公司(Yaneng Consulting (Shanghai) Company Limited) by 北京建威房地產經紀有限公司(Beijing Jianwei Real Estate Agency Company Limited), an independent third party, for a term from 15 September 2010 to 14 September 2012 at a monthly rent of RMB54,757.24.	The property is occupied by the Enlarged Group for office use.	No commercial value

Notes:

1. The PRC legal opinion states, inter alia, the following:

   (i) The tenancy agreement complies with the requirements of the PRC laws and is legally binding and enforceable between the lessor and the lessee.

   (ii) The lessee has the rights to use the property in accordance with the prescribed use.

	Property	Description and Tenancy particulars	Particulars of occupancy	Market Value in existing state as at 31 March 2011
32.	Rooms 08-13 on Level 14, Pos Plaza, No. 1600 Century Avenue, Pudong, Shanghai City, the PRC	The property comprises an office unit on the 14th Floor of a 24-storey commercial building completed in 1999. The property has a gross floor area of approximately 710.12 sq.m. The property is leased to 亞能咨詢(上海)有限公司(Yaneng Consulting (Shanghai) Company Limited) by 上海陸家嘴商務廣場有限公司(Shanghai Lujiazui Commercial Plaza Company Limited), an independent third party, for a term from 16 March 2009 to 15 March 2012 at a monthly rent of RMB173,920.22.	The property is occupied by the Enlarged Group for office use.	No commercial value

Notes:

1. The PRC legal opinion states, inter alia, the following:

   (i) The tenancy agreement complies with the requirements of the PRC laws and is legally binding and enforceable between the lessor and the lessee.

   (ii) The lessee has the rights to use the property in accordance with the prescribed use.

	Property	Description and Tenancy particulars	Particulars of occupancy	Market Value in existing state as at 31 March 2011
33.	No. 7 of Block 4, Na Chi De Nan Area, Xiang Ba La Avenue, Jiangtang Town, Shangri-La County, Yunnan Province, the PRC	The property comprises all units on a 4-storey residential building completed in 2000. The property has a total gross floor area of approximately 311.34 sq.m. The property is leased to Shangri-La Minhe Hydropower Development Company Limited by 李燦文 (Li Can Wen), an independent third party, for a term from 15 May 2009 to 14 May 2014 at an annual rent of RMB20,000.	The property is occupied by the Enlarged Group for office and residential uses.	No commercial value

Notes:

1. The PRC legal opinion states, inter alia, the following:

   (i) The property has been partially used for office purpose that does not comply with the residential use permitted under the Building Ownership Certificate of the property.

	Property	Description and Tenancy particulars	Particulars of occupancy	Market Value in existing state as at 31 March 2011
34.	Level 2, Office Block A, No. 999 Hanpu North Road, Yuelu District, Changsha City, Hunan Province, the PRC	The property comprises the 2nd Floor of a 15-storey office building completed in 2002. The property has a gross floor area of approximately 1,588.26 sq.m. The property is leased to Hunan Xiangtou International Investment Company Limited by Huanan Xiangtou Holdings Group Limited, an independent third party, for a term from 1 January 2011 to 31 December 2011 at an annual rent of RMB434,786.	The property is occupied by the Enlarged Group for office use.	No commercial value

Notes:

1. The PRC legal opinion states, inter alia, the following:

   (i) The tenancy agreement complies with the requirements of the PRC laws and is legally binding and enforceable between the lessor and the lessee.

   (ii) The lessee has the rights to use the property in accordance with the prescribed use.

Group V — Property interest rented by the Enlarged Group in Hong Kong

	Property	Description and Tenancy particulars	Particulars of occupancy	Market Value in existing state as at 31 March 2011
35.	15th Floor, Harbour Centre, No. 25 Harbour Road, Wan Chai, Hong Kong	The property comprises the 15th Floor of a 33-storey commercial building with 2 basement levels completed in 1983. The property has a useable floor area of approximately 13,872 sq.ft. (1,288.74 sq.m.). The property is leased to Meiya Power Company by Xipho Development Company Limited, an independent third party, for a term from 1 January 2009 to 31 December 2011 at a monthly rent of HK$536,066, exclusive of rates and service charges.	The property is occupied by the Enlarged Group for office use.	No commercial value

Notes:

1. According to the Land Registry record, the current registered owner of the property is the lessor, Xipho Development Company Limited.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

Interests of Directors

As at the Latest Practicable Date, none of the Directors and the chief executive of the Company had any interest or short position 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 are required: (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which he is taken or deemed to have under such provisions of the SFO); (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

Save as disclosed below, as at the Latest Practicable Date, none of the Director is a director or employee of a company which has an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

— Mr. Gao Jian Min ("Mr. Gao") who is also a director of Silver Grant Group Limited ("SG Group"), a substantial shareholder of the Company. Mr. Gao also has a 30% interest in SG Group as at the Latest Practicable Date.

