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

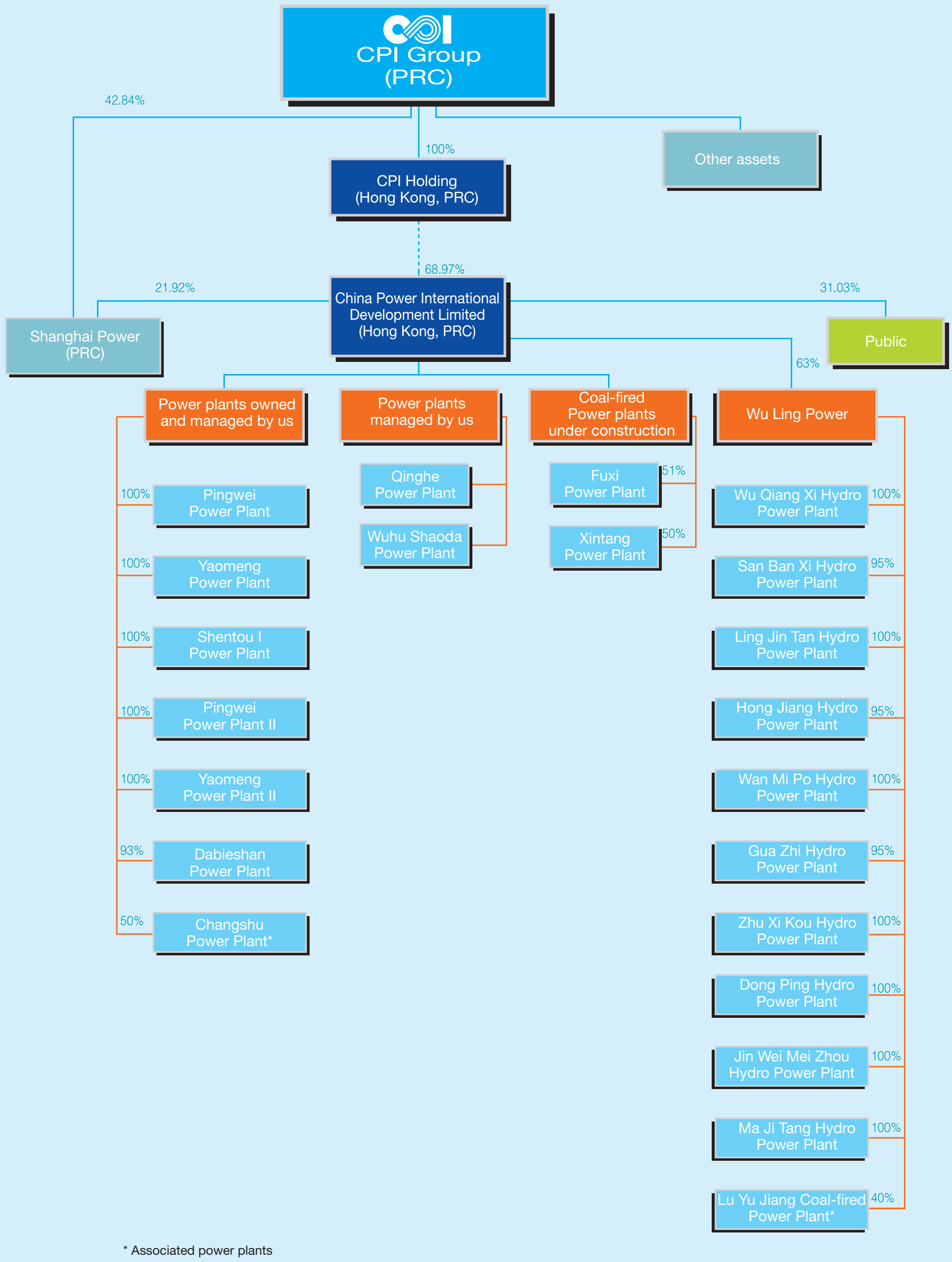
(incorporated in Hong Kong with limited liability under the Companies Ordinance)
(Stock Code : 2380)

2009 Annual Report

Contents

	RMB
Earnings per share	
Basic	0.14
Diluted	0.14
Revenue	10,936,508,000
Profit attributable to equity holders of the Company	519,008,000
Shareholders' equity	12,438,394,000
Total assets	54,206,534,000
Cash and cash equivalents	1,910,816,000
Total bank and other borrowings	34,172,500,000
Gross generation (MWh)	37,195,711*
Net generation (MWh)	34,714,399*

* *Excluding the associated companies*


CPI Group
(PRC)
42.84%
100%
Other assets
CPI Holding
(Hong Kong, PRC)
68.97%
21.92%
31.03%
China Power International Development Limited
(Hong Kong, PRC)
Shanghai Power
(PRC)
Public
63%
Power plants owned and managed by us
Power plants managed by us
Coal-fired Power plants under construction
Wu Ling Power
Qinghe Power Plant
Wuhu Shaoda Power Plant
51%
Fuxi Power Plant
50%
Xintang Power Plant
100%
Pingwei Power Plant
100%
Yaomeng Power Plant
100%
Shentou I Power Plant
100%
Pingwei Power Plant II
100%
Yaomeng Power Plant II
93%
Dabieshan Power Plant
50%
Changshu Power Plant*
Wu Qiang Xi Hydro Power Plant
100%
San Ban Xi Hydro Power Plant
95%
Ling Jin Tan Hydro Power Plant
100%
Hong Jiang Hydro Power Plant
95%
Wan Mi Po Hydro Power Plant
100%
Gua Zhi Hydro Power Plant
95%
Zhu Xi Kou Hydro Power Plant
100%
Dong Ping Hydro Power Plant
100%
Jin Wei Mei Zhou Hydro Power Plant
100%
Ma Ji Tang Hydro Power Plant
100%
Lu Yu Jiang Coal-fired Power Plant*
40%
* Associated power plants

LOCATION OF POWER PLANTS

Yaomeng Power Plant

Changshu Power Plant

Shentou I Power Plant

Dabieshan Power Plant

Pingwei Power Plant

Yaomeng Power Plant II

Pingwei Power Plant II

Wu Ling Hydro Power

Qinghe Power Plant
Liaoning
Beijing
Shentou I Power Plant
Shanxi
Yaomeng Power Plant II
Yaomeng Power Plant
Pingwei
Power Plant
Jiangsu
Henan
Pingwei Power
Plant II
Changshu Power Plant
Shanghai
Shanghai Power
Sichuan
Hubei
Anhui
Fuxi Power Plant
Dabieshan
Power Plant
Wuhu Shaoda Power Plant
Wu Ling Power Plant
Guizhou
Hunan
Guangdong
Xintang Power Plant
South China Sea
O Power plants under commercial operation
M Power plants managed by us
C Power Plants under construction
21.92% stake in Shanghai Power

COMPANY PROFILE

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

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

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

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

The Company also owns 63% equity interests in Wu Ling Power Corporation, one of the leading hydro-power development companies in the PRC. Wu Ling Power is the largest hydro-power company in Hunan Province with a total installed capacity of 3,995 MW, of which an installed capacity of 2,245 MW is attributable to the Company.

The Company also holds shares of Shanghai Power (21.92% ownership). Shanghai Power is a power company whose shares are listed on the Shanghai Stock Exchange. The Company is its second largest shareholder after CPI Group. As at 31 December 2009, Shanghai Power's attributable installed capacity was 6,008 MW, while ours was 1,317 MW.

As at 31 December 2009, the Company's total attributable installed capacity was 11,177 MW, of which attributable installed capacity of hydro-power plants was 2,094 MW, accounting for 18.73% of all attributable installed capacity, making the Company an overseas listed PRC power-generation company with the highest percentage of hydro-power installed capacity.

The Company also manages two other power plants on behalf of CPI Holding, namely, Qinghe Power Plant (400 MW) and CPI (Wuhu) Power Plant (250 MW). Total entrusted management capacity was 650 MW.

The Company's power plants projects that are currently under construction include: the two sets of coal-fired power generation units with an installed capacity of 600 MW each in Fuxi, Sichuan in which the Company owns 51%, have obtained official approval from the National Development and Reform Commission and commenced construction in 18 November 2009; two sets of co-generation units with an installed capacity of 300 MW each of Xintang, Guangzhou in which the Company owns 50%, have obtained official approval from the National Development and Reform Commission and commenced construction on 16 November 2009. The installed capacity of the new projects above totalled 1,800 MW, of which installed capacity attributable to the Company is 912 MW.

OUR PARENT COMPANY – CPI GROUP

The Company is ultimately owned by CPI Group, which is one of the five largest power-generating groups in China established pursuant to the restructuring of the power industry of the PRC in 2002. The power plants of CPI Group spread across 28 provinces, municipalities and autonomous regions in the PRC with a controllable installed capacity of approximately 60GW.

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

MAJOR CORPORATE EVENTS IN THE FIRST HALF OF THE YEAR

January	China Power announced its gross generation for 2008 of 36,360,449 MWh, an increase of 36.17% over the same period in the same period in 2007.
April	China Power announced its annual results for 2008.
	China Power announced its gross generation for the first quarter in 2009 of 8,593,368 MWh, an increase of 0.66% over the same period in 2008.
May	China Power held its annual general meeting in Hong Kong.
June	China Power entered into an acquisition agreement with CPI Holding to acquire 63% equity interests in Wu Ling Power.

MAJOR CORPORATE EVENTS IN THE SECOND HALF OF THE YEAR

July	China Power announced its gross generation for the first half of 2009 of 16,731,270 MWh, an decrease of 0.82% over the same period in 2008.
September	China Power announced its interim results for 2009 and profit attributable to shareholders of the Company was RMB151,858,000, an increase of RMB401,240,000 over the loss in the same period last year.
October	China Power announced its gross generation for the first three quarters in 2009 of 25,828,327 MWh, a decrease of 1.98% over the same period in 2008.
November	Two sets of co-generation units with an installed capacity of 300 MW each of Xintang power plant have obtained approval from the National Development and Reform Commission and commenced construction.
	Two sets of coal-fired power generation units with an installed capacity of 600 MW each in Fuxi power plant have obtained approval from the National Development and Reform Commission and commenced construction.
December	China Power announced the completion of the acquisition of 63% equity interests in Wu Ling Power.

To all shareholders:

2009 was a significant year for the development of the Company. We experienced extremely complicated and highly changeable market conditions, overcame a lot of difficulties and challenges and made a series of breakthroughs and achievements. With the hard work of all employees, the operating results of the Company further improved. The asset structure and way of development of the Company became more scientific and environmentally-friendly, enabling the Company to realize its promises to create value for its shareholders and to shoulder its social responsibilities. I hereby give my sincerest thanks to all shareholders of China Power who have been understanding of, concerned about and supportive of us on behalf of the Board of China Power.

BUSINESS REVIEW OF 2009

In 2009, the PRC economy improved in general. As the various stimulating economic development measures gradually take effect, the PRC economy began to recover, its GDP recorded a year-on-year growth of 8.7%. There was an evident increase in the demand of electricity. The year-on-year growth of national electricity consumption was 5.96%. After suffering a general loss in 2008, the electric power industry entered a stage of recovery and development in 2009. Despite the recovery in growth of the electric power industry, the Company still faced a lot of difficulties in its development. In 2009, the price of coal stayed high and the utilization hours declined significantly. Due to drought weather, there was not enough water for hydro-power plants in the second half of the year. These were the major factors affecting the development of the Company.

Faced with these problems, China Power adopted various measures to help with the Company's development: the Company continued to use the capital market platform to rapidly optimize the asset structure through asset acquisition and achieved strategic restructuring; sped up the establishment of coal-fired power projects in areas with high earnings and good prospect of development; controlled the price of coal by enhancing internal management and cooperating with external parties; took advantage of the adjustment of electricity tariff by the government to demand for an increase in on-grid tariff; increased efforts in environmental protection, energy conservation and emission reduction to achieve a low-carbon operation.

Completion of acquisitions of major hydro-power assets. The Company completed acquisition of 63% equity interests in Wu Ling Power, upon which the installed capacity attributable to the Company increased to 11,177 MW, of which attributable installed capacity in hydro-power amounted to 2,094 MW, or a percentage of 18.73%, making it an independent PRC power producer with the highest percentage of hydro-power. Completion of this project not only means that China Power has successfully transformed into a large power company that incorporates both hydro-power and coal-fired power, but also signifies that China Power has, for the first time, entered the power markets of Hunan province and Guizhou province that possess great development potential, which is significant to the overall strategies of China Power.

Breakthroughs from the new power projects. The Fuxi 2 x 600 MW coal-fired generation units and Xintang 2 x 300 MW cogeneration unit were both approved by the National Development and Reform Commission and their construction started in 2009. The Company entered the power market of Sichuan province, the biggest in the West of the PRC, and the power market of the Guangdong province which has better earnings prospect.

Adoption of various measures to control the cost of coal. The Company made fuel management its first priority among its internal management tasks. It adopted a lot of measures to control fuel costs, which included: continued to improve the "one policy for one plant" mode for coal management, enhanced fuel benchmarking management, reasonably adjusted the strategies for coal purchasing and the coal supply structure, worked hard in improving the quality of coal, increased the fulfillment rate of key contract coal, opened up new coal supply channels, etc. On the other hand, the Company strengthened external co-operation and made achievements in the integration of coal and electricity businesses. It entered into a joint venture agreement in respect of the Chuanjing Coal Mine project with Sichuan Coal Industry Group (川煤集團), which was the first breakthrough for the Company to develop coal mine projects.

Fighting for a beneficial tariff adjustment solution. By strengthening communication with the government authorities responsible for tariff, the Company started the calculation work related to tariff adjustment at an early stage and obtained the best tariff adjustment under the national on-grid tariff adjustment in 2009. In average, the on-grid tariff for coal-fired and hydro-power plants was increased by RMB2/MWh and RMB5/MWh respectively. The increase in the average on-grid tariff of China Power was higher than the national average.

Continuing to increase efforts in environmental protection. The Company increased its investments in technological upgrade, environmental protection, achieving an average coal consumption rate of 329.85g/KWh, a decrease of 4.55g/KWh from last year. The emission of green house gases and pollutants significantly decreased and charges for disposing pollutants also significantly decreased, which not only lessened pollution to the environment but also saved operating costs for the Company.

With the continued effort from all employees in the past year, the overall results of the Company improved in 2009. The net profit attributable to equity holders recorded a year-on-year increase of RMB1,208,269,000, creating greater value for shareholders.

DEVELOPMENT OUTLOOK FOR 2010

It is expected that the PRC economy will further improve in 2010, especially as the economy recovers, the national power consumption will continue to increase, with an expected growth of approximately 9%, utilization hours will remain level with 2009 or slightly decrease. At the same time, the power generation industry also faces numerous challenges: competition in the industry will intensify, pressure from environmental protection will gradually increase, new projects will have to undergo stricter approval procedures, and extremely dry weather may affect the utilization rate of hydro-power, etc. China Power will continue to adjust and optimize its asset structure, improve internal management, commence integration of coal and electricity businesses, control fuel costs, take environmental protection measures, promote our corporate culture of “Still water runs deep” to achieve sustainable development.

KEY WORK EMPHASIS FOR 2010

We will speed up the structural adjustment of assets to amplify our advantage of having both hydro-power and coal fired power. We will fully utilize the state policies of “Replacement of Small Units with Larger Units” and “Promoting the Development of Clean Energy”. Resourceful, developed areas with great earning prospect will be our key areas for the development of high-capacity, high-parameter, and environmentally-friendly projects. We will also endeavor to make good use of the strengths of Wu Ling Power related to its hydro-power expertise and its human resources, making Wu Ling Power a platform for the development of the Company’s clean energy in order to open up more clean energy projects in areas with abundant clean resources. By having both hydro-power and coal-fired power operations, we hope to achieve our goal of structural adjustment and cost control.

To improve internal management, commence integration of coal and electricity businesses and control fuel cost. The Company will continue to adopt its management mode of “One policy for one plant” and make use of the fuel management information system to enhance the management of coal purchasing. It will strengthen co-operation with sizable coal mines with good reputation to further increase the fulfillments rate of long-term coal supply contracts and reduce the risks related to the purchase of coal. It will actively promote the integration of coal and electricity businesses, gradually enhance our ability to supply coal to ourselves, and to create synergy between coal and electricity in order to enhance our competitiveness.

To increase environmental protection efforts and further reduce the discharge of pollutants and green house gases. We will increase our investments in environmental protection, enhance technological upgrade and increase the reliability of our units to further reduce the consumption of coal in the supply of electricity. We will initiate the benchmarking management for energy-saving and environmental protection, improve the system for managing environmental protection tasks and strictly implement the various standards on environmental protection set by the government to further reduce our discharge of sulphur dioxide, nitrogen oxide, smoke dust and green house gases to achieve a low-carbon operation and become a cleaner power generating company.

We will promote our corporate culture of “Still water runs deep” and train up an outstanding working team. China Power will, as always, emphasize the importance of corporate culture in the Company’s sustainable development. It will continue to build a strong working team based on its corporate culture of “Still water runs deep” and train up excellent personnel and professional technical staff. It will also continuously enhance management standards and work efficiency to increase the attractiveness and cohesiveness for corporate development.

I believe that, with the continued attention and support of all shareholders, and with the hard work of the Board of China Power and all employees, the Company will have a greater development in 2010.

Li Xiaolin
Chairman

16 April 2010

CHAIRMAN OF THE BOARD

LI Xiaolin, 48, is the chairman of the Board, an executive director and the Chief Executive Officer of the Company. Ms. Li is a senior engineer. She graduated from Tsinghua University with a master of engineering degree in power system and automation. She was a visiting scholar at the Sloan Business School of Massachusetts Institute of Technology in the United States. She is currently vice president of CPI Group, chairman of CPI Holding, chairman of China Power New Energy Development Company Limited and director of Companhia de Electricidade de Macau. She has served in various positions including head of the International Economic and Trade Division of the Ministry of Electric Power Industry and deputy head of the International Economic and Trade Division of the Ministry of Energy.