— Mr. Liu Tianni ("Mr. Liu") who is also a director of SG Group, a substantial shareholder of the Company. Mr. Liu also has a 30% interest in SG Group as at the Latest Practicable Date.

— Mr. Gu Jianguo who is also a director and the general manager of Well Kent International Holdings Co., Ltd ("Well Kent"). Well Kent is an indirect wholly owned subsidiary of China Cinda Asset Management Co., Ltd., a substantial shareholder of the Company;

— Mr. Tang Baoqi who is also the financial controller of Well Kent. Well Kent is an indirect wholly owned subsidiary of China Cinda Asset Management Co., Ltd., a substantial shareholder of the Company;

— Mr. Chen Xiaozhou who is also the chairman of Well Kent. Well Kent is an indirect wholly owned subsidiary of China Cinda Asset Management Co., Ltd., a substantial shareholder of the Company; and

— Mr. Yang Zhao who is also the general manager of the capital operations department of CGNPC, the managing director of CGNPC International, substantial shareholders of the Company.

3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, there is no existing or proposed service contract between any of the Directors or proposed director and any member of the Group other than service contracts that are expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation).

4. INTERESTS IN CONTRACT OR ARRANGEMENT

None of the Directors was materially interested, directly or indirectly, in any contract or arrangement entered into by any member of the Group which was subsisting as at the Latest Practicable Date and which was significant in relation to the business of the Group.

5. INTERESTS IN ASSETS

As at the Latest Practicable Date, none of the Directors or proposed director had any direct or indirect interest in any assets which have been, since 31 December 2010, the date to which the latest published audited financial statements of the Group were made up, acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

6. DIRECTORS' INTEREST IN COMPETING INTEREST

As at the Latest Practicable Date, none of the Directors or any of their respective associates had any business or interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

7. LITIGATION

So far as the Directors are aware, as at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and there was no litigation or claim of material importance known to the Directors to be pending or threatened by or against any member of the Group.

8. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the members of the Group within two years immediately preceding the Latest Practicable Date and which are, or may be, material to the Group:

(a) the Subscription Agreement;

(b) a placing and subscription agreement dated 29 March 2011 among the Company, Shenyin Wanguo Capital (H.K.) Limited ("Shenyin") and Regent Star International Limited ("Regent Star") in relation to (1) the placing of 120,000,000 Shares owned by Regent Star by or on behalf of Shenyin to placees on a fully underwritten basis and (2) the subscription of 120,000,000 new Shares by Regent Star at a subscription price of HK$3.00 per Share;

(c) a capital increase agreement dated 18 March 2010 entered into between 北京潤達國際投資管理有限公司 (Beijing Runda International Investment Management Co. Ltd.*) (a wholly-owned subsidiary of the Company) and Shanxi Guoyang New Energy Co., Ltd. in relation to the increase of the registered capital of 國陽天泰投資有限公司(Guoyang Tiantai Investment Co. Ltd.*) from RMB450,000,000 to RMB2,000,000,000;

(d) a letter of intent dated 31 January 2011 entered into among Konson Investment Limited ("Konson") (a non wholly-owned subsidiary of the Company), Jiangxi Copper Company Limited and 中國兵工物資總公司(China Ordins Corporation*) ("China Ordins") in relation to an investment in 江銅國際貿易有限公司(Jiangxi Copper International Trading Co., Ltd.*) (the "JV Company" (whereby the parties thereto agreed to increase the registered capital of the JV Company from RMB600,000,000.00 to RMB1,000,000,000.00 and that each of Konson and China Ordins has agreed to contribute RMB200,000,000.00 to the JV Company;

* *The names in English are for identification only.*

(e) a conditional subscription agreement dated 28 January 2010 entered into between the Company and CGNPC International in relation to the subscription of 364,140,000 new Shares at a subscription price of HK$2.00 per Share;

(f) a term sheet dated 24 November 2009 entered into between the Company and CGNPC International in relation to the subscription of 364,140,000 new Shares at a subscription price of HK$2.00 per Share;

(g) an agreement dated 19 November 2009 entered into among Silver Grant International Infra-Structure Investment Limited (a wholly-owned subsidiary of the Company), CRBC Infra-Structure Investment Limited, Gainwood Limited, Prime Key Group Limited (collectively, as vendors) and Well Fortune International Investment Enterprise Limited in relation to the disposal of the entire issued share capital of CII Limited at an aggregate consideration of HK$716,466,668.00; and

(h) a disposal agreement dated 11 August 2009 entered into between Beijing East Gate Development Co., Ltd. ("BJ East Gate") (a wholly-owned subsidiary of the Company) and an independent third party (the "Purchaser") in relation to, inter alia, BJ East Gate agreed to dispose of its entire 22.62% equity interest of 北京君合百年房地產開發有限公司(Beijing Junhe Bainian Property Development Limited) to the Purchaser at a consideration of approximately RMB134,519,000.

9. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2010, being the date to which the latest audited consolidated financial statements of the Group were made up.

10. QUALIFICATIONS OF EXPERTS

The following are the qualifications of the professional advisers ("Experts") who have given opinions or advice contained in this circular:

Names	Qualifications
Deloitte Touche Tohmatsu	Certified Public Accountants
Quam Capital Limited	A licensed corporation to carry out type 6 (advising on corporate finance) regulated activity under the SFO
Vigers Appraisal & Consulting Limited	Property valuer
Grandall Legal Group	PRC lawyers
Duty & Win Partnership	PRC lawyers
Tianchi Law Firm	PRC lawyers

The letter and report from the Experts are given as of the date of this circular for incorporation in this circular.

11. CONSENTS

Each of the Experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its reports and/or letters, as the case may be, and references to its names in the form and context in which it appears.

As at the Latest Practicable Date, none of the Experts had any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, none of the Experts had any direct or indirect interest in any assets which have been, since 31 December 2010, the date of which the latest published audited financial statements of the Group were made up, acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

12. CORPORATE INFORMATION

(a) The registered office of the Company is situated at Suite 4901, 49th Floor, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong.

(b) The share registrar of the Company in Hong Kong is Tricor Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

(c) The company secretary of the Company is Mr. Tung Tat Chiu, Michael, who is a practicing solicitor in Hong Kong.

(d) The English text of this circular shall prevail over the Chinese text in the case of any inconsistency.

13. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of the Company at Suite 4901, 49th Floor, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong during normal business hours from the date of this circular up to and including the date of the EGM:

(a) the memorandum and articles of association of the Company;

(b) the material contracts referred to in the paragraph headed "Material Contracts" in this Appendix;

(c) the consent letters from the Experts referred to in the paragraph headed "Consents" in this Appendix;

(d) the letter from Quam Capital, the text of which is set out on pages 33 to 63 to this circular;

(e) the accountant's report of CGNPC Huamei prepared by Deloitte Touche Tohmatsu, the text of which is set out in Appendix IIA to this circular;

(f) the accountants' report of MP Group prepared by Deloitte Touche Tohmatsu, the text of which is set out in Appendix IIB to this circular;

(g) the accountant's report on the unaudited pro forma financial information of the Enlarged Group prepared by Deloitte Touche Tohmatsu, the text of which is set out in Appendix III to this circular;

(h) the property valuation report of the Enlarged Group prepared by Vigers Appraisal & Consulting Limited, the text of which is set out in Appendix V to this circular;

(i) the annual reports of the Company for the two years ended 31 December 2009 and 2010; and

(j) this circular.

SILVER GRANT INTERNATIONAL INDUSTRIES LIMITED
銀建國際實業有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 171)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting ("**EGM**") of Silver Grant International Industries Limited (the "**Company**") will be held on Salon IV, Mezzanine Floor, Grand Hyatt Hong Kong, 1 Harbour Road, Wanchai, Hong Kong on Wednesday, 20 July 2011 at 10:00 a.m. or any adjournment(s) thereof, for the purpose of considering and, if thought fit, passing with or without modification, the following resolution as ordinary resolution of the Company:

ORDINARY RESOLUTION

1. "**THAT**:

(a) the subscription agreement dated 27 April 2011 ("**Agreement**", a copy of which has been produced to the meeting marked "A" and signed by the chairman of the meeting for the purpose of identification) (as may be amended from time to time) entered into among CGNPC Huamei Investment Limited ("**CGNPC Huamei**"), CGNPC International Limited ("**CGNPC International**"), Gold Sky Capital Limited, a wholly-owned subsidiary of the Company, as subscriber (the "**Subscriber**") and the Company, as guarantor of the Subscriber, in relation to the subscription of 776,424,000 new ordinary shares of HK$1.00 each in the issued share capital of CGNPC Huamei (the "**Target Shares**") for a consideration of HK$776,424,000.00 (the "**Consideration**") upon and subject to the terms and conditions as set out therein (the "**Subscription**"), and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;