EXECUTIVE DIRECTOR

LIU Guangchi, 55, is an executive director and the President of the Company. Mr. Liu is a senior engineer and graduated from the University of Shanghai for Science and Technology with a master degree in power engineering. Mr. Liu is currently the director and president of CPI Holding and chief supervisor of Shanghai Electric Power Co., Ltd. (上海電力股份有限公司). He has served in various positions including the general manager of Shanghai Waigaoqiao Power Generation Co., Ltd (上海外高橋發電有限公司) and deputy manager of the Safety Supervision and Production Department of CPI Group and the director and general manager of Shanghai Electric Power Co., Ltd.

NON-EXECUTIVE DIRECTORS

GAO Guangfu, 47, is a non-executive director of the Company. Mr. Gao is a senior accountant. He graduated from Zhongnan University of Finance and Commerce at postgraduate level. He was also a visiting scholar at the Energy Economic and Policy Institute of the National Scientific Research Center of France. Mr. Gao also acts as the manager of Finance and Property Ownership Management Department of CPI Group, director of CPI Financial and CPI Holding. He has served in various positions including deputy manager of Finance and Property Ownership Management Department of the State Power Corporation of China (國家電力公司) and deputy head of Price Department of the Economic Adjustment Division of the Ministry of Electric Power Industry.

GUAN Qihong, 47, is a non-executive director of the Company. Mr. Guan is a senior economist who holds a bachelor of engineering degree from Huazhong Institute of Technology, a master's degree in economics from Zhongnan University of Economics and a doctoral degree in economics from Xiamen University. Mr. Guan is currently the director of the CPI Financial, CPI Holding and manager of the Capital Market and Equity Management Department of the CPI Group. He has served in various positions including the deputy manager of National Asset Management Bureau Asset Assessment Center, the deputy secretary-general of China Appraisal Society, the assistant to the manager of Finance and Property Ownership Management Department of the State Power Corporation and the chief economist of State Grid Shenzhen Energy Development Group Co.,Ltd.

INDEPENDENT NON-EXECUTIVE DIRECTORS

KWONG Che Keung, Gordon, 60, is an independent non-executive director of the Company. He has been the chairman of the audit committee and a member of the compensation and nomination committee of the Company since August 2004. Mr. Kwong is also an independent non-executive director of a number of companies listed on the Hong Kong Stock Exchange Limited namely Cosco International Holdings Limited, Tianjin Development Holdings Limited, Beijing Capital International Airport Company Limited, Frasers Property (China) Limited, NWS Holdings Limited, China Oilfield Services Limited, OP Financial Investments Limited, China Chengtong Development Group Limited, Global Digital Creations Holdings Limited, Quam Limited, Henderson Land Development Company Limited, Henderson Investment Limited, Agile Property Holdings Limited and CITIC 1616 Holdings Limited. In the past three years, Mr. Kwong was also an independent non-executive director of New World Mobile Holdings Limited and Ping An Insurance (Group) Company of China, Limited. From 1984 to 1998, Mr. Kwong was a partner of Price Waterhouse and was a council member of Hong Kong Stock Exchange from 1992 to 1997. He has a bachelor of social science degree from University of Hong Kong and is a fellow member of the Institute of Chartered Accountants in England and Wales and a fellow member of Hong Kong Institute of Certified Public Accountants.

LI Fang, 48, is an independent non-executive director of the Company. He has been a chairman of the compensation and nomination committee of the Company and a member of the audit committee of the Company since August 2004. He graduated from Beijing University of Science and Technology with a bachelor of engineering degree and received his juris doctoral degree from the College of Law of Arizona State University in the United States in 1995. Mr. Li is currently the chairman of Beijing Mainstreets Investment Group Corporation. He is also a council member of the China Reform Forum. Mr. Li has extensive experience in business management and corporate finance. He was an executive director of Goldman Sachs (Asia) L.L.C. and a lawyer with David Polk and Wardwell.

TSUI Yiu Wa, Alec, 61, is an independent non-executive director of the Company and a member of the compensation and nomination committee and the audit committee of the Company. He graduated from the University of Tennessee in the United States with a bachelor of science degree in industrial engineering and a master of engineering degree in industrial engineering and completed the Program for Senior Managers in Government at the John F. Kennedy School of Government at Harvard University in 1993. Mr. Tsui also acts as the Chairman of WAG Worldsec Corporate Finance Limited and an independent non-executive director of a number of companies listed in Hong Kong and NASDAQ including Industrial and Commercial Bank of China (Asia) Limited, China Chengtong Development Group Limited, COSCO International Holdings Limited, China BlueChemical Limited, Melco Crown Entertainment Limited, ATA Inc, China Oilfield Services Limited, Greentown China Holdings Ltd., China Huiyuan Juice Group Limited and Pacific Online Limited. He has substantial experience in the operations of listed companies in Hong Kong. He has served in various positions including the executive director and chief executive of the Hong Kong Stock Exchange, chief operating officer of the Hong Kong Exchanges and Clearing Limited and chief executive officer of the Regent Pacific Group.

SENIOR MANAGEMENT

WANG Zhiying, 52, is vice president of the Company. Mr. Wang is a senior engineer at professor level. He graduated from the Northeast China Institute of Electric Power Engineering with a bachelor of engineering degree in power system and relaying protection. Mr. Wang is currently vice president of CPI Holding. He has served in various positions including departmental manager, deputy chief engineer and chief engineer of CPI Holding and deputy manager of the Production Coordination Department and Integrated Planning Department in the Ministry of Electric Power Industry.

ZHAO Yazhou, 50, is vice president of the Company. Mr. Zhao is a senior accountant. He studied technological economics at postgraduate level at the Harbin Institute of Technology and completed training courses for the chief accountants of major enterprises of the State Power Company at the National Accounting Institute. Mr. Zhao also acts as vice president of CPI Holding. He has served in various positions including deputy chief accountant, manager of finance department and chief financial controller of CPI Holding and head of the finance department of Heilongjiang Provincial Power Bureau.

ZHAO Xinyan, 47, is vice president of the Company. Mr. Zhao is a senior engineer. He graduated from Chongqing University with a bachelor's degree in materials engineering, and from Guanghua School of management, Peking University with a Master of Business Administration (MBA) degree. He is currently vice president of CPI Holding and executive director of China Power New Energy Development Company Limited. Mr. Zhao has served as assistant to the president of CPI Holding and managers in various departments of the Company.

WANG Zichao, 39, is vice president of the Company. Mr. Wang is a senior engineer. He graduated from North China Electric Power University with a master of engineering degree in power system and automation and obtained a master's degree in business administration from China Europe International Business School. Mr. Wang is head of the deputy general manager of CPI Holding, deputy general manager of Wu Ling Power Corporation, and deputy general manager of CPI Group Hunan Branch. Mr. Wang has served as managers in various departments of the Company and assistants to the president of CPI Holding.

XU Lihong, 43, is CFO of the Company. Ms. Xu is a senior accountant. She graduated from the Faculty of Finance, Changsha University of Electric Power and obtained a master's degree in business administration from Northeast China University. She is currently a director and the CFO of CPI Holding, and a director of Shanghai Electric Power. Ms. Xu also has served as a principal staff member of Huazhong Electric Industry Management Bureau（華中電業管理局）and State Power Corporation of China（國家電力公司）, a deputy director of Power Department under the State Economic and Trade Commission, deputy chief accountant of CPI Holding, and vice President of China Power, as well as managers in various departments of the Company.

OTHER SENIOR MANAGEMENT

LIU Genyu, 46, is the Development Supervisor of the Company. Mr. Liu is a senior engineer. He graduated from Tsinghua University with a degree of Executive Master of Business and Administration (EMBA). He is also assistant to the president of CPI Holding, director and general manager of China Power (New Energy) Holdings Limited, as well as chief-executive of China Power New Energy Development Company Limited. He has also served in positions including vice president of Chongqing Jiulong Power Company Limited and lecturer of Harbin Power Vocation Technology College.

WANG Shengrong, 47, is the executive and office supervisor of the Company. Mr. Wang obtained a master's degree in management from Air Force Engineering University. He is currently an assistant to the president and office supervisor of CPI Holding. He has served as the officer of the Air Force of the People's Liberation Army with the rank of senior colonel and deputy secretary of Party Committee and secretary of Party Committee for Discipline Inspection and chairman of Staff Union of Shenhua (Beijing) Remote Sensing & Geo-engineering Company Ltd.

XU Wei, 36, is the Chief Legal Advisor of the Company. Ms. Xu is a qualified lawyer of the People's Republic of China and has a bachelor degree in politics from the China University of Political Science and Law and an LLM from Peking University. Ms. Xu is also head of the general office of CPI Holding. She was a partner and a lawyer of Beijing Han Hua Law Firm.

COMPANY SECRETARY

CHONG Wai Sang, 45, is the company secretary of the Company. Mr. Chong is a qualified lawyer in Hong Kong and he is also a member of CPA Australia. Mr. Chong holds a bachelor of laws from the University of Hong Kong and also holds a master's degree in accounting of the Monash University in Australia. Mr. Chong has over ten years experience in legal and company secretarial matters.

BUSINESS REVIEW FOR YEAR 2009

In 2009, the Chinese economy revived and improved. The tension for the supply and demand condition for coal was eased. The recovery of the power demand accelerated. The Group refined each of its operational and management measures, quickly resumed coal-fired generation and reasonably arranged power production. We sought support from the government to further increase the on-grid tariff and raised the sales of electricity of coal-fired generation and hydro power generation. We also actively control the fuel cost and achieved turnaround in operating results.

2009 was a year of leaping development for the Company since its establishment. The Company successfully acquired Wu Ling Power. It achieved the strategic target of constructing a listed power company with hydro power and coal-fired generation complimenting with each other. The Group's asset structure was obviously optimized with scale of assets more than doubled. The Group also acquired the talents and technology of the hydro power generation of Wu Ling Power and became the cleanest oversea-listed power generation company in China.

For the year ended 31 December 2009, turnover of the Group was approximately 10,936,508,000, representing an increase of approximately 13.54% as compared to the previous year. Profit attributable to equity holders of the Company was approximately RMB519,008,000, representing an increase of approximately RMB1,208,269,000 as compared to the loss for the previous year. The Group has consolidated the financial statements of Wu Ling Power since the date of acquisition, with profit attributable to equity holders of the Company of RMB55,507,000. The basic earnings per share for the year ended 31 December 2009 was approximately RMB0.14, representing an increase of approximately RMB0.33 as compared with the basic loss per share of RMB0.19 for the previous year.

ACQUISITION OF HYDRO POWER

Wu Ling Power was incorporated in the PRC on 3 May 1995 with a currently registered capital of RMB3,800,000,000. Wu Ling Power has two shareholders, namely CPI Group which has an equity interest of 63% in Wu Ling Power and Hunan Xiangtou International Investment Limited（湖南湘投國際投資有限公司）, which has a 37% equity holding in Wu Ling Power. Wu Ling Power and its subsidiaries are mainly engaged in the development, production and supply of hydropower.

CPI Group, CPI Holding and China Power entered into a conditional sale and purchase agreements on 11 May 2009 and 8 June 2009 respectively (the "Acquisition Agreement"). Pursuant to the agreements, CPI Group transferred its 63% equity interest in Wu Ling Power to CPI Holding and China Power acquired 63% equity interest in Wu Ling Power from CPI Holding.

On 30 October 2009, the Company had completed the acquisition of Wu Ling Power. The method of payment of the consideration is 70% by way of the issue of 1,501,449,927 shares of the Company to CPI Holding and the remaining 30% would be paid in cash on or before 31 December 2010. The Group's attributable installed capacity increased substantially, reaching 11,177MW, of which the attributable installed capacity of hydro power was 2,094MW, representing 18.73% of the total attributable installed capacity. The strategic layout of "hydro and coal-fired generation" was achieved. The Group's industry structure and asset portfolio were optimized which enhanced its ability to control operating risks brought by fluctuation of coal prices.

SIGNIFICANT INVESTMENT

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

The Group recognises its shareholding in Shanghai Power as "Available-for-sale financial assets". As at 31 December 2009, the price of the shares of Shanghai Power was RMB5.80 per share. The fair value of the shareholding held by the Group was RMB2,720,498,000, which represented an increase of approximately RMB1,341,487,000 as compared to the opening balance.

DEVELOPMENT OF COAL-FIRED PROJECTS

In 2009, the Group continued to selectively develop high quality coal-fired projects. Two sets of coal-fired power generation units with a capacity of 600 MW each at its subsidiary Sichuan China Power Fuxi Power Development Company Limited ("China Power Fuxi") and two sets of co-generation units with a capacity of 300MW each at its jointly controlled entity, Guangzhou China Power Lixin Industry Company Limited ("China Power Lixin") were approved by the National Development and Reform Commission. It was the first time that the Company entered into the Sichuan power market in the western region of the PRC and Guangdong power market which are with good prospect. The total installed capacity of new projects was 1,800MW, of which the Company's attributable installed capacity was 912MW. At present, these projects are still under construction as scheduled and the progress of projects went smoothly.

COAL MARKET AND COAL-POWER INTEGRATION

In 2009, the tension for the national coal supply and demand was eased. Coal price experienced a process of decreasing at first and subsequently rising stably. In the first half of the year, the demand for coal was low, there were balance between supply and demand and the spot coal price fell. In the second half of the year, reasons such as the stabilized and recovering domestic economy, the gradual increase in the demand for electricity and coal, integration of resources as well as the storage of coal for winter and annual coal negotiation, all contributed to the gradual rise in coal price. The Group adopted differentiated and centralised management strategy, improved its "one policy for one plant" mode of coal management, which reinforced the procurement of coals, improved the percentage and fulfilment rate of key coal contracts as well as controlled fuel costs to the largest extent.

In 2009, the Company entered into a joint venture contract with Sichuan Guangwang Energy Development (Group) Limited to establish Sichuan Guangwang Group Chuanjing Coal Industrial Limited for the mining of Chuanjing coal project in Junlian Mining Area in Yibin, Sichuan Province. The utilizable resource of Chuanjing mine was 248.62 million tons. The Chuanjing coal mine project is the Company's first coal project which it intends to develop in line with its coal-power combined development strategy of Fuxi Power Plant, which will effectively secure the stable long-term coal supply for Fuxi Power Plant, control fuel cost, reduce the risk of potential increase in coal prices and become a new profit contributor for the Company in the future.

POWER GENERATION

In 2009, the gross generation of the Group (excluding the associated companies) was approximately 37,195,711 MWh, representing an increase of approximately 2.30% over 36,360,449 MWh recorded for the previous year. Net generation of the Group (excluding the associated companies) was approximately 34,714,399MWh, an increase of approximately 2.43% over the previous year. The increase in the Group's generation was mainly attributed to the acquisition of Wu Ling Power which increased hydro power generation.

INCREASE IN ON-GRID TARIFF

NDRC increased on-grid tariff again on 20 November 2009. For this tariff adjustment, the tariff of most power plants of the Group rose, with some of power plants recorded a fall in tariff. The overall increase in tariff of the Group is higher than national average which increased the operating profit of the Group.

ENERGY-SAVING AND EMISSION-REDUCTION

In 2009, the Group mainly adopted benchmark management and excavated the potential of energy saving and emission reduction of power generators. Through targeted transformation measures, the energy consumption indicators improved continuously with the annual average net coal consumption rate decreased to 329.85 g/KWh, representing a decrease of 4.55 g/KWh as compared to last year. All our coal-fired power generation units were installed with desulphurisation facilities which were put into normal operation. Desulphurisation rate was over 95%, resulting in a significant decrease in the discharge of pollutants. Discharge fees paid by the Group fell obviously, which not only enhanced the environmental protection effect but also saved the Group's operating costs.

OPERATING DATA OF THE GROUP'S POWER PLANTS

In 2009, the gross generation of the Group was 37,195,711MWh, representing an increase of 2.30% as compared with the previous year. Net generation was 34,714,399MWh, representing an increase of 2.43% as compared with last year.

The annual gross generation of each coal-fired power plant of the Group as at the end of 31 December 2009 was as follows:

Coal-fired power plants of the Group	**2009 Gross generation (MWh) A**	2008 Gross generation (MWh) B	Gross generation Change (%) C = (A-B)/B
Pingwei Power Plant	**6,931,690**	7,921,580	-12.50%
Pingwei Power Plant II	**6,929,600**	7,633,850	-9.23%
Yaomeng Power Plant	**5,359,968**	6,451,564	-16.92%
Yaomeng Power Plant II	**6,645,406**	6,259,743	6.16%
Shentou I Power Plant	**4,990,139**	6,504,185	-23.28%
Dabieshan Power Plant	**4,957,139**	1,589,526	211.86%
Total	**35,813,942**	36,360,448	-1.50%

The total gross generation of each of the hydro power plant under Wu Ling Power Plant for November and December 2009 is as follows:

Hydro power plants under operation	Total gross generation in November and December 2009 (MWh)
Wu Qiang Xi Hydropower Plant	**327,138**
San Ban Xi Hydropower Plant	**601,652**
Ling Jin Tan Hydropower Plant	**82,135**
Wan Mi Po Hydropower Plant	**49,874**
Zhu Xi Kou Hydropower Plant	**18,128**
Jin Wei Zhou Hydropower Plant	**13,974**
Ma Ji Tang Hydropower Plant	**21,256**
Hong Jiang Hydropower Plant	**150,240**
Gua Zhi Hyrdropower Plant	**102,872**
Dong Ping Hydropower Plant	**14,500**
Total	**1,381,769**

OPERATING RESULTS

TURNOVER

In 2009, turnover of the Group was RMB10,936,508,000, representing an increase of 13.54% as compared with RMB 9,632,381,000 of the previous year. The increase in turnover was mainly attributed to increase in average on-grid tariff, secondly to the acquisition of Wu Ling Power which increased its operating income.

SEGMENT INFORMATION

In previous years, the Group's principal activities are the generation and sale of electricity, investment holdings and the development of power plants and regarded as a single reportable segment. Following the acquisition of Wuling Group during the year of 2009, the reportable segments identified by the Group are now the "Generation and sales of coal-fired electricity" and "Generation and sales of hydropower electricity".

OPERATING COSTS

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

In 2009, operating costs of the Group amounted to approximately RMB9,771,785,000, representing an increase of 4,96% over RMB9,310,140,000 in 2008. The increase was mainly due to the acquisition of Wu Ling Power which increased depreciation costs. Fuel costs were the largest component of the Group's operating costs. In 2009, the fuel costs of the Group was approximately RMB7,130,796,000. Unit fuel costs was approximately RMB213.78 per MWh, representing an increase of 2.68% as compared with that of the previous year.

OPERATING PROFITS

In 2009, the Group's operating profit was RMB1,120,207,000, representing an increase of approximately RMB1,161,320,000 as compared with the operating loss of RMB41,113,000 of the previous year.

FINANCE COSTS

In 2009, finance costs of the Group amounted to RMB703,628,000, representing an increase of 11.77% as compared with RMB 629,504,000 of the previous year. During the year, the Group adopted measures to reduce interest rate, thereby reducing interest expense. However, finance costs increased due to the fact that the Group stopped capitalization of interest expenses after the new power generators were put into operation. Besides, after the acquisition of Wu Ling Power, total finance costs increased due to the rise in total bank borrowing.

SHARE OF PROFIT OF ASSOCIATED COMPANIES

In 2009, the share of profit of associated companies was RMB127,986,000, representing an increase of RMB168,954,000 as compared with the loss of RMB40,968,000 of the previous year. The increase was mainly attributed to turnaround from loss to profit of Jiangsu Changshu Electric Power Generating Company Limited as a result of increase in tariff and decrease in coal price. Second, the associated company, China Resources Power Hunan Liyujiang Company Limited, of Wuling Group is making profit in year 2009.

PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

In 2009, the profit attributable to equity holders of the Company was RMB519,008,000, representing an increase of RMB1,208,269,000 as compared to the loss of RMB689,261,000 of the previous year. The increase in the attributable profit was mainly due to upward adjustment in tariff and coal price was effectively controlled. The increase in operating income was higher than the increase in operating costs.

EARNINGS PER SHARE AND FINAL DIVIDEND

The basic and diluted earnings per share attributable to equity holders of the Company was RMB0.14 and RMB0.14 respectively.

At the Board meeting held on 16 April 2010, the directors recommended the payment of a final dividend for the year ended 31 December 2009 of RMB0.045 (equivalent to HK$0.0511) per ordinary share (2008: Nil), totalling RMB229,818,000 (2008: Nil).

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

In respect of any shareholders whose names appear on the Company's register of members on 8 June 2010 (the "Record Date") being the last book close date and who are not individual shareholders (including HKSCC Nominees Limited, other custodians, corporate nominees trustees such as securities companies and banks, and other entities or organisations, which are all consider as non-TRE), the Company will distribute the proposed final dividend for 2009 after deducting enterprise income tax of 10%. The Company will not withhold and pay the income tax in respect of the proposed final dividend for 2009 payable to any natural person shareholders whose names appear on the Company's register of members as at the Record Date.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2009, cash and cash equivalents of the Group were approximately RMB1,910,816,000 (31 December 2008: RMB1,326,818,000). The Group derived its funds mainly from cash inflow from operating activities, bank borrowings, project finance, corporate bonds and interest income whereas current assets amounted to RMB4,521,655,000 (31 December 2008: RMB3,935,534,000) and current ratio was 0.43 times (31 December 2008: 0.92 times).

DEBTS

Set out below are details of the borrowings of the Group for the years ended 31 December 2009 and 2008:

	2009	2008
	RMB'000	RMB'000
Short-term bank borrowings, unsecured	**2,550,000**	880,000
Short-term bank borrowings, secured	**—**	100,000
Other bank borrowings	**682,820**	412,725
Short-term borrowings from CPIF	**1,450,000**	100,000
Current portion of long-term payable to CPIF	**270,295**	—
Current portion of long-term bank borrowings	**1,276,716**	225,000
Long-term bank borrowings maturing within 1-2 years	**1,879,366**	743,350
Long-term bank borrowings maturing within 3-5 years	**3,769,148**	200,000
Long-term bank borrowings maturing over 5 years	**18,285,506**	8,495,800
Long-term borrowings from ultimate holding company	**1,473,816**	—
Long-term borrowings from CPIF	**1,150,000**	—
Long-term loan payable to CPIF	**—**	270,295
Corporate bonds	**992,506**	—
Loans from a minority shareholder	**385,201**	—
Other borrowing	**7,126**	—
	34,172,500	11,427,170

The borrowings of the Group are mainly used for general corporate purpose, including capital expenditure and working capital requirements.

Our debt to equity ratio (total borrowings/shareholders' equity) as at 31 December 2009 and 2008 were approximately 274.73% and 143.50% respectively.

CAPITAL EXPENDITURE

In 2009, capital expenditure of the Group was approximately RMB2,449,430,000, which was primarily used for the construction of new power generation units and technical upgrade projects for existing power generation units. Sources of funds were mainly from project financing and self-generated funds.

RISK MANAGEMENT

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

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

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

FOREIGN EXCHANGE RATE RISKS

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

A subsidiary of the Group, Wu Ling Power, entered into a derivative financial instrument contract with a view to managing the foreign exchange exposure of its JPY borrowings. The derivative financial instrument contract is mainly to sell USD for JPY with an aggregate notional principal amount of JPY 3,381,976,000.

PLEDGE OF ASSETS

As at 31 December 2009, a subsidiary of the Group pledged its property, plant and equipment with a net book value of approximately RMB 276,000,000 to a bank to secure a bank loan in the amount of RMB 100,000,000. In addition, certain bank borrowings were secured by the rights on accounts receivable of certain subsidiaries of the Group. The accounts receivable secured under these facilities as at 31 December 2009 was amounting to RMB706,744,000 (2008: RMB129,671,000). Besides, bank deposits of approximately RMB48,886,000 have been pledged as security for bills payable of the Group in the amount of RMB125,281,000.

CONTINGENT LIABILITIES

As at 31 December 2009, the Group had no material contingent liabilities.

EMPLOYEES

As at 31 December 2009, the Group had a total of 7,195 full-time employees.

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

The Group put great emphasis on its staff's learning and training as well as shift of their positions. It continuously enhanced the professional expertise, competence and consolidated quality, so as to fulfill its continuously business needs.

SHARE OPTION SCHEMES

The Group established share option schemes for its senior management and core employees to motivate and attract high-calibre employees.

OUTLOOK FOR 2010

In 2010, the global economy gradually improved and it is expected that the Chinese economy will revive. The national electricity consumption will increase. The domestic electricity market will have better development prospects. Meanwhile, the power industry faces various challenges. For example, coal price may rise further, utilization hour rate may drop further and the interest rate of loan may rise that all bring larger pressure to the operation of the Group. China Power will continue to adjust and optimize its resources structure and improve its internal management. It will initiate coal-power combination and control fuels cost, to push the establishment of corporate culture featuring “Still water runs deep” and to realize sustainable development.

The key objectives of the Group for 2010 are as follows:

1. To accelerate adjustment of optimizing structure, to develop key quality electricity projects, to implement the establishment of infrastructural construction, to enhance sustainable development ability.

2. To consolidate internal resources, to capitalise on the complementation of hydro-power and coal-fired generation, to expedite the unification pace of coal and electricity, to enhance profitability and market competitiveness.

3. To reinforce environmental protection, to further reduce emission of pollutants, to drive energy saving and emission reduction to new level.

4. To segment the management of fuels and materials, to improve sale mechanism for electricity market, to implement tariff policies, to control costs so as to ensure stable operation.

5. To build a sound platform for concentrated management of funds, to explore new financing means and enhance financing ability.

6. To implement the building of corporate culture featuring “Still water runs deep” and to cultivate an excellent team.

CORPORATE GOVERNANCE

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

CORPORATE GOVERNANCE REPORT

Except for the deviations from Rules A.2.1 and A.4, the Company has strictly complied with the code provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 to the Listing Rules in 2009. The Corporate Governance Report of the Company during the year is set out below:

A. DIRECTORS

A.1 THE BOARD

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

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

A.2 CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

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

A.3 BOARD COMPOSITION

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

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

A.4 APPOINTMENTS, RE-ELECTION AND REMOVAL

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

Code provision A.4.1 stipulates that non-executive directors should be appointed for a specific term and subject to retirement by rotation and re-election. Code provision A.4.2 also stipulates that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

The non-executive Directors of the Company (except Mr. Guan Qihong who has been appointed for a term of three years) are not appointed for a specific term, but are subject to retirement by rotation and re-election in accordance with the articles of association of the Company. In addition, as provided in the articles of association of the Company, the executive Director who is also the chief executive officer of the Company shall not be subject to retirement by rotation, while all the other Directors will be subject to retirement at every annual general meeting after the annual general meeting in 2007.

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

A.5 RESPONSIBILITIES OF DIRECTORS

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

The Company has adopted a set of Code of Conduct for Securities Transactions by Directors ("Code of Conduct"), the terms of which are not less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules. Having made specific inquiries to all Directors, all Directors confirmed that they have complied with the Code of Conduct throughout 2009.

A.6 SUPPLY OF AND ACCESS TO INFORMATION

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

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

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

B. REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

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

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

The Compensation and Nomination Committee held two meetings during 2009 (average attendance was 100%) to review and make recommendations in respect of the Directors' remuneration in 2009 and the overall remuneration package for Directors and senior management in 2009.

C. ACCOUNTABILITY AND AUDIT

C.1 FINANCIAL REPORTING

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

C.2 INTERNAL CONTROLS

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

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

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

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

In 2009, according to the "Internal Control Manual", our Internal Control Department had assessed the internal control systems and reviewed the improvement works regarding the issues discovered during the 2008 internal control assessment. By analyzing 188 internal control points relating to the business processes, we have a better picture of the current conditions of internal control of each business unit and unearthed defects and weaknesses of the internal control system. By doing so, potential operation and management risks can be avoided and the corporate governance standard as well as economic benefits can be enhanced.

Furthermore, the Company put efforts in the promotion of risk management culture and raising awareness of risk control among its staff by providing training on risk management concepts and practices to the senior management and key personnel of internal control of the Company and its subsidiaries so as to maintain high standard of management. 640 staff has attended the training sessions.

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

C.3 AUDIT COMMITTEE

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

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

The Audit Committee held two meetings during 2009 (average attendance was 100%). The committee together with the senior management, internal and independent auditors of the Company reviewed the internal and independent audit results and discussed matters relating to audit, internal control system and financial reporting.

D. DELEGATION BY THE BOARD

D.1 MANAGEMENT FUNCTIONS

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

D.2 EXECUTIVE COMMITTEE

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

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

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

The Executive Committee held a meeting every month since its establishment, making a total of eleven meetings during the year. The Chairman of the Board, the president and senior management of the Company all attended each meeting.

E. COMMUNICATION WITH SHAREHOLDERS

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

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

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

F. ATTENDANCE RECORDS

Details of Directors' attendance at the Board meetings and meetings of Board committees held in 2009 are set out in the following table:

Directors	Attendance Required	Attendance in Person	Attendance by Proxy
<u>Board of Directors</u>			
Executive Directors:			
Li Xiaolin *(Chairman of the Board and chief executive officer)*	8	3	5
Liu Guangchi *(President)*	8	8	—
Non-executive Directors:			
Gao Guangfu	8	8	—
Guan Qihong	8	8	—
Independent Non-executive Directors:			
Kwong Che Keung, Gordon	8	8	—
Li Fang	8	8	—
Tsui Yiu Wa, Alec	8	8	—
<u>Audit Committee</u>			
Kwong Che Keung, Gordon *(Chairman of the Committee)*	2	2	—
Li Fang	2	2	—
Tsui Yiu Wa, Alec	2	2	—
<u>Compensation and Nomination Committee</u>			
Li Fang *(Chairman of the Committee)*	2	2	—
Kwong Che Keung, Gordon	2	2	—
Tsui Yiu Wa, Alec	2	2	—

G. AUDITOR'S REMUNERATION

For the year ended 31 December 2009, the Company has reviewed the performance of PricewaterhouseCoopers as the Company's auditor (the "Auditor") and is considering their reappointment. For the year ended 31 December 2009, the remuneration payable to the Auditor amounted to approximately HK$8,000,000, while the fees for audit related services, including the review of interim reports and other services in connection with the Company's acquisitions, amounted to approximately HK$17,700,000 in aggregate.

CHINA POWER'S OBJECTIVES ON ENVIRONMENTAL PROTECTION AND SOCIAL RESPONSIBILITIES:

As economies become more developed, the warming of the climate and environmental protection issues have raised great concerns from countries around the world. At the Copenhagen climate change conference 2009, participants reached an agreement to curb global warming. The Chinese government also announced its own targets for reducing the emission of green house gases: in 2020, the gross emission of carbon dioxide per unit of GDP to be reduced by 40% to 45% compared to the gross emission of carbon dioxide per unit of GDP in 2005.

As a responsible power generator, China Power places high importance on environmental protection and fully supports the PRC government's commitment in this respect. The Company works with the government in accomplishing this goal by conserving energy and strengthening its actions in respect of environmental protection. China Power insists on its corporate mission of "providing green energy and serving our community" and actively adopts various measures to take up its environmental protection and other social responsibilities. We are dedicated to building up a resource-saving and environmental-friendly enterprise. As the only PRC member of the Copenhagen climate change committee, Ms. Li Xiaolin, Chairman of the Board of China Power, stressed that the ultimate development objective of China Power is to "provide power to the world while preserving clear water and blue sky for our future generations", fully reflecting China Power's concept of co-coordinated development of both power generation and environmental protection.

ENERGY SAVING AND ENVIRONMENTAL PROTECTION MEASURES IN 2009

1. ACQUISITION OF HYDRO-POWER TO ACCELERATE THE STRUCTURAL OPTIMIZATION OF ASSETS

In December 2009, China Power completed the acquisition of 63% equity interests in Wu Ling Power to own large-scale hydro-power for the first time, making a strategic step in terms of structural optimization of assets. Following completion of the acquisition of Wu Ling Power, the attributable installed capacity of China Power in hydro-power represents 18.73% of its total installed capacity, making the Company the cleanest overseas-listed independent power producer in the PRC with the highest percentage of hydro-power. Hydro-power is accepted by the world as a clean energy. It does not pollute the environment and has composite economic efficiency and fits in with the development direction of a low-carbon economy. The PRC government highly encourages the development of hydro-power.

China Power's entering into the hydro-power business through this acquisition has not only enabled it to take full advantage of its edge of having both hydro-power and coal-fired power, but has also made it more scientific and environmentally friendly in its mode of development, which is favourable in reducing the overall pollutant emission level of the Company, thus mitigating the harm to the environment. China Power will fully utilize the advantageous position of Wu Ling Power's hydro-power business and its talented staff and will use Wu Ling Power as a platform for the development of clean energy in order to develop more clean energy projects in areas that have an abundant clean energy resources.

2. EMPHASIZING ECOLOGICAL RESTORATION RELATING TO HYDRO-POWER DEVELOPMENT

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

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

3. IMPLEMENTING TECHNOLOGICAL UPGRADES ON COAL-FIRED POWER GENERATION UNITS

In 2009, China Power continued to increase investments to reform environmental protection facilities for coal-fired power generation units. All coal-fired power generation units of the Company have been fitted with desulfurization devices and have all passed the environmental acceptance check by the environmental protection authorities and obtained a desulfurization tariff. On 14 April 2009, two sets of newly built coal-fired power generation units of Dabieshan Power Company with an installed capacity of 640 MW each passed the environmental acceptance check by the environmental protection authorities; on 9 August, two sets of newly built coal-fired power generation units of Yaomeng Power Plant II with an installed capacity of 630 MW each passed the environmental acceptance check by the environmental protection authorities.

By upgrading the technology of power generation units, the operation of China Power has become more environmentally friendly and the safety and reliability of its power generation units have improved. The equivalent availability coefficient of the coal-fired power generation units of the Company reached 95.56%, representing a year-on-year increase of 1.04%.

4. CONTROLLING WASTE WATER DISCHARGE AND SMOKE DUST EMISSION

In 2009, China Power continued to increase efforts on controlling the discharge of waste water during production and worked hard to achieve a combined result of high recovery rate of waste water, minimal harm to the environment and low processing costs. The Shentou Power Plant implemented the "zero discharge" of waste water project and processed 11.31 million tons of recycled waste water during the year. Pingwei Power Plant reconstructed its waste water processing system and the amount of industrial waste water processed per day increased to 1900m^3 . Processed waste water that are up to standard were all re-used in production and planting trees around the power plant area, thus achieving the objective of non-discharge of industrial waste water.

Smoke dust management is also an environmental protection project highly valued by China Power. In 2009, the Company completed the re-making works of the electric dust wiper for furnace No.2 of Yaomeng Power Plant, following which concentration of smoke dust emitted from the chimney of furnace No.2 was lower than $30mg/Nm^3$ and the amount of smoke dust emitted from the chimney was significantly reduced.

5. CONTINUED TO ESTABLISH A SCIENTIFIC ENVIRONMENTAL PROTECTION MANAGEMENT SYSTEM

In 2009, China Power continued to improve its environmental protection management system, to promote the standardization, and fine-tuning of the management of environmental protection. Environmental protection tasks have been incorporated as part of the Company's power generation process for the purpose of whole-process management to ensure the emission of green house gases and various pollutants can be managed. As environmental protection facilities such as the desulfurization equipment of the coal-fired power generation units of the Company are gradually put into use, the amount of both green house gases and pollutants emitted have significantly decreased compared to 2008.

To achieve better energy saving and environmental protection results, China Power has decided to use the environmental indicators set by leading overseas power companies as its own standards, and regularly compare them with the Company's own environmental indicators to facilitate the continuous improvement of the environmental protection tasks of the Company.