(b) a share charge ("**Share Charge**", a copy of which has been produced to the meeting marked "B" and signed by the chairman of the meeting for the purpose of identification) (as may be amended from time to time) to be entered into among the Subscriber as chargor in favour of 中國廣東核電集團有限公司 (China Guangdong Nuclear Power Holding Corporation, Ltd) as chargee and CGNPC Huamei in relation to the share charge over 776,424,000 Target

Shares upon and subject to the terms and conditions as set out therein, and the transactions contemplated thereunder be and are hereby approved;

(c) the repayment of the remainder of the Shareholder Loan (as hereinafter defined) (together with the interest to be accrued thereon as determined in accordance with the Shareholder Loan Agreement (as hereinafter defined)) in favour of CGNPC International, immediately after the capitalisation of the Shareholder Loan in the principal amount of US$240,019,113.00 (equivalent to HK$1,863,566,000.00 based on the exchange rate of US$1.00 = HK$7.76424) by CGNPC Huamei's allotment and issue of 1,863,566,000 Target Shares (the "**Capitalisation Shares**") at the issue price of HK$1.00 per Capitalisation Share to CGNPC International, by utilising part of the Consideration received from the Subscription (collectively, the "**Repayment**") (as may be amended from time to time), and the transactions contemplated thereunder be and are hereby approved; and

for the purpose of this resolution:

"Shareholder Loan" means the loan in the maximum principal amount of US$350,000,000.00 advanced by CGNPC International in favour of CGNPC Huamei for financing the acquisition by CGNPC Huamei of, inter alia, the entire issued share capital of Meiya Power Company Limited from MPC Hold Co Cayman ("**MPC Cayman**") upon the terms of the share purchase agreement dated 28 April 2010 between CGNPC Huamei and MPC Cayman as amended by "Amendment No. 1 to Share Purchase Agreement" dated 26 October 2010 (as amended and supplemented from time to time) in accordance with the terms of the Shareholder Loan Agreement, pursuant to which CGNPC Huamei has drawn down part of the Shareholder Loan in the principal amount of US$325,500,000.00 and HK$35,000,000.00 as at the date of the Agreement; and

"Shareholder Loan Agreement" means《借款合同》(Loan Agreement) entered into between CGNPC International and CGNPC Huamei dated 2 November 2010, pursuant to which CGNPC International has agreed to advance the Shareholder Loan in favour of CGNPC Huamei upon the terms thereof.

(d) any one director of the Company (the "**Director**") be and is hereby authorized for and on behalf of the Company to sign, seal, execute, perfect and deliver such other documents and to do all acts, matters and things as he may in his absolute discretion consider necessary, desirable or expedient for the purposes of or in connection to implementing, completing and giving effect to (i) the Agreement (as may be amended from time to time), the Share Charge (as may be amended from time to time) and the Repayment (as may be amended from time to time) and the respective transactions contemplated thereunder and/or (ii) the amendment, variation or modification of the Agreement (as may be amended from time to time), the Share Charge (as may be amended from time to time) and the Repayment (as may be amended from time to time) upon such terms and conditions as the board of Directors may think fit."

By Order of the Board
Silver Grant International Industries Limited
Gao Jian Min
Managing Director

Hong Kong, 30 June 2011

Registered Office:
Suite 4901,
49th Floor, Office Tower
Convention Plaza
1 Harbour Road
Wanchai
Hong Kong

Notes:

1. A member of the Company entitled to attend and vote at the EGM convened by the notice of EGM is entitled to appoint one proxy or more proxies to attend and, on a poll, vote instead of him at the EGM. A proxy need not be a member of the Company.

2. To be valid, a form of proxy together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power of attorney or authority must be deposited at the registered office of the Company at Suite 4901, 49th Floor, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong, not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof.

3. In the case of joint holders of any Share, any one of such persons may vote at the meeting, either personally or by proxy, in respect of such Share as if he were solely entitled thereto; but if more than one of such joint holders are present at the meeting personally or by proxy, then one of the said persons so present whose name stands first on the register in respect of such Share shall alone be entitled to vote in respect thereof.

4. Completion and return of this accompanying form of proxy will not preclude you from attending and voting at the EGM in person should you so wish.

As at the date of this notice, the Board comprises Mr. Gao Jian Min (Managing Director), Mr. Liu Tianni (Deputy Managing Director), Mr. Gu Jianguo, Mr. Tang Baoqi, Mr. Chow Kwok Wai and Mr. Li Xianli as executive Directors; Mr. Chen Xiaozhou (Chairman), Mr. Hui Xiao Bing (Vice Chairman) and Mr. Yang Zhao (Vice Chairman) as non-executive Directors and Mr. Kang Dian, Mr. Zhang Lu and Mr. Hung Muk Ming as independent non-executive Directors.