ACCOMPLISHMENTS RELATING TO ENVIRONMENTAL PROTECTION IN 2009

1. SIGNIFICANT REDUCTION IN COAL CONSUMPTION RATE

China Power optimized its production operations through technological upgrades of its coal-fired generation units, resulting in the continued enhancement of the efficiency of its coal-fired power generation units and the reduction in the coal consumption rate during the power generation process. In 2009, the coal-fired power generation units of China Power had an average coal consumption rate of 329.85 grams/KWh, a decrease of 4.55 grams/KWh from 2008, while standard coal consumption reduced by approximately 170,000 tons for the entire year.

2. SIGNIFICANT REDUCTION IN THE EMISSION OF GREEN HOUSE GASES AND POLLUTANTS

China Power successfully reduced the emission of waste gases from power generation in 2009. The Company continued to reduce its emission of waste gases on the basis of its gas emission in 2008: emission of carbon dioxide decreased by 427,214 tons; sulphur dioxide decreased by 70,759 tons, nitrogen oxide decreased by 8,671 tons, smoke dust decreased by 10,613 tons. The pollutants emission per unit further decreased, with a sulphur dioxide emission of 0.89g/KWh, a nitrogen oxide emission of 1.86g/KWh and a smoke dust emission of 0.42g/KWh.

3. APPARENT RESULT IN ENVIRONMENTAL PROTECTION FROM HYDRO-POWER ASSETS

In 2009, preliminary results in environmental protection from China Power's acquisition of hydro-power assets were seen. In 2009, Wu Ling Power generated 11.043 billion KWh of hydro-power, which could be interpreted as a decrease in a standard coal consumption of 3.865 million tons; a reduction in sulphur dioxide emission by 17,670 tons, a reduction in carbon dioxide emission of 10. 126431 million tons and a reduction in nitrogen oxide emission of 48,589 tons. As the Company increased its efforts on the development of the hydro-power, the environmental protection effects of power generation using clean energy by China Power will be more prominent.

4. SIGNIFICANT DECREASE IN SEWAGE CHARGE

China Power paid an aggregate of RMB71,134,000 of sewage charge in 2009, a significant decrease compared to the previous year. This decrease was mainly due to the significant reduction in the emission of green house gases and pollutants by the Company. The effective environmental protection measures adopted by China Power not only reduce the pollution caused to the environment, but also decreased the operating costs of the Company.

5. OUR EFFECTIVE ENVIRONMENTAL PROTECTION WORK WAS RECOGNIZED BY THE SOCIETY

China Power achieved outstanding results in environmental protection in 2009, realistically carrying out its environmental protection obligations and completed all its annual missions in relation to the emission of pollutants. The effective environmental protection work done by China Power was recognized by both its parent company and the society.

Pingwei Power Plant was named "Advanced Enterprise in Environmental Protection" by the CPI Group in 2009 and was named "Environmentally Friendly Enterprise of the City of Huainan" by the government of the city where the power plant was located.

In December 2009, at the 9th China Economic Forum held in Harbin, Shentou Power Plant was the only power generation company in the PRC that was in the "Top 20 in Energy Conservation and Emission Reduction".

SOCIAL DONATIONS

In 2009, initiated by Ms Li Xiaolin, Chairman of the Board, the Company subsidized numerous students facing financial hardship through the "Yingshanhong Student Assistance Network". Employees of the Company actively participated in this donation initiative and raised a total of RMB28,400, which enabled students who received the donation to continue their studies despite financial difficulties. Since 2008, many employees from the headquarters of China Power have agreed to support orphans from areas affected by the Sichuan earthquake to subsidize them to complete the nine-year compulsory education and three years of high school education.

In the past few years, China Power have persevered in organizing "Benevolence in Pairs" (愛心結對資助) activities to subsidize students facing financial hardship on a regular basis and 15 more students received our subsidies in 2009. Wu Ling Power has also participated in student assistance activities for many years and 13 students from the Xiangxi region with financial difficulties received their donation. Many of those helped have become university students.

The Company, the Board and the management deeply acknowledge that investor relations constitute a strategic management activity which could enhance understanding between investors and the Company, upgrade the level of corporate governance, transparency and strategic credibility as well as create values for shareholders. Since its listing, the Company has been striving to establish and maintain good relations with its investors, respect the investment made by investors and maintain good communications between the Company and its investors, with a view to attract institutional investors as well as small and medium investors and realise the Company's value.

In 2009, as the global economy continued to recover, the electric power industry in the PRC saw the light at the end of the tunnel. The electric power capital market saw a lot of new changes and captured the attention of investors. We insist on putting the interests and concerns of investors as our top priority and we have put in great efforts in communicating with investors.

In 2009, the Company successfully completed its acquisition of 63% equity interests in Wu Ling Power, becoming a Hong Kong listed PRC power company with the highest percentage of hydro power and bringing a positive change in the Company's image and status in the international capital markets. We made sincere and meticulous communication with investors on a timely basis to make them understand the difficulties of the Company and its future expansion plans and points of profit growth, thereby maintaining good interaction with investors.

The management of the Company highly treasures every opportunity to meet with investors, analysts and media. In 2009, the Company held three big meetings with analysts and media and two general meetings. To facilitate the release of our annual results, interim results and asset acquisitions, we launched several global road shows in Hong Kong, Singapore, Europe and the US. In addition, we also attended five investor conferences organised by investment banks. Including regular company visits by investors, the Company conducted nearly three hundred one-on-one meetings or small group meetings with dozens of institutional investors in 2009, maintaining good communication with analysts, institutional investors and financial media.

In 2010, the Company will continue to provide better services for investors, analysts and media as usual. Adhering to the policy of timely and objective information disclosure, the Company will use every opportunity of illustration, explanation and presentation to show investors the overall strategic planning and development of the Company, so as to gain understanding of and win respect from investors and build mutual trust.

1. WHAT IS THE COMPANY'S DEVELOPMENT STRATEGY? WILL THE COMPANY CONSIDER EXPLORING NEW MARKETS OF RENEWABLE ENERGY OR NUCLEAR ENERGY? IS THERE ANY PLAN TO ACQUIRE OR DEVELOP HYDRO POWER PROJECTS?

Since the IPO, the Company has adopted a clear and well-defined development strategy: to maintain the steady and healthy growth of the Company through acquisition and construction of coal-fired or hydro-power plants in the developed coastal areas or areas with abundant resources capitalising on the strong support of CPI Group/CPI Holding.

The strategic positions and focuses of China Power, CPI Holding and CPI Group are distinctive. CPI Group emphasises its development on the establishment of a large-scale electricity generation production base and an integrated energy base, characterised by its focus on the nuclear power development. CPI Holding, on the other hand, undertakes the role of enterprise incubator, with a focus on backing up China Power in the development of coal-fired or hydro-power plants and developing renewable energy.

According to the aforementioned strategic divisions and positioning, and having taken into consideration shareholders' interests and business nature of nuclear power, while developing coal fired or hydro-power plants, China Power is keeping an eye on the opportunities of embarking on nuclear power. However, China Power is currently focusing on developing coal fired or hydro-power plants.

2. THE ACQUISITION OF 63% EQUITY INTERESTS IN WU LING POWER HAS COMPLETED. WHAT IS THE COMPANY'S ASSET INJECTION PLAN FOR THE NEXT TWO YEARS?

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

CPI Group is a large power enterprise with diversified and high-quality asset portfolio. Its controllable installed capacity as at the end of 2009 amounted to 60GW in which more than 20% was contributed by hydro-power. CPI Group has been developing large conventional coal-fired or hydro-power projects, has been granted the development rights of nuclear power, and is currently involved in several nuclear projects. Furthermore, CPI Group also has expanded its presence in the coal mining and port-related areas.

In 2010, the Company will continue to keep an eye on investment opportunities in the areas of hydro-power, coal, etc. With the generous support of its parent company, the Company will continue to optimize its asset structure and to become a unique listed IPP with both hydro-power and coal-fired power generation businesses.

3. THE DEMAND AND SUPPLY OF ELECTRICITY IN THE PRC REBOUNDED SIGINIFICANTLY IN 2009. WHAT IS THE COMPANY'S ESTIMATION OF THE UTILISATION HOURS FOR 2010?

In 2009, there was an evident recovery of the PRC economy, and electricity consumption recorded a year-on-year increase of 5.96%. However, the installed capacity of power generation had a year-on-year growth of more than 10%, resulting in a continued decline in the utilization hours of power plants. The average utilization hours of the country was 4,527 hours, representing a year-on-year decline of 2.6%; and the average utilization hours of coal-fired power plants was 4,839 hours, representing a year-on-year decrease of 1%.

In 2009, China Power realized an average utilization hours for coal-fired power plants of 5,073 hours, representing a year-on-year decrease of 330 hours or 6.1%.

According to common market prediction, the economic growth of the PRC in 2010 may surpass that of 2009, with a continued upward trend in the demand of electricity. However, considering that installed capacity will also further increase, the increase in utilization hours will be very limited. We expect that the average utilization hours of the Company will grow slightly in 2010.

4. WHAT KIND OF TARIFF ADJUSTMENTS HAVE YOU MADE UNDER THE NEW TARAFF ADJUSTMENTS MADE BY THE GOVERNMENT IN 2009? AND WHAT IS THE COMPANY'S CURRENT TARIFF LEVEL?

In 2009, the National Development and Reform Commission made the decision to adjust the on-grid tariff for the entire country from 20 November. In view of this nation-wide tariff adjustment, the average on-grid tariff for the whole country has increased slightly.

Under this tariff adjustment, the on-grid tariff of four coal-fired power plants and ten hydro-power plants of China Power were adjusted. The on-grid tariff of coal-fired power plants increased RMB2/MWh on average while the on-grid tariff of hydro-power plants increased RMB5/MWh on average.

After the several tariff adjustments, the average tariff level of the Company increased significantly and thoroughly shook off the previous situation of low tariffs. On-grid tariff of the Company's power plants got close to the local benchmark tariff level.

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

Among the power plants of China Power under operation in 2009, the preferential tax treatment "First two years exemption and subsequent three years 50% reduction" of Pingwei Power Plant, Yaomeng Power Plant and Changshu Power Plant has been expired and these power plants are subject to an income tax rate of 20% for the year. Shentou I Power Plant and Pingwei Power Plant II are still enjoying preferential period of 50% reduction, which will end in 2009 and 2011 respectively. Yaomeng Power Plant II and Dabieshan Power Plant are still enjoying the tax-free period in 2009, but they will be subject to the applicable tax rate of 25% in 2013 upon the expiry of the above preferential tax treatment period.

Wu Ling Group are subject to the applicable tax rate of 25% in this year.

6. WHAT IS THE COMPANY'S DIVIDEND POLICY?

When formulating its dividend policy, the Company have fully taken into account various factors such as our cash flow, development needs and dividend payout ratio of peer groups. China Power's dividend payout ratio in 2005, 2006 and 2007 were 37.5%, 41.0% and 32.9%, respectively. In 2008, the Board did not declare a dividend because the Company recorded a loss in annual results.

The Board recommended the payment of a final dividend of RMB0.045 (equivalent to HK$0.0511) per ordinary share for the year ended 31 December 2009.

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

The Directors hereby present the shareholders their report together with the audited accounts of the Group for the year ended 31 December 2009 (the "Accounts").

PRINCIPAL ACTIVITIES

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

RESULTS AND DISTRIBUTION

The results of the Group for the year ended 31 December 2009 are set out in the Consolidated Income Statement on page 79. The Board has recommended the payment of a final dividend of RMB0.045 (equivalent to HK$0.0511) per share for the year ended 31 December 2009, with a total amount of approximately RMB229,818,000.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group acquired property, plant and equipment of approximately RMB1,964,078,000, mainly representing general power assets. Details of the movements in property, plant and equipment of the Group and the Company during the year are set out in Note 16 to the Accounts.

SHARE CAPITAL

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

RESERVES

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

DISTRIBUTABLE RESERVE

According to Section 79B of the Companies Ordinance, as at 31 December 2009, the distributable reserve of the Company amounted to RMB941,568,000 (2008: RMB1,026,529,000).

DIRECTORS

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

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

As at 31 December 2009, none of the Directors had a service contract with the Company or any subsidiaries which was not determinable by the employing company within one year without payment of compensation other than statutory compensation.

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

SHARE OPTION SCHEMES

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

(A) PRE-IPO SHARE OPTION SCHEME

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

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

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

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

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

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

The Pre-IPO Share Options were granted to the Directors, senior management and certain other employees of the Company on 18 September 2004 and to certain other employees of the Company on 11 October 2004. The fair value of the Pre-IPO Share Options determined at the dates of grant using the Model were HK$9,875,200 and HK$4,006,000 respectively. All such fair value has already been expensed regressively through the Group's income statement over the four-year vesting period of the Pre-IPO Share Options commencing from the year ended 31 December 2004 and no share option expense (2008: Nil) has been recognised for the year ended 31 December 2009.

Movements of the options granted under the Pre-IPO Share Option Scheme during the year ended 31 December 2009 are as follows:

		Number of Shares subject to Options						
Grantee	**Date of grant**	**As at 1 January 2009**	**Granted during the year**	**Lapsed or cancelled during the year**	**Exercised during the year**	**Outstanding as at 31 December 2009**	**Expiry date**	**Exercise price per share (HK$)**
Director:								
LI Xiaolin	18 September 2004	1,661,500	_	_	_	1,661,500	17 September 2014	2.53
GAO Guangfu	18 September 2004	207,700	—	—	—	207,700	17 September 2014	2.53
Other employees	18 September 2004	3,696,900	—	—	—	3,696,900	17 September 2014	2.53
Other employees	11 October 2004	1,537,000	—	498,500	—	1,038,500	10 October 2014	2.53

(B) SHARE OPTION SCHEME

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

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

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

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

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

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

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

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

(c) the nominal value of the shares.

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

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

(1) RIGHTS ON A GENERAL OFFER

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

(2) RIGHTS ON SCHEMES OF COMPROMISE OR ARRANGEMENT

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

(3) RIGHTS ON A VOLUNTARY WINDING-UP

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

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

The options granted pursuant to the Share Option Scheme were granted to the Directors, senior management and certain other employees on 4 April 2007 and 2 July 2008 respectively. The fair value of the options determined at the dates of grant using the Model were HK$23,517,000 and HK$18,346,000 respectively. For the year ended 31 December 2009, an amount of share option expense of RMB7,980,000 has been recognised, with a corresponding adjustment recognised in the Group's employee share-based compensation reserve.

Movements of the options under the Share Option Scheme for the year ended 31 December 2009 are as follows:

		Number of Shares subject to Options						
Grantee	Date of grant	As at 1 January 2009	Granted during the year	Lapsed or cancelled during the year	Exercised during the year	Outstanding as at 31 December 2009	Expiry date	Exercise price per share (HK$)
Director:								
LI Xiaolin	4 April 2007	1,905,000	—	—	—	1,905,000	3 April 2017	4.07
	2 July 2008	820,000	—	—	—	820,000	1 July 2018	2.326
LIU Guangchi	2 July 2008	740,000	—	—	—	740,000	1 July 2018	2.326
GAO Guangfu	4 April 2007	667,000	—	—	—	667,000	3 April 2017	4.07
	2 July 2008	400,000	—	—	—	400,000	1 July 2018	2.326
GUAN Qihong	2 July 2008	400,000	—	—	—	400,000	1 July 2018	2.326
Other employees	4 April 2007	12,951,000	—	2,004,000	—	10,947,000	3 April 2017	4.07
	2 July 2008	27,230,000	—	1,970,000	—	25,260,000	1 July 2018	2.326

DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

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

DIRECTORS' INTEREST IN CONTRACTS

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

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

As at 31 December 2009, save as disclosed below, none of the Directors has any interest or short positions in the shares, underlying shares or debentures of the Company or any of his / her associated corporations within the meaning of Part XV of the Securities and Futures Ordinance, Cap. 571 of the Laws of Hong Kong (the "SFO") which will have to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or which will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or which will be required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

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

Notes:-

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

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

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 31 December 2009, save as disclosed below, no person, not being a Director nor chief executive of the Company, had an interest or short position in the shares or underlying shares of the Company which should be recorded in the register kept under Section 336 of the SFO.

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

Notes:

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

(2) CPI Group is the beneficial owner of CPI Holding and therefore CPI Group is deemed to be interested in the Shares owned by CPI Holding for the purposes of the SFO.

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

CONNECTED TRANSACTIONS ENTERED BY THE GROUP

CONNECTED TRANSACTION

(A) Acquisition of Wu Ling Power and Issue of Shares

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

After completion of the acquisition, the consideration payable by the Company had been adjusted from RMB4,465,087,500 to RMB4,550,650,000 in accordance with the terms of the Acquisition Agreement and the total number of the Company's shares to be issued after the adjustment of the consideration was therefore 1,501,449,927 shares based on the aforementioned issue price of HK$2.408 per share, representing approximately 29.4% of the issued share capital of the Company as enlarged by the issue of the consideration shares. The remaining portion of the adjusted consideration (being RMB1,365,195,000) was required under the Acquisition Agreement to be satisfied in cash within one year of 26 October 2009, being the date on which the Company obtained the PRC Ministry of Commerce approval.

On 15 December 2009, a total number of 1,501,449,927 of the Company's shares were issued to CPI Holding in settlement of 70% consideration payable under the Acquisition Agreement. The fair value for these consideration shares is determined using the published closing price of the Company at the date of completion (i.e. 30 October 2009) of HK$2.17, together with the cash consideration mentioned above, totalling RMB4,235,808,000.

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

(B) Other Connected Transactions Or Continuing Connected Transactions

Following completion of the Wu Ling Power acquisition, certain ongoing transactions between Wu Ling Power and its subsidiaries and subsidiaries of CPI Group (including 貴州黔東電力有限公司 (Qian Dong Power Corporation*) ("Qian Dong Power")) entered into prior to the completion of the Wu Ling Power acquisition have become continuing connected transactions for the Company. A summary of such arrangements are set out below:

1. **Wu Ling Entrusted Loan Agreements**

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

- Total loan amount: RMB1.5 billion
- Interest rate: 5.4% per annum (being the PBOC Rate as at the date of this announcement)
- Repayment: 3 years
- CPI Holding will indemnify the Company for any losses and damages caused by or related to Qian Dong Power (including the failure of Qian Dong Power to fulfil its obligations under the Wu Ling Entrusted Loan Agreements).

2. **Leasing Agreement**

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

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

3. **Landscaping Project Contract**

In April 2009, Qian Dong Power entered into a landscaping project contract with Changde Liyuan Landscaping Company Limited*（常德力源園林綠化有限公司）, an indirect subsidiary of Wu Ling Power and the principal terms of the landscaping project contract are set out in the following:

- Date: April 2009
- Expiry: 30 June 2009
- Consideration: RMB6,830,000

4. Deposits placed with CPI Financial

Wu Ling Power and its subsidiaries have placed deposits with CPI Financial, a subsidiary of CPI Group, since June 2006. As at 30 October 2009, the total principal sum of deposits amounted to RMB135.77 million. As a result of the completion of the Wu Ling Power acquisition, the placing of deposits became continuing connected transactions. Wu Ling Group had withdrawn the full amount of the deposits from CPI Financial.

5. Construction Agreements

(1) Construction Agreement between Hunan Wu Ling Power Engineering Company Ltd*（湖南五凌電力工程有限公司）and Qian Dong Power

In February 2008, Hunan Wu Ling Power Engineering Company Ltd, a subsidiary of Wu Ling Power, entered into a project construction agreement with Qian Dong Power. As a result of the completion of the Wu Ling Power acquisition, the construction agreement has become a continuing connected transaction.

Date:	February 2008
Expiry:	April 2008
Consideration:	RMB2,997,680
Amount Outstanding:	RMB149,884 (The project has been completed in August 2009. The outstanding amount is retained by Qian Dong Power as retention funds until the one-year warranty period after completion expires.)

(2) Construction Agreements between Changde Liyuan Landscaping Company Limited* （常德力源園林綠化有限公司） and Qian Dong Power

There are a number of construction agreements entered into between Changde Liyuan Landscaping Company Limited, an indirect subsidiary of Wu Ling Power, and Qian Dong Power prior to the completion of the Wu Ling Power acquisition. As a result of the completion of the Wu Ling Power acquisition, the following construction agreements have become continuing connected transactions.

Subject Matter:	Landscaping project (phase I)
Date:	November 2008
Expiry:	30 November 2008
Consideration:	RMB3,321,368
Amount Outstanding:	RMB204,737 (The completion of the project has been delayed.)

Subject Matter:	Land formation project
Date:	September 2008
Expiry:	31 October 2008
Consideration:	RMB1,681,956
Amount Outstanding:	RMB71,483.3 (The completion of the project has been delayed.)

Subject Matter:	Gas tank area and hydrogen generator station construction project
Date:	December 2008
Expiry:	25 December 2008
Consideration:	RMB250,300
Amount Outstanding:	RMB12,515 (The project has been completed in January 2009. The outstanding amount is retained by Qian Dong Power as retention funds until the one-year warranty period after completion expires.)

Subject Matter:	Sewer system construction project
Date:	December 2008
Expiry:	31 March 2009
Consideration:	RMB246,014.02
Amount Outstanding:	RMB12,300.70 (The project has been completed in May 2009. The outstanding amount is retained by Qian Dong Power as retention funds until the one-year warranty period after completion expires.)

Subject Matter:	Tree planting
Date:	February 2009
Expiry:	15 December 2008
Consideration:	RMB193,000
Amount Outstanding:	RMB9,650 (The project has been completed in May 2009. The outstanding amount is retained by Qian Dong Power as retention funds until the two-year warranty period after completion expires.)

(3) Construction Agreement between Hunan Wu Ling Liyuan Economic Development Co. Ltd*（湖南五凌力源經濟發展有限公司）("Wu Ling Liyuan") and Qian Dong Power

In October 2008, Wu Ling Liyuan, a subsidiary of Wu Ling Power, entered into a reception center and temporary office repair agreement with Qian Dong Power. As a result of the completion of the Wu Ling Power acquisition, the agreement has become a continuing connected transaction.

Date:	October 2008
Expiry:	31 October 2008
Consideration:	RMB230,000
Amount Outstanding:	RMB11,500 (The project has been completed in December 2008. The outstanding amount is retained by Qian Dong Power as retention funds until the one-year warranty period after completion expires.)

6. Service Agreements

Wu Ling Liyuan and Qian Dong Power entered into service agreements prior to the completion of the Wu Ling acquisition. As a result of the completion of the Wu Ling acquisition, the service agreements have become continuing connected transactions.

Subject Matter:	Security Service Agreement
Date:	November 2008
Expiry:	30 November 2009
Consideration:	RMB1,645,778
Amount Outstanding:	RMB 246,867

Subject Matter:	Logistics Service Agreement
Date:	April 2009
Expiry:	31 December 2009
Consideration:	RMB2,045,000
Amount Outstanding:	RMB512,000

7. **Procurement Agreements**

(1) Slurry pump spare parts supply agreement between Wu Ling Liyuan and Qian Dong Power

On 29 July 2008, Wu Ling Liyuan entered into a slurry pump spare parts supply agreement with Qian Dong Power.

Subject Matter:	Supply of slurry pump spare parts
Date:	29 July 2008
Expiry:	January 2009
Consideration:	RMB 367,500
Amount Outstanding:	RMB18,375 (The outstanding amount is retained by Qian Dong Power as retention funds until the one-year warranty period after completion expires.)

(2) Bid Inviting and Procurement Agency Agreement between Wu Ling Power and CPCE

In January 2006, Wu Ling Power signed a bid inviting and procurement agency agreement with CPCE, a subsidiary of CPI Group for the purchase of 500kV power cables. As a result of the completion of the Wu Ling Power acquisition, the agreement has become a continuing connected transaction by virtue of Listing Rule 14A.41.

Date:	January 2006
Expiry:	30 June 2008
Consideration:	Bidding agency fee shall be charged based on the government stipulated rates. Bank charges shall be calculated according to the prevailing bank rates. Purchase agency fee shall be equal to 1.5% of the purchase price of the cables.
Amount outstanding:	USD80,000

(3) Coal Supply Agreement between Wu Ling Electric Power Fuel Company, Guizhou Shuicheng Coal Mining (Group) Co., Ltd*（貴州水城礦業（集團）有限公司）(“Guizhou Shuicheng”) and Qian Dong Power

On 8 April 2009, Wu Ling Electric Power Fuel Company, a subsidiary of Wu Ling Power, entered into a coal supply agreement with Guizhou Shuicheng and Qian Dong Power. Pursuant to the agreement, Wu Ling Electric Power Fuel Company will purchase coal from Guizhou Shuicheng for onward sale to Qian Dong Power. As a result of the completion of the Wu Ling Power acquisition, the agreement has become a continuing connected transaction.

Date:	8 April 2009
Expiry:	31 December 2009
Consideration:	The price of coal supplied by Wu Ling Electric Power Fuel Company to Qian Dong Power shall be equal to the purchase price for Wu Ling Electric Power Fuel Company from Guizhou Shuicheng plus a certain margin. The parties may agree to adjust the price based on market conditions.

8. Construction Supervision Agreement

On 28 February 2008, Wu Ling Power, entered into a construction supervision agreement with Dianneng (Beijing) Construction Engineering Supervision Co., Ltd.*（電能（北京）工程監理有限公司）, an indirect subsidiary of CPI Group. As a result of the completion of the Wu Ling Power acquisition, the agreement has become a continuing connected transaction.

Subject Matter:	Supervising the construction of the pump-turbines/ power engine and accessories of Hei Mi Feng Pumped Storage Power Station*（黑糜峰電廠）
Date:	28 February 2007
Consideration:	RMB1,500,000
Amount outstanding:	As at 30 October 2009, the total sum paid by Wu Ling Power to Beijing Dianneng under the agreement amounted to RMB1,038,148.

CONTINUING CONNECTED TRANSACTIONS

(A) LAND LEASE AGREEMENTS

1. Pingwei Yaomeng Land Lease Agreements

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

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

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

2. Land Use Right Lease Agreement

On 9 June 2005, Tianze Development Limited entered into a land use right lease agreement (the "Land Use Right Lease Agreement") with CPI Group regarding the lease from CPI Group of a piece of land with an area of approximately 2,925,019.15 sq. m. for a term of 20 years commencing from 1 July 2005. The annual rent for the period up to 31 December 2007 is fixed at RMB4,940,000. The rental amount is subject to review by the parties with reference to an independent valuation upon expiry of the said period.

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

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

3. Qinghe Land Lease Agreement

The Company (on behalf of China Power Qinghe Company) entered into a land lease agreement (the "Qinghe Land Lease Agreement") with CPI Group on 16 November 2007. According to the Qinghe Land Lease Agreement, the Company agreed to lease from CPI Group a portion of the land on which the assets to be acquired pursuant to the Asset Acquisition Agreement are situated. Qinghe Land Lease Agreement was later supplemented on 31 December 2008 and its new basic terms are as follows:

i) Area of leased land: 140,020 square meters;

ii) Annual rent: RMB2,982,400;

iii) Term: commencing from the completion date until the occurrence of the following events (whichever is the earliest):

- The expiry of CPI Group's rights to lease the land;
- China Power Qinghe Company ceases to be a member of CPI Group;
- the expiry of China Power Qinghe Company's business licence.

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

(B) SERVICE AGREEMENTS

Tianze Development Limited, a wholly owned subsidiary of the Company, entered into a series of service agreements (the "Service Agreements") with certain wholly owned subsidiaries of the CPI Group on 9 June 2005 to ensure the sustained operation of Shentou I Power Plant. Subsequently, Tianze novated the rights and benefits of the Service Agreements to Shentou I Power Plant.

On 22 November 2007, Shentou I Power Plant and Shentou Engineering Company or Shentou Industrial Company entered into four supplemental agreements respectively and agreed to renew the following service agreements for a term of three years after their expiry on 31 December 2007 and the relevant terms are summarised below:

	Annual Cap (RMB millions)			
Service Agreement	**2007**	**2008**	**2009**	**2010**
Technical Repair and Maintenance Framework Agreement	68	68	68	68
Fuel and Chemical Processing Services Framework Agreement	24	24	24	24
Non-power Generation Facilities Maintenance Framework Agreement	39	39	39	39
Composite Ancillary Services Framework Agreement	19	19	19	19

CPI Group is the ultimate controlling shareholder of the Company. Accordingly, the Service Agreements and the four supplemental agreements constitute continuing connected transactions of the Company under the Listing Rules.

(C) PROPERTY LEASE AGREEMENT

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

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

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

(D) PURCHASE AGREEMENTS

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

On 21 December 2006, each of Pingwei Power Plant II and Yaomeng Power Plant II entered into the purchase agreements with the Beijing China Power Environmental Engineering Company Limited* (the "Supplier") respectively pursuant to which each of Pingwei Power Plant II and Yaomeng Power Plant II agreed to purchase from the Supplier the limestone power for desulphurization (the "Materials"). For the financial year ended 31 December 2009, the annual caps for Pingwei II purchase agreement and Yaomeng II purchase agreement were RMB18.5 million and RMB20 million respectively.

The above purchase agreements were renewed on 21 December 2009 and under the Pingwei II Purchase Agreement ("Pingwei II Purchase Agreement") and Yaomeng II Purchase Agreement ("Yaomeng II Purchase Agreement") both dated 21 December 2009, Pingwei Power Plant II and Yaomeng Power Plant II, subsidiaries of the Company, agree respectively to purchase from the Supplier the Materials for a term commencing from 1 January 2010 and ending on 31 December 2012.

The purchase price of the Materials is determined on arm's length, with reference to the market condition and the quantity of Materials purchased. For the year ending 31 December 2010, Pingwei Power Plant II agrees to pay RMB189 per ton to purchase the Materials. With respect to the Yaomeng II Purchase Agreement, the purchase price of the Materials for the year ending 31 December 2010 shall be RMB175 per ton. The parties also agree to review the above purchase prices annually and may adjust the purchase price by reference to the cost of the Materials, production cost, transportation cost and market conditions. In addition, if the parties agree to raise the purchase prices, the increase shall not be more than 10% of the purchase price level for the year 2010. Pingwei Power Plant II and Yaomeng Power Plant II respectively agree to pay the purchase price to the Supplier monthly in arrear.

Pingwei Power Plant II agrees to purchase not more than 47,500 tons of the Materials from the Supplier for each financial year, it is anticipated that the annual cap for the Pingwei II Purchase Agreement for each of the three financial years ending 31 December 2012 is RMB9.9 million. With respect to the Yaomeng II Purchase Agreement, Yaomeng Power Plant II agrees to purchase not more than 57,500 tons from the Supplier for each financial year and it is anticipated that the annual cap for each of the three financial years 31 December 2012 is RMB11.5 million.

2. Pingwei and Yaomeng Purchase Agreements

On 13 August 2008, Pingwei Power Plant and Yaomeng Power Plant entered into the Pingwei Purchase Agreement and Yaomeng Purchase Agreement with the Supplier respectively , pursuant to which each of Pingwei Power Plant and Yaomeng Power Plant agreed to purchase from the Supplier the Materials.

Under the purchase agreements, each of Pingwei Power Plant and Yaomeng Power Plant agreed to purchase from the Supplier the Materials for a term commencing from 13 August 2008 and ending on 31 December 2010.

Pingwei Power Plant agreed to purchase from the Supplier no more than 40,000 tons and 60,000 tons of Materials respectively for the year ended 31 December 2008 and during each of the two years ended 31 December 2009 and 2010.

Under the Yaomeng Purchase Agreement, Yaomeng Power Plant agreed to purchase from the Supplier no more than 40,000 tons and 80,000 tons of materials respectively for the year ended 31 December 2008 and during each of the two years ended 31 December 2009 and 2010.

It is anticipated that the annual caps of the Pingwei Purchase Agreement for the financial year of 2008 and each of the two financial years ended 31 December 2010 are RMB 6,600,000 and RMB 9,900,000, respectively. In relation to the Yaomeng Purchase Agreement, it is anticipated that annual caps for the financial year of 2008 and each of the two financial years ended 31 December 2010 are RMB 6,600,000 and RMB 13,200,000, respectively.

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

(E) SERVICE AGREEMENTS WITH PINGWEI POWER PLANT AND YAOMENG POWER PLANT

On 23 May 2007, Pingwei Power Plant entered into a series of service agreements with Pingwei Maintenance Company and Pingwei Industry Company and Yaomeng Power Plant entered into a series of service agreements with Yaomeng Engineering Company and Yaomeng Industrial Company. These service agreements are for the purposes of ensuring the sustained operations of Pingwei Power Plant and Yaomeng Power Plant and the relevant terms of the agreements are set out below:

Service Agreements	**Annual Cap (RMB million)**		
	2007	**2008**	**2009**
Composite repair and maintenance services agreement between Pingwei Power Plant and Pingwei Maintenance Company	66.4	66.4	66.4
Composite repair and maintenance services agreement between Yaomeng Power Plant and Yaomeng Engineering Company	48.32	48.32	48.32
Fuel related services agreement between Pingwei Power Plant and Pingwei Industry Company	44.59	44.59	44.59
Fuel related services agreement between Yaomeng Power Plant and Yaomeng Industrial Company	26.93	26.93	26.93
Cleaning, repair and maintenance agreement in relation to power plant between Pingwei Power Plant and Pingwei Industry Company	10.06	10.06	10.06
Cleaning, repair and maintenance agreement in relation to power plant between Yaomeng Power Plant and Yaomeng Industrial Company	21.474	21.474	21.474
Composite services agreement between Pingwei Power Plant and Pingwei Industry Company	15.8	15.8	15.8
Composite services agreement between Yaomeng Power Plant and Yaomeng Industrial Company	16.595	16.595	16.595

The above agreements were renewed on 21 December 2009 (except the cleaning, repair and maintenance agreements) after the expiry of the original agreements on 31 December 2009. The relevant terms of the service agreements are summarised below:

Service Agreements	Annual Caps (RMB million) for (note) Service Agreements with Pingwei Power Plant	Service Agreements with Yaomeng Power Plant
Composite Repair and Maintenance Service Agreements	55.63	46.68
Fuel Related Service Agreements	26.90	7.05
Composite Service Agreements	25.30	33.25

Note: for the three financial years commencing from 1 January 2010 and ending on 31 December 2012

As Pingwei Maintenance Company, Pingwei Industry Company, Yaomeng Engineering Company and Yaomeng Industrial Company are subsidiaries of CPI Holding, the entering into the above service agreements constitute continuing connected transactions of the Company.

(F) SERVICE AGREEMENTS WITH PINGWEI POWER PLANT II AND YAOMENG POWER PLANT II

On 22 November 2007, Pingwei Power Plant II, Yaomeng Power Plant II and Dabieshan Power Plant entered into certain continuing connected transaction agreements with Pingwei Maintenance Company, Pingwei Industry Company, Yaomeng Engineering Company and Yaomeng Industrial Company in relation to the provision of various services in connection with their day-to-day businesses and operations and the relevant terms are summarised below:

Service Agreements	Annual Cap (RMB million) 2008	2009	2010
Composite repair and maintenance services agreement between Pingwei Power Plant II and Pingwei Maintenance Company	40	40	40
Composite repair and maintenance services agreement between Yaomeng Power Plant II and Yaomeng Engineering Company	43	43	43
Composite repair and maintenance services agreement between Dabieshan Power Plant and Shentou Engineering Company	43	43	43
Fuel related services agreement between Pingwei Power Plant II and Pingwei Industry Company	20	20	20
Fuel related services agreement between Yaomeng Power Plant II and Yaomeng Industrial Company	16	16	16
Fuel related services agreement between Dabieshan Power Plant and Shentou Industrial Company	17	17	17

Service Agreements	Annual Cap (RMB Million)		
	2008	2009	2010
Cleaning, repair and maintenance agreement in relation to power plants between Pingwei Power Plant II and Pingwei Industry Company	13	13	13
Cleaning, repair and maintenance agreement in relation to power plants between Yaomeng Power Plant II and Yaomeng Industrial Company	12	12	12
Cleaning, repair and maintenance agreement in relation to power plants between Dabieshan Power Plant and Shentou Industrial Company	11	11	11
Composite services agreement between Pingwei Power Plant II and Pingwei Industry Company	3	3	3
Composite services agreement between Yaomeng Power Plant II and Yaomeng Industrial Company	7	7	7
Composite services agreement between Dabieshan Power Plant and Shentou Industrial Company	7	7	7

As Pingwei Maintenance Company, Pingwei Industry Company, Yaomeng Engineering Company and Yaomeng Industrial Company are subsidiaries of CPI Holding, the entering into the above service agreements constitute continuing connected transactions of the Company.

(G) PRODUCTION TARGET SALE AND PURCHASE AGREEMENT

On 28 March 2008, the Company entered into the Production Target Sale and Purchase Agreement with CPI Group. The term of the Production Target Sale and Purchase Agreement is three years. The term will commence after the passing of an ordinary resolution by the independent shareholders approving the agreement and end on 31 December 2010. According to the agreement, the parties agreed that their respective subsidiaries, associates or power plants may trade the production targets with each other to the extent permissible under the PRC laws, rules, regulations and policies. In addition, if any subsidiaries, associates or power plants of the CPI Group decide to transfer their production targets to the Company's subsidiaries or power plants, they will enter into a Replacement Agreement setting out details of the terms and amount of the production targets being transferred. The Replacement Agreement will then be submitted to the relevant PRC government department for approval and confirmation.

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

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

The estimated annual caps for the consideration payable under the Production Target Sale and Purchase Agreement for the three financial years ending 31 December 2008, 2009 and 2010 are estimated to be RMB424.5 million, RMB1.32 billion and RMB1.34 billion respectively.

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

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

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

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

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

The auditor have reported their factual findings on the selected samples based on the agreed procedures to the Board stating that:

(1) the transactions have been approved by the Board;

(2) the transactions were entered into in accordance with the relevant agreements and documents governing such transactions; and

(3) the aggregate values of the transactions did not exceed the relevant upper limits applicable to such transactions.

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

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Except for the issue of shares pursuant to the Acquisition Agreement on 15 December 2009, neither (details of which are set out in page 59) neither the Company nor its subsidiaries purchased, sold or redeemed any of the listed securities of the Company during the year ended 2009.

CHANGE IN ACCOUNTING POLICY

Details of a change in accounting policy during the year are set out in Note 2.2 to the Accounts.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2009, the aggregate amount of purchases attributable to the Group's five largest suppliers accounted for approximately 90.78% of the Group's total purchases and purchases attributable to the Group's largest supplier accounted for approximately 44.09% of the Group's total purchases.

For the year ended 31 December 2009, the aggregate amount of turnover attributable to the Group's five largest customers accounted for approximately 93.83% of the Group's total turnover and turnover attributable to the Group's largest customer accounted for approximately 30.84% of the Group's total turnover.

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

PUBLIC FLOAT

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

AUDITOR

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

On behalf of the Board

China Power International Development Limited

Li Xiaolin

Chairman

Hong Kong, 16 April 2010

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

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

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
CHINA POWER INTERNATIONAL DEVELOPMENT LIMITED
(incorporated in Hong Kong with limited liability)

We have audited the consolidated accounts of China Power International Development Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 79 to 197, which comprise the consolidated and company balance sheets as at 31 December 2009, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE ACCOUNTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated accounts in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, and the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of accounts that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

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

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

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

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

OPINION

In our opinion, the consolidated accounts give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2009 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 16 April 2010

For the year ended 31 December 2009

	Note	Year ended 31 December 2009 RMB'000	2008 RMB'000 (Restated)
Revenue	5	**10,936,508**	9,632,381
Other income	6	**81,310**	8,842
Fuel costs		**(7,130,796)**	(7,055,736)
Depreciation		**(1,045,864)**	(808,994)
Staff costs	11	**(468,521)**	(384,763)
Repairs and maintenance		**(434,766)**	(405,500)
Consumables		**(181,953)**	(154,713)
Other gains, net	7	**1,113**	16,309
Impairment on property, plant and equipment	16	**—**	(348,505)
Impairment on goodwill	19	**(126,939)**	(40,000)
Other operating expenses		**(509,885)**	(500,434)
Operating profit/(loss)	8	**1,120,207**	(41,113)
Interest income		**34,551**	17,011
Finance costs	9	**(703,628)**	(629,504)
Share of profits/(losses) of associated companies		**127,986**	(40,968)
Share of losses of jointly controlled entities		**(5,030)**	(3,869)
Profit/(loss) before taxation		**574,086**	(698,443)
Taxation	10	**(22,476)**	(4,338)
Profit/(loss) for the year		**551,610**	(702,781)
Attributable to:			
Equity holders of the Company		**519,008**	(689,261)
Minority interests		**32,602**	(13,520)
		551,610	(702,781)
Earnings/(loss) per share for profit/(loss) attributable to equity holders of the Company during the year (expressed in RMB per share)			
– basic	13	**0.14**	(0.19)
– diluted	13	**0.14**	(0.19)
Dividends	14	**229,818**	—

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2009

	Year ended 31 December	
	2009	2008
	RMB'000	RMB'000
		(Restated)
Profit/(loss) for the year	**551,610**	(702,781)
Other comprehensive income/(loss)		
– Fair value gain/(loss) on available-for-sale financial assets, net of tax	**1,077,646**	(2,185,781)
Total comprehensive income/(loss) for the year	**1,629,256**	(2,888,562)
Attributable to:		
– Equity holders of the Company	**1,596,654**	(2,875,042)
– Minority interests	**32,602**	(13,520)
Total comprehensive income/(loss) for the year	**1,629,256**	(2,888,562)

As at 31 December 2009

	Note	As at 31 December 2009 RMB'000	2008 RMB'000 (Restated)	As at 1 January 2008 RMB'000 (Restated)
ASSETS				
Non-current assets				
Property, plant and equipment	16	**41,754,053**	15,471,787	14,449,153
Prepayments for construction of power plants	17	**964,962**	377,172	881,858
Land use rights	18	**417,868**	42,439	43,334
Goodwill	19	**467,619**	126,939	166,939
Interests in associated companies	21	**1,575,238**	803,482	844,450
Interests in jointly controlled entities	22	**75,670**	66,131	—
Available-for-sale financial assets	23	**2,821,498**	1,379,011	3,775,865
Long-term loans to a fellow subsidiary	24	**1,500,000**	—	—
Long-term receivable from Hubei Electric Power Corporation ("HEPC")	41(d)	**—**	34,000	—
Other long-term prepayments		**—**	15,950	58,668
Deferred income tax assets	38	**107,971**	57,189	20,639
		49,684,879	18,374,100	20,240,906
Current assets				
Inventories	25	**265,165**	499,776	277,843
Accounts receivable	26	**1,430,454**	1,375,156	1,283,074
Prepayments, deposits and other receivables		**689,699**	499,507	175,404
Amounts due from group companies	27	**141,439**	199,081	45,162
Dividends receivable from an associated company		**—**	—	65,699
Current portion of long-term receivable from HEPC	41(d)	**34,000**	34,000	—
Tax recoverable		**1,196**	1,196	—
Pledged bank deposits	35(b)	**48,886**	—	—
Cash and cash equivalents	28	**1,910,816**	1,326,818	734,057
		4,521,655	3,935,534	2,581,239
Total assets		**54,206,534**	22,309,634	22,822,145

As at 31 December 2009

	Note	As at 31 December 2009 RMB'000	2008 RMB'000 (Restated)	As at 1 January 2008 RMB'000 (Restated)
EQUITY				
Capital and reserves attributable to equity holders of the Company				
Share capital	29(a)	**5,121,473**	3,798,610	3,798,610
Share premium	29(b)	**4,303,111**	2,755,361	2,755,361
Reserves	30	**3,013,810**	1,409,176	4,469,599
		12,438,394	7,963,147	11,023,570
Minority interests		**2,442,996**	68,339	44,458
Total equity		**14,881,390**	8,031,486	11,068,028
LIABILITIES				
Non-current liabilities				
Deferred income		**96,636**	97,990	163,028
Long-term bank borrowings	31	**23,934,020**	9,439,150	7,706,350
Long-term borrowings from ultimate holding company	32	**1,473,816**	—	—
Long-term borrowings from CPI Financial Company ("CPIF")	32	**1,150,000**	—	—
Long-term payable to CPIF	32	**—**	270,295	270,295
Other long-term borrowings	33	**1,384,833**	—	—
Obligations under finance leases	34	**184,755**	205,155	—
Deferred income tax liabilities	38	**661,246**	—	211,073
Other long-term liabilities		**17,380**	—	—
		28,902,686	10,012,590	8,350,746

As at 31 December 2009

	Note	As at 31 December 2009 RMB'000	2008 RMB'000 (Restated)	As at 1 January 2008 RMB'000 (Restated)
Current liabilities				
Accounts and bills payables	35	**498,178**	696,529	428,630
Construction cost payable		**1,297,853**	1,156,466	1,322,781
Other payables and accrued charges	36	**807,284**	418,727	318,813
Derivative financial instruments	37	**71,441**	—	—
Amounts due to group companies	27	**1,292,997**	216,373	107,634
Current portion of long-term bank borrowings	31	**1,276,716**	225,000	466,000
Short-term bank borrowings	31	**2,550,000**	980,000	605,000
Other bank borrowings	31	**682,820**	412,725	—
Short-term borrowings from CPIF	32	**1,450,000**	100,000	—
Current portion of long-term payable to CPIF	32	**270,295**	—	—
Short-term other borrowings		**—**	—	127,863
Current portion of obligations under finance leases	34	**24,244**	26,857	—
Taxation payable		**200,630**	32,881	26,650
		10,422,458	4,265,558	3,403,371
Total liabilities		**39,325,144**	14,278,148	11,754,117
Total equity and liabilities		**54,206,534**	22,309,634	22,822,145
Net current liabilities		**5,900,803**	330,024	822,132
Total assets less current liabilities		**43,784,076**	18,044,076	19,418,774

Li Xiaolin
Director

Liu Guangchi
Director

As at 31 December 2009

	Note	As at 31 December 2009 RMB'000	As at 31 December 2008 RMB'000 (Restated)	As at 1 January 2008 RMB'000 (Restated)
ASSETS				
Non-current assets				
Property, plant and equipment	16	**3,659**	5,747	5,255
Investments in subsidiaries	20	**8,229,297**	3,935,585	4,175,750
Interests in an associated company	21	**552,500**	552,500	552,500
Available-for-sale financial assets	23	**2,720,498**	1,379,011	3,775,865
		11,505,954	5,872,843	8,509,370
Current assets				
Prepayments, deposits and other receivables		**3,961**	2,556	4,936
Amounts due from group companies	27	**2,000**	—	3,821
Amounts due from subsidiaries	20	**351,285**	242,650	431,068
Dividends receivable		**878,630**	591,498	709,230
Cash and cash equivalents	28	**1,578,756**	1,254,279	660,289
		2,814,632	2,090,983	1,809,344
Total assets		**14,320,586**	7,963,826	10,318,714
EQUITY				
Capital and reserves attributable to equity holders of the Company				
Share capital	29(a)	**5,121,473**	3,798,610	3,798,610
Share premium	29(b)	**4,303,111**	2,755,361	2,755,361
Reserves	30	**1,815,088**	816,757	3,480,672
		11,239,672	7,370,728	10,034,643
LIABILITIES				
Non-current liabilities				
Deferred income tax liabilities	38	**263,841**	—	211,073

As at 31 December 2009

	Note	As at 31 December 2009 RMB'000	As at 31 December 2008 RMB'000 (Restated)	As at 1 January 2008 RMB'000 (Restated)
Current liabilities				
Other payables and accrued charges	36	**58,285**	21,912	21,030
Amounts due to group companies	27	**1,188,688**	271	2,558
Amounts due to subsidiaries	20	**887,280**	158,190	49,410
Bank borrowings	31	**682,820**	412,725	—
		2,817,073	593,098	72,998
Total liabilities		**3,080,914**	593,098	284,071
Total equity and liabilities		**14,320,586**	7,963,826	10,318,714
Net current (liabilities)/assets		**(2,441)**	1,497,885	1,736,346
Total assets less current liabilities		**11,503,513**	7,370,728	10,245,716

Li Xiaolin
Director

Liu Guangchi
Director

For the year ended 31 December 2009

	Attributable to equity holders of the Company					
	Share capital (Note 29(a)) RMB'000	Share premium (Note 29(b)) RMB'000	Other reserves (Note 30) RMB'000	Accumulated losses (Note 30(iv)) RMB'000	Minority interests RMB'000	Total RMB'000
Balance at 1 January 2009, as previously reported	3,798,610	2,755,361	2,797,766	(1,278,383)	68,339	8,141,693
Change in accounting policy (Note 2.2)	—	—	(500,853)	390,646	—	(110,207)
Balance at 1 January 2009, as restated	3,798,610	2,755,361	2,296,913	(887,737)	68,339	8,031,486
Other comprehensive income:						
Increase in fair value of available-for-sale financial assets	—	—	1,341,487	—	—	1,341,487
Deferred tax on increase in fair value of available-for-sale financial assets (Note 38)	—	—	(263,841)	—	—	(263,841)
Other comprehensive income, net of tax	—	—	1,077,646	—	—	1,077,646
Profit for the year	—	—	—	519,008	32,602	551,610
Total comprehensive income	—	—	1,077,646	519,008	32,602	1,629,256
Issue of shares for acquisition of subsidiaries (Note 29(a))	1,322,863	1,547,750	—	—	—	2,870,613
Employee share option benefits	—	—	7,980	—	—	7,980
Lapse of share options	—	—	(2,334)	2,334	—	—
Transfer to statutory reserves	—	—	57,962	(57,962)	—	—
Acquisition of subsidiaries (Note 40)	—	—	—	—	2,271,293	2,271,293
Contributions from minority shareholders of subsidiaries	—	—	—	—	70,762	70,762
	1,322,863	1,547,750	63,608	(55,628)	2,342,055	5,220,648
Balance at 31 December 2009	5,121,473	4,303,111	3,438,167	(424,357)	2,442,996	14,881,390

For the year ended 31 December 2009

	Attributable to equity holders of the Company					
	Share capital (Note 29(a))	Share premium (Note 29(b))	Other reserves (Note 30)	Accumulated losses (Note 30(iv))	Minority interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2008, as previously reported	3,798,610	2,755,361	4,990,815	(409,897)	44,458	11,179,347
Change in accounting policy (Note 2.2)	—	—	(511,440)	400,121	—	(111,319)
Balance at 1 January 2008, as restated	3,798,610	2,755,361	4,479,375	(9,776)	44,458	11,068,028
Other comprehensive loss:						
Decrease in fair value of available-for-sale financial assets	—	—	(2,396,854)	—	—	(2,396,854)
Deferred tax on decrease in fair value of available-for-sale financial assets (Note 38)	—	—	211,073	—	—	211,073
Other comprehensive loss, net of tax	—	—	(2,185,781)	—	—	(2,185,781)
Loss for the year	—	—	—	(689,261)	(13,520)	(702,781)
Total comprehensive loss	—	—	(2,185,781)	(689,261)	(13,520)	(2,888,562)
Employee share option benefits	—	—	9,322	—	—	9,322
Lapse of share options	—	—	(6,003)	6,003	—	—
2007 final dividend	—	—	—	(194,703)	—	(194,703)
Contributions from minority shareholders of subsidiaries	—	—	—	—	37,401	37,401
	—	—	3,319	(188,700)	37,401	(147,980)
Balance at 31 December 2008	3,798,610	2,755,361	2,296,913	(887,737)	68,339	8,031,486

Consolidated Statement of Cash Flows

For the year ended 31 December 2009

	Note	Year ended 31 December 2009 RMB'000	2008 RMB'000
Cash flows from operating activities			
Cash generated from operations	39(a)	**3,675,342**	804,305
Interest paid		**(779,617)**	(720,574)
PRC income tax paid		**(44,180)**	(35,853)
Net cash generated from operating activities		**2,851,545**	47,878
Cash flows from investing activities			
Payments for property, plant and equipment		**(2,019,465)**	(1,232,382)
New prepayments for construction of power plants		**(626,148)**	(355,414)
Proceeds from disposal of property, plant and equipment		**3,809**	4,057
Payment for land use rights		**(121,310)**	—
Acquisition of subsidiaries, net of cash acquired	40	**1,787,175**	—
Prepayment for investments		**—**	(40,000)
Loans to a fellow subsidiary		**(530,000)**	—
Dividends received		**6,000**	65,699
Interest received		**34,551**	17,011
Net cash used in investing activities		**(1,465,388)**	(1,541,029)
Cash flows from financing activities			
New bank borrowings	39(b)	**3,558,595**	3,610,525
New borrowings from CPIF	39(b)	**1,800,000**	100,000
Contributions from minority shareholders of subsidiaries	39(b)	**70,762**	37,401
Repayment of bank borrowings	39(b)	**(6,045,720)**	(1,331,000)
Repayment of other borrowings	39(b)	**(101,494)**	—
Decrease in long-term payable to CPIF		**—**	(127,863)
Payments for obligations under finance leases	39(b)	**(35,416)**	(8,448)
Increase in pledged bank deposits		**(48,886)**	—
Dividends paid		**—**	(194,703)
Net cash (used in)/generated from financing activities		**(802,159)**	2,085,912
Net increase in cash and cash equivalents		**583,998**	592,761
Cash and cash equivalents at 1 January		**1,326,818**	734,057
Cash and cash equivalents at 31 December	28	**1,910,816**	1,326,818

1 GENERAL INFORMATION

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

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

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

These consolidated accounts are presented in thousands of Renminbi ("RMB'000"), unless otherwise stated, and have been approved for issue by the Board of Directors on 16 April 2010.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.1 Basis of preparation *(Continued)*

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

The following new standard and amendments to standards are mandatory for accounting periods beginning on or after 1 January 2009. The adoption of these new standard and amendments to standards does not have any significant impact to the results and financial position of the Group.

- HKAS 1 (Revised), "Presentation of Financial Statements". The revised standard requires "non-owner changes in equity" to be presented separately from owner changes in equity. As a result, the Group presents all owner changes in equity in the consolidated statement of changes in equity, whereas all "non-owner changes in equity" are presented in a performance statement. Entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). The Group has elected to present two statements: an income statement and a statement of comprehensive income. The consolidated accounts have been prepared under the revised disclosure requirements. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.
- Amendment to HKFRS 7 "Financial Instruments: Disclosures". The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. As the change in accounting policy only results in additional disclosures, there is no impact on earnings per share.
- HKFRS 8, "Operating Segments". HKFRS 8 replaces HKAS 14, "Segment Reporting". The new standard requires a "management approach", under which segment information is presented on the same basis as that used for internal reporting purposes. In addition, the segments are reported in a manner that is more consistent with the internal reporting provided to the chief operating decision-maker. Following the acquisition of Wuling Group during the year, the reportable segments identified by the Group are now the "Generation and sales of coal-fired electricity" and "Generation and sales of hydropower electricity".

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.1 Basis of preparation *(Continued)*

(a) Effect of adopting new standards, amendments to standards and interpretations *(Continued)*

The following amendments to standards and interpretations are also mandatory for the financial periods beginning on or after 1 January 2009:

HKFRSs (Amendment)	Improvements to HKFRSs 2008[1]
HKFRS 1 and HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Share-based Payment - Vesting Conditions and Cancellations
HKAS 23 (Revised)	Borrowing Costs
HKAS 32 and HKAS 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HK(IFRIC)-Int 9 and HKAS 39 (Amendments)	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 13	Customer Loyalty Programmes
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC)-Int 18	Transfers of Assets from Customers[2]

1 Effective for the Group for annual period beginning 1 January 2009 except the amendment to HKFRS 5, "Non-current assets held for sale and discontinued operations" which is effective for annual period beginning 1 January 2010.

2 Effective for transfer of assets received on or after 1 July 2009.

The adoption of these amendments to standards and interpretations did not result in a significant impact on the results and financial position of the Group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.1 Basis of preparation *(Continued)*

(b) The following standards, amendments to standards and interpretations have been issued but are not effective for 2009 and have not been early adopted:

HKFRSs (Amendments)	Improvements to HKFRSs 2009[1]
HKAS 24 (Revised)	Related Party Disclosures[2]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
HKAS 32 (Amendment)	Classification of Right Issues[2]
HKAS 39 (Amendment)	Eligible Hedged Items[1]
HKFRS 1 (Revised)	First-time Adoption of HKFRS[1]
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[1]
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[1]
HKFRS 3 (Revised)	Business Combinations[1]
HKFRS 9	Financial Instruments[3]
HK(IFRIC)-Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement[2]
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners[1]
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments[1]

[1] Effective for the Group for annual period beginning 1 January 2010

[2] Effective for the Group for annual period beginning 1 January 2011

[3] Effective for the Group for annual period beginning 1 January 2013

The effect that the adoption of HKFRS 3 (Revised), HKAS 27 (Revised) and HK(IFRIC) - Int 17 will have on the results and financial position of the Group will depend on the incidence and timing of business combinations occurring on or after 1 January 2010. The directors anticipate that the adoption of other standards, amendments to standards and interpretations will not result in a significant impact on the results and financial position of the Group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.1 Basis of preparation *(Continued)*

(c) As at 31 December 2009, a bank loan of approximately RMB683 million has been reclassified from non-current liabilities to current liabilities following the fact that the Group had breached certain financial covenants in respect of the relevant bank loan, details of which have been disclosed in Note 31. These covenant requirements have subsequently been waived by the relevant syndicate of banks after the year end. In preparing these accounts, the directors have taken into account all information that could reasonably be expected to be available and have ascertained that the Group has obtained adequate financial resources to support the Group to continue in operational existence for the foreseeable future. As of 31 December 2009, the Group had undrawn committed banking facilities amounting to approximately RMB12,168 million (2008: RMB1,604 million) and will refinance and/or restructure certain short-term loans into long-term loans or to consider alternative sources of financing, where applicable. Under these circumstances, the directors are of the opinion that the Group will be able to meet its liabilities as and when they fall due within the next twelve months and therefore have prepared the accounts on a going concern basis.

2.2 Change in accounting policy

In previous years, the Group's property, plant and equipment, other than construction in progress, were carried in the consolidated balance sheet at their revalued amounts less subsequent accumulated depreciation and impairment losses. Following the substantial business development of the Group in recent years and especially after the acquisition of Wuling Group in 2009 (also see Note 40), the directors of the Company are of the view that it is no longer practicable for the Group to continue adopting such accounting policy whereas using the cost model under HKAS 16 would result in the consolidated accounts providing more appropriate and relevant information about the Group's results and financial position to the users of the accounts. Consequently, the Group changed its accounting policy on property, plant and equipment to follow the cost model under HKAS 16 with effect from 1 January 2009.

This change in accounting policy has been accounted for retrospectively and the comparative figures for the corresponding comparative prior periods have been restated. This change did not result in a significant impact on the Group's consolidated net assets as at 31 December 2009 and 2008 and the consolidated results, earnings/(loss) per share (basic and diluted) and cash flows for the years ended 31 December 2009 and 2008.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.2 Change in accounting policy *(Continued)*

The effects of the change in accounting policy as described above are as follows:

(a) Consolidated income statement (extracts) for the year ended 31 December 2008:

	As previously reported RMB'000	Effect of change RMB'000	As restated RMB'000
Depreciation	(798,356)	(10,638)	(808,994)
Share of loss of an associated company	(43,194)	2,226	(40,968)
Loss before taxation	(690,031)	(8,412)	(698,443)
Taxation	(7,175)	2,837	(4,338)
Loss for the year	(697,206)	(5,575)	(702,781)
Attributed to:			
Equity holders of the Company	(683,686)	(5,575)	(689,261)
Minority interests	(13,520)	—	(13,520)
	(697,206)	(5,575)	(702,781)
Loss per share for loss attributable to equity holders of the Company during the year (expressed in RMB per share)			
– basic	(0.19)	—	(0.19)
– diluted	(0.19)	—	(0.19)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.2 Change in accounting policy *(Continued)*

(b) Consolidated balance sheet (extracts) as at 31 December 2008:

	As previously reported RMB'000	Effect of change RMB'000	As restated RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	15,617,112	(145,325)	15,471,787
Interests in an associated company	804,100	(618)	803,482
Deferred income tax assets	33,341	23,848	57,189
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Reserves (Note 30)	1,519,383	(110,207)	1,409,176
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	11,888	(11,888)	—

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.2 Change in accounting policy *(Continued)*

(c) Consolidated income statement (extracts) for the year ended 31 December 2007:

	As previously reported RMB'000	Effect of change RMB'000	As restated RMB'000
Depreciation	(460,084)	6,304	(453,780)
Share of loss of an associated company	(47,909)	4,394	(43,515)
Profit before taxation	660,906	10,698	671,604
Taxation	(69,477)	4,668	(64,809)
Profit for the year	591,429	15,366	606,795
Attributed to:			
Equity holders of the Company	592,435	15,366	607,801
Minority interests	(1,006)	—	(1,006)
	591,429	15,366	606,795
Earnings per share for profit attributable to equity holders of the Company during the year (expressed in RMB per share)			
– basic	0.16	0.01	0.17
– diluted	0.16	0.01	0.17

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.2 Change in accounting policy *(Continued)*

(d) Consolidated balance sheet (extracts) as at 31 December 2007:

	As previously reported RMB'000	Effect of change RMB'000	As restated RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	14,594,556	(145,403)	14,449,153
Interests in an associated company	847,294	(2,844)	844,450
Deferred income tax assets	—	20,639	20,639
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Reserves (Note 30)	4,580,918	(111,319)	4,469,599
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	227,362	(16,289)	211,073

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.2 Change in accounting policy *(Continued)*

(e) Balance sheet of the Company (extracts) as at 31 December 2008:

	As previously reported RMB'000	Effect of change RMB'000	As restated RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	5,719	28	5,747
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Reserves (Note 30)	816,729	28	816,757

(f) Balance sheet of the Company (extracts) as at 31 December 2007:

	As previously reported RMB'000	Effect of change RMB'000	As restated RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	5,211	44	5,255
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Reserves (Note 30)	3,480,628	44	3,480,672

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.3 Consolidation

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

(a) Subsidiaries

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

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interests. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the consolidated income statement (Note 2.8).

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet the investments in subsidiaries are stated at cost less provision for impairment losses (Note 2.9). The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.3 Consolidation *(Continued)*

(b) Transactions with minority interests

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group and are recorded in the consolidated income statement. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

(c) Associated companies

Associated companies are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associated companies are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investments in associated companies include goodwill (net of any accumulated impairment loss) identified on acquisition, if any (Note 2.8).

The Group's share of its associated companies' post-acquisition profits or losses is recognised in the consolidated income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investments. When the Group's share of losses in an associated company equals or exceeds its interest in the associated company, including any long-term interest that, in substance, form part of the Group's net investment in the associated company, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associated company.

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

In the Company's balance sheet the interests in an associated company are stated at cost less provision for impairment losses (Note 2.9). The results of the associated company are accounted for by the Company on the basis of dividends received and receivable.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.3 Consolidation *(Continued)*

(d) Jointly controlled entities

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

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

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

2.4 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.4 Foreign currency translation *(Continued)*

(c) Group companies

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

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

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

(iii) all resulting exchange differences are recognised as a separate component of equity.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.5 Property, plant and equipment

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

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

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

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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.9). Such impairment losses are recognised in the income statement.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.6 Construction in progress

Construction in progress represents property, plant and equipment under construction and pending installation and is stated at cost less accumulated impairment losses, if any. Cost includes the costs of construction of buildings, the costs of plant and machinery and interest charges arising from borrowings used to finance these assets during the period of construction or installation and testing. No provision for depreciation is made on construction in progress until such time as the relevant assets are completed and are available for the intended use. When the assets concerned are brought into use, the costs are transferred to other property, plant and equipment and depreciated in accordance with the policy as stated in Note 2.5 above.

2.7 Land use rights

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

2.8 Goodwill

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

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose identified according to operating segment (Note 2.9).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.10 Financial assets

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

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

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

(b) Loans and receivables

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

(c) Available-for-sale financial assets

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.10 Financial assets *(Continued)*

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

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

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

2.11 Derivative financial instruments

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.12 Impairment of financial assets

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

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

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

2.13 Inventories

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

2.14 Accounts and other receivables

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.15 Cash and cash equivalents

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

2.16 Financial liabilities and equity

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

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

2.17 Borrowings and borrowing costs

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.18 Current and deferred income tax

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

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.19 Employee benefits

(a) Pension obligations

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

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

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

(b) Bonus entitlements

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.19 Employee benefits *(Continued)*

(c) Share-based compensation

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

The cash subscribed for the shares issued when the options are exercised is credited to share capital (nominal value) and share premium, net of any directly attributable transaction costs.

2.20 Provisions

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.21 Deferred income

Deferred income represents subsidies received from government in connection with the purchases of property, plant and equipment and special grants for environmental improvement projects. Subsidies and grants received are initially recognised at their fair values where there is a reasonable assurance that the subsidies and grants will be received and the Group will comply with all attached conditions. Deferred income is included in non-current liabilities and are credited to the income statement on a straight-line basis over the expected lives of the related assets and projects.

2.22 Finance lease

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

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

2.23 Operating lease

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.24 Segment reporting

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

2.25 Revenue and income recognition

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

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

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

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

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

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

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

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

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

2.26 Dividend distribution

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

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

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

(a) Foreign exchange risk

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

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

As at 31 December 2008 and 2009, certain of the Group's cash and bank balances were denominated in HK$ and USD, details of which have been disclosed in Note 28.

As at 31 December 2009, the Group was exposed to foreign exchange risk primarily with respect to certain of its bank borrowings which were denominated in JPY and USD, details of which have been disclosed in Note 31. RMB experienced certain appreciation and depreciation against JPY and USD during the year which is the major reason for the exchange differences recognised by the Group for the year. Further depreciation or appreciation of JPY and USD against RMB will affect the Group's financial position and results of operations.

The Group manages its foreign exchange risk by performing regular reviews of its net foreign exchange exposures. Management also use certain derivative financial instruments to manage foreign exchange exposures. As at 31 December 2009, the Group had certain derivative financial instruments mainly to sell USD for JPY, details of which have been disclosed in Note 37.

At 31 December 2009, if RMB had weakened/strengthened by 5% against JPY, with all other variables held constant, post-tax profit for the year would have been approximately RMB54,128,000 (2008: Nil) lower/higher, mainly as a result of foreign exchange losses/gains on translation of JPY denominated borrowings.

3 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.1 Financial risk factors *(Continued)*

(a) Foreign exchange risk *(Continued)*

At 31 December 2009, if RMB had weakened/strengthened by 5% against HK$, with all other variables held constant, post-tax profit for the year would have been RMB1,113,000 higher/lower (2008: post-tax loss would have been RMB3,893,000 lower/higher), mainly as a result of foreign exchange gains/losses on translation of HK dollars-denominated cash and bank balances.

At 31 December 2009, if RMB had weakened/strengthened by 5% against USD, with all other variables held constant, post-tax profit for the year would have been RMB25,007,000 lower/higher (2008: post-tax loss would have been RMB4,302,000 lower/higher) mainly as a result of foreign exchange losses/gains on translation of USD-denominated bank deposits and borrowings.

(b) Interest rate risks

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

At 31 December 2009, if the interest rates on bank and other borrowings had been 50 basis points higher/lower than the prevailing interest rates, with all other variables held constant, post-tax profit for the year would have been RMB82,214,000 lower/higher (2008: post-tax loss would have been RMB53,736,000 higher/lower), mainly as a result of higher/lower interest expense on floating rate bank and other borrowings.

3 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.1 Financial risk factors *(Continued)*

(c) Price risk

The Group is exposed to equity securities price risk in respect of investments held by the Group which are classified as available-for-sale financial assets. Most of the Group's available-for-sale financial assets are publicly traded. However, the Group does not trade these investments as such investments are held for strategic rather than trading purpose. The volatility of stock market is generally significant recently. At 31 December 2009, if the quoted market price of the equity investments held by the Group had increased/decreased by 10% to 30%, with all other variables held constant, the results of the Group would have been unaffected as the investments are classified as available-for-sale and no investments had been disposed of or considered impaired; and equity would have been RMB204,037,000 to RMB612,112,000 (2008: RMB137,901,000 to RMB400,945,000) higher or RMB204,037,000 to RMB612,112,000 (2008: RMB137,901,000 to RMB413,703,000) lower, mainly as a result of the changes in fair value of available-for-sale financial assets.

The Group also exposes to commodity price risk mainly in relation to the coal price. At 31 December 2009, the Group entered into certain coal purchase contracts with coal suppliers in order to reduce its exposure to fluctuations in future coal prices.

3 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.1 Financial risk factors *(Continued)*

(d) Credit risk

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

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

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

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

3 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.1 Financial risk factors *(Continued)*

(e) Liquidity risk

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

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

As at 31 December 2009, the net current liabilities of the Group amounted to RMB5,900,803,000. Management monitors regularly the Group's current and expected liquidity requirements to ensure it maintains sufficient cash and cash equivalents and has available funding through adequate amount of committed banking facilities to meet its working capital requirements. The amount of undrawn credit facilities at the balance sheet date are disclosed in Note 31 to the accounts. The directors believe that the Group's current operating cash flows and credit facilities from banks are sufficient for financing its capital commitments in the near future and for working capital purposes.

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

3 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.1 Financial risk factors *(Continued)*

(e) Liquidity risk *(Continued)*

	Group			
	Within 1 year RMB'000	Between 1 and 2 years RMB'000	Between 3 and 5 years RMB'000	Over 5 years RMB'000
At 31 December 2009				
Bank borrowings	**5,877,665**	**3,135,954**	**7,405,698**	**26,549,516**
Payables and accruals	**2,603,315**	**—**	**—**	**—**
Long-term borrowings from ultimate holding company	**73,986**	**73,986**	**221,957**	**1,765,299**
Amounts due to group companies	**1,292,997**	**—**	**—**	**—**
Borrowings and payable to CPIF	**1,809,108**	**46,570**	**1,221,247**	**—**
Other long-term borrowings	**73,976**	**66,593**	**199,778**	**1,605,099**
Derivative financial instruments, net settled	**(11,166)**	**(8,880)**	**1,713**	**104,647**
Obligations under finance leases	**35,417**	**35,417**	**106,252**	**80,856**
At 31 December 2008				
Bank borrowings	2,306,728	1,354,687	1,908,304	12,123,170
Payables and accruals	2,271,722	—	—	—
Amounts due to group companies	216,373	—	—	—
Borrowings and payable to CPIF	119,814	277,313	—	—
Obligations under finance leases	29,615	29,615	88,845	192,388

3 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.1 Financial risk factors *(Continued)*

(e) Liquidity risk *(Continued)*

	Company			
	Within 1 year RMB'000	Between 1 and 2 years RMB'000	Between 3 and 5 years RMB'000	Over 5 years RMB'000
At 31 December 2009				
Payables and accruals	**58,285**	**—**	**—**	**—**
Amounts due to:				
Subsidiaries	**887,280**	**—**	**—**	**—**
Group companies	**1,188,688**	**—**	**—**	**—**
Bank borrowings	**716,261**	**—**	**—**	**—**
At 31 December 2008				
Payables and accruals	21,912	—	—	—
Amounts due to:				
Subsidiaries	158,190	—	—	—
Group companies	271	—	—	—
Bank borrowings	430,215	—	—	—

3 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.2 Capital risk management

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

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

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

The table below analyses the Group's capital structure as at 31 December 2009 and 2008.

	2009	2008
	RMB'000	RMB'000
		(Restated)
Total bank borrowings (Note 31)	**28,443,556**	11,056,875
Total payables to CPIF (Note 32)	**2,870,295**	370,295
Total payable to ultimate holding company (Note 32)	**1,473,816**	—
Long-term other borrowings (Note 33)	**1,384,833**	—
Less: Cash and cash equivalents (Note 28)	**(1,910,816)**	(1,326,818)
Net debt	**32,261,684**	10,100,352
Total equity	**14,881,390**	8,031,486
Total capital	**47,143,074**	18,131,838
Gearing ratio	**68%**	56%

The increase in the gearing ratio during 2009 resulted primarily from the acquisition of Wuling Group and the additional borrowings obtained in order to finance the capital investments in the construction and development of new power plants.

3 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.3 Fair value estimation

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

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

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2009.

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

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

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

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

3 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.3 Fair value estimation *(Continued)*

Specific valuation techniques used to value financial instruments include:

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

The derivative financial instruments – held for trading represents certain net settled derivative financial instruments mainly to sell USD for JPY with an aggregate notional principal amount of JPY3,381,976,000.

The following table presents the changes in these derivative financial instruments for the year ended 31 December 2009.

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

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

(ii) Impairment of non-financial assets

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

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(CONTINUED)*

(iii) Current and deferred taxation

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

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

(iv) Significant influence of an associated company

An associated company is an entity over which the Group has significant influence, but not control. 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.

In determining whether significant influence can be exercised over an entity, judgement is required in assessing the amount of influence that the Group can exert on the investee company's financial and operating policy decisions. In making this judgement, the Group evaluates the facts and circumstances after taking into account of, among other factors, the board composition of the investee company, the number of board members that the Group may nominate, the timeliness and sufficiency of financial information that can be made available to the Group, the details of the decision making process that the Group can participate, and the relative voting rights of board representatives from each shareholder. These circumstances may change from time to time as a result of a change in business strategies, shareholdings or relative voting rights of board representatives. Management continues to evaluate the situation and when there are facts and circumstances indicating that the Group starts or ceases to be able to exercise significant influence on the investee company, the Group may account for the investment differently in accordance with the relevant accounting policies.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(CONTINUED)*

(v) Fair value of financial instruments

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

As at 31 December 2009, the Group held certain net settled derivative financial instruments mainly to sell USD for JPY with an aggregate notional principal amount of JPY3,381,976,000 mainly for the purpose of managing currency exposure of JPY denominated bank borrowings, details of which have been disclosed in Note 37. The fair values of these contracts are determined using valuation techniques calculated based on a number of parameters including discount rates and volatility between USD/JPY in various forecasted periods. Changes in assumptions about these factors could significantly affect the reported fair value of the financial instruments with consequential impact on the results of the Group.

5 TURNOVER, REVENUE AND SEGMENT INFORMATION

Revenue recognised during the year is as follows:

	2009	2008
	RMB'000	RMB'000
Sales of electricity to provincial power grid companies (note (a))	**10,696,290**	8,761,986
Provision for power generation services (note (b))	**240,218**	870,395
	10,936,508	9,632,381

Note:

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

(b) Provision for power generation services represents income from generation of electricity on behalf of other power plants which is calculated based on mutually agreed prices.

Segment information

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

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

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

Segment information *(Continued)*

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

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

Segment information *(Continued)*

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

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

Segment information *(Continued)*

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

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

Segment information *(Continued)*

	Year ended 31 December 2008				
	Coal-fired electricity RMB'000	Hydropower electricity RMB'000	Reportable segments total RMB'000	Others RMB'000	Total RMB'000
Revenue					
Sales of electricity	8,761,986	—	8,761,986	—	8,761,986
Provision for power generation services	870,395	—	870,395	—	870,395
	9,632,381	—	9,632,381	—	9,632,381
Results of reportable segments	445,582	—	445,582	—	445,582
A reconciliation of results of reportable segments to loss for the year is as follows:					
Results of reportable segments					445,582
Impairment of property, plant and equipment	(348,505)	—	(348,505)	—	(348,505)
Impairment of goodwill	(40,000)	—	(40,000)	—	(40,000)
Unallocated expenses	—	—	—	(98,190)	(98,190)
Operating loss					(41,113)
Interest income	2,927	—	2,927	14,084	17,011
Finance costs	(629,504)	—	(629,504)	—	(629,504)
Share of losses of associated companies	(40,968)	—	(40,968)	—	(40,968)
Share of losses of jointly controlled entities	(3,869)	—	(3,869)	—	(3,869)
Loss before taxation					(698,443)
Taxation					(4,338)
Loss for the year					(702,781)

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

Segment information *(Continued)*

	Year ended 31 December 2008				
	Coal-fired electricity RMB'000	Hydropower electricity RMB'000	Reportable segments total RMB'000	Others RMB'000	Total RMB'000
Other segment information:					
Capital expenditure	1,688,103	—	1,688,103	2,419	1,690,522
Depreciation on property, plant and equipment	807,073	—	807,073	1,921	808,994
Amortisation of leasehold land and land use rights	895	—	895	—	895
Loss on disposal of property, plant and equipment	11,012	—	11,012	6	11,018

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

Segment information *(Continued)*

	As at 31 December 2008				
	Coal-fired electricity RMB'000	Hydropower electricity RMB'000	Reportable segments total RMB'000	Others RMB'000	Total RMB'000
Segment assets					
Other segment assets	18,596,233	—	18,596,233	—	18,596,233
Goodwill	126,939	—	126,939	—	126,939
Interests in associated companies	803,482	—	803,482	—	803,482
Interests in jointly controlled entities	66,131	—	66,131	—	66,131
	19,592,785	—	19,592,785	—	19,592,785
Available-for-sale financial assets					1,379,011
Deferred income tax assets					57,189
Other unallocated assets					1,280,649
Total assets per consolidated balance sheet					22,309,634
Segment liabilities					
Other segment liabilities	(2,795,919)	—	(2,795,919)	—	(2,795,919)
Borrowings	(11,427,170)	—	(11,427,170)	—	(11,427,170)
	(14,223,089)	—	(14,223,089)	—	(14,223,089)
Taxation payable					(32,881)
Other unallocated liabilities					(22,178)
Total liabilities per consolidated balance sheet					(14,278,148)

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

Segment information *(Continued)*

All revenues from external customers are generated from the PRC. Except that certain cash and bank balances equivalent to approximately RMB275 million were deposited in certain banks in Hong Kong at 31 December 2009 (31 December 2008: approximately RMB401 million), substantially all of the Group's assets, liabilities and capital expenditure are located or utilised in the PRC.

The Group's major customers are regional and provincial power grid companies. During the year ended 31 December 2009, the Group's external revenue amounting to approximately RMB10,262 million (31 December 2008: RMB8,690 million) is generated from 5 (31 December 2008: 4) major customers, each of which account for 10% or more of the Group's external revenue. All these customers are regarded as other state-owned enterprises and the details of these sales are disclosed in Note 42.

6 OTHER INCOME

	2009	2008
	RMB'000	RMB'000
Sales of electricity quotas	**31,505**	—
Income from the provision of repairs and maintenance services	**19,075**	—
Hotel operations income	**7,981**	—
Rental income	**12,650**	1,806
Management fee income	**4,099**	7,036
Dividend income (Note 42(a))	**6,000**	—
	81,310	8,842

7 OTHER GAINS, NET

	2009	2008
	RMB'000	RMB'000
Amortisation of deferred income	**11,015**	9,184
Tax refund	**—**	7,125
Fair value loss on derivative financial instruments	**(9,902)**	—
	1,113	16,309

8 OPERATING PROFIT/(LOSS)

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

	2009	2008
	RMB'000	RMB'000
		(Restated)
Amortisation of land use rights (Note 18)	**1,844**	895
Auditor's remuneration	**8,227**	5,043
Depreciation of property, plant and equipment (Note 16)	**1,045,864**	808,994
Loss on disposal of property, plant and equipment	**6,739**	11,018
Operating lease rental in respect of		
– equipment	**2,116**	2,669
– leasehold land and buildings	**33,426**	33,612
Provision for impairment of inventories	**7,759**	—
Provision for impairment of other receivables	**611**	—
Reservoir maintenance and usage fees	**10,861**	—
Staff costs including directors' emoluments (Note 11)	**468,521**	384,763
Write-off of pre-operating expenses	**19,115**	41,771

9 FINANCE COSTS

	2009 RMB'000	2008 RMB'000
Interest expense on		
– bank borrowings wholly repayable within five years	**213,539**	129,335
– bank borrowings not wholly repayable within five years	**541,431**	580,771
– long-term borrowings from ultimate holding company not wholly repayable within five years	**12,650**	—
– long-term other borrowings wholly repayable within five years	**49**	—
– long-term other borrowings not wholly repayable within five years	**11,685**	—
– long-term borrowings from and payables to a related company wholly repayable within five years	**50,964**	18,393
– short-term borrowings from a related company	**16,758**	1,073
– obligations under finance leases	**12,403**	7,830
	859,479	737,402
Less: Amounts capitalised in property, plant and equipment	**(135,409)**	(125,953)
	724,070	611,449
Net exchange (gains)/losses	**(20,442)**	18,055
	703,628	629,504

The weighted average interest rate on capitalised borrowings is approximately 5.2% (2008: 6.4%) per annum.

10 TAXATION

No Hong Kong profits tax has been provided for as the Group did not have any assessable profit in Hong Kong for the year (2008: Nil).

The provision for PRC current income tax is calculated based on the statutory tax rate of 25% (2008: 25%) on the estimated assessable income for the year except as disclosed below.

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

	2009 RMB'000	2008 RMB'000 (Restated)
PRC current income tax	**56,814**	40,888
Deferred income tax credit (Note 38)	**(34,338)**	(36,550)
	22,476	4,338

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

	2009 RMB'000	2008 RMB'000 (Restated)
Profit/(loss) before taxation	**574,086**	(698,443)
Less: Share of (profits)/losses of associated companies	**(127,986)**	40,968
Share of losses of jointly controlled entities	**5,030**	3,869
	451,130	(653,606)
Calculated at the PRC statutory tax rate of 25% (2008: 25%)	**112,783**	(163,402)
Effect of tax concession	**(61,425)**	21,388
Effect of different tax rates	**7,678**	11,438
Effects of change in tax rate	**(14,903)**	(3,527)
Income not subject to taxation	**(52,643)**	(10,886)
Expenses not deductible for taxation purposes	**45,429**	55,946
Tax losses for which no deferred income tax asset was recognised	**11,349**	93,381
Utilisation of tax losses previously not recognised	**(25,792)**	—
Taxation charge	**22,476**	4,338

10 TAXATION *(CONTINUED)*

Share of taxation charge attributable to associated companies for the year ended 31 December 2009 of RMB27,610,000 (2008: share of taxation credit of RMB11,409,000) are included in the Group's share of profits of associated companies for the year.

Pursuant to the relevant PRC income tax rules and regulations, special income tax rates have been granted to certain subsidiaries of the Group and associated companies as being foreign invested enterprises which are engaged in the energy, transportation or infrastructure activities. These companies are subject to a tax rate of 20% for the year 2009 (2008: 18%) followed by tax rates gradually increased from 22% to 25% in the ensuing three years towards 2012. A subsidiary acquired by the Group in year 2005 will be subject to tax rates gradually increased from 10% for the year 2009 (2008: 9%) to 25% in the ensuing three years towards 2012. A subsidiary of the Group that started operations in 2007 is entitled to a two-year exemption from income tax starting year 2007 followed by a 50% reduction in income tax rate towards year 2011 at rates gradually increased from 10% to 12%, and at 25% thereafter. Certain subsidiaries of the Group that started operations in 2008 also entitled to a two-year exemption from income tax starting year 2008 followed by a 50% reduction in income tax rate towards year 2012 at rates gradually increased from 11% to 12.5%, and at 25% thereafter.

Unrecognised deferred tax liabilities

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

For the Company's non-TRE enterprise shareholders, the Company would distribute dividends after deducting the amount of enterprise income tax payable by these non-TRE enterprise shareholders thereon and reclassify the related dividend payable to withholding tax payable upon the declaration of such dividends. The requirement to withhold tax does not apply to the Company's shareholders appearing as individuals in its share register.

11 STAFF COSTS

	2009 RMB'000	2008 RMB'000
Wages, salaries and bonuses	**292,024**	222,902
Staff welfare	**109,180**	108,902
Share options benefits to directors and employees	**7,980**	9,322
Pension costs - defined contribution plans	**59,337**	43,637
	468,521	384,763

12 LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The loss attributable to equity holders of the Company is dealt with in the accounts of the Company to the extent of a loss of RMB87,295,000 (2008 (as restated): loss of RMB292,753,000).

13 EARNINGS/(LOSS) PER SHARE

(a) Basic

Basic earnings/(loss) per share is calculated by dividing the profit/(loss) attributable to equity holders of the Company by the weighted average number of shares in issue during the year.

	2009	2008 (Restated)
Profit/(loss) attributable to equity holders of the Company (RMB'000)	**519,008**	(689,261)
Weighted average number of shares in issue (shares in thousands)	**3,667,224**	3,605,611
Basic earnings/(loss) per share (RMB)	**0.14**	(0.19)

(b) Diluted

Diluted earnings/(loss) per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares arising from the Company's share options. Diluted earnings/(loss) per share for the years ended 31 December 2009 and 31 December 2008 equal basic earnings/(loss) per share as the exercise of the outstanding share options would be anti-dilutive.

14 DIVIDENDS

	2009 **RMB'000**	2008 RMB'000
Final, proposed, of RMB0.045 (2008: Nil) per share	**229,818**	—

At a meeting held on 16 April 2010, the directors recommended the payment of a final dividend for the year ended 31 December 2009 of RMB0.045 (equivalent to HK$0.0511) per ordinary share (2008: Nil), totalling RMB229,818,000 (equivalent to HK$260,971,000) (2008: Nil). This proposed dividend is not reflected as dividend payable in these accounts, but will be reflected as an appropriation of retained earnings for the year ending 31 December 2010.

15 EMOLUMENTS FOR DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' emoluments

The remuneration of each of the directors of the Company for the year ended 31 December 2009 is set out below:

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

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

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

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

(a) Directors' emoluments *(Continued)*

The remuneration of each of the directors of the Company for the year ended 31 December 2008 is set out below:

Name of director	Fees	Basic salary, housing allowance, other allowances and benefits in kind	Share-based compensation#	Discretionary bonuses	Employer's contribution to pension scheme	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors						
Ms. Li Xiaolin	—	585	746	189	—	1,520
Mr. Hu Jiandong[1]	—	64	—	200	—	264
Mr. Liu Guangchi	—	427	105	—	—	532
Non-executive directors						
Mr. Wang Binghua[1]	—	—	—	—	—	—
Mr. Gao Guangfu	109	46	277	—	—	432
Mr. Guan Qihong	109	36	57	—	—	202
Independent non-executive directors						
Mr. Kwong Che Keung, Gordon	182	109	—	—	—	291
Mr. Li Fang	182	109	—	—	—	291
Mr. Tsui Yiu Wa, Alec	182	109	—	—	—	291
	764	1,485	1,185	389	—	3,823

None of the directors of the Company waived any emoluments during the year ended 31 December 2008.

1 Mr. Wang Binghua and Mr. Hu Jiandong resigned as directors on 1 January and 30 January 2008 respectively.

Share-based compensation were are determined based on the fair value of the share options granted to the relevant directors at the date of grant and recognised over the vesting periods. During the year ended 31 December 2008, none of these options had been exercised by the directors.

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

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include 2 (2008: 1) director(s) whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining 3 (2008: 4) individuals during the year are as follows:

	2009	2008
	RMB'000	RMB'000
Basic salaries, housing allowance, other allowances, share options and benefits in kind	**2,277**	3,463
Discretionary bonuses	**308**	778
Employer's contribution to pension scheme	**—**	—
	2,585	4,241

Their emoluments fell within the following bands:

	Number of individuals	
	2009	2008
Nil to HK$1,000,000 (equivalent to RMB881,213 (2008: RMB909,140))	**3**	1
HK$1,000,001 to HK$2,000,000 (equivalent to RMB881,214 to RMB1,762,425 (2008: RMB909,141 to RMB1,818,280))	**—**	3
	3	4

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

16 PROPERTY, PLANT AND EQUIPMENT

(a) Group

	Dam RMB'000	Buildings and leasehold improvements RMB'000	Power generators and equipment RMB'000	Electricity supply equipment RMB'000	Furniture and fixture, tools and other equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
Cost								
At 1 January 2009, as previously reported	—	5,219,561	14,660,054	3,126,451	703,563	142,522	684,516	24,536,667
Change in accounting policy (Note 2.2)	—	(223,981)	(1,082,658)	(142,541)	(32,374)	(3,944)	—	(1,485,498)
At 1 January 2009, as restated	—	4,995,580	13,577,396	2,983,910	671,189	138,578	684,516	23,051,169
Acquisition of subsidiaries (Note 40)	6,702,438	8,596,435	2,233,472	1,764,109	161,187	27,017	5,889,942	25,374,600
Additions	—	15,209	33,505	1,596	16,520	6,159	1,891,089	1,964,078
Disposals	—	(1,247)	(34,762)	—	(1,974)	(4,536)	—	(42,519)
Transfer	—	204,153	786,873	166,418	23,988	47,888	(1,229,320)	—
At 31 December 2009	6,702,438	13,810,130	16,596,484	4,916,033	870,910	215,106	7,236,227	50,347,328
Accumulated depreciation and impairment losses								
At 1 January 2009, as previously reported	—	1,695,031	5,682,737	1,198,845	282,353	60,589	—	8,919,555
Change in accounting policy (Note 2.2)	—	(173,480)	(1,016,247)	(128,453)	(21,099)	(894)	—	(1,340,173)
At 1 January 2009, as restated	—	1,521,551	4,666,490	1,070,392	261,254	59,695	—	7,579,382
Depreciation charge for the year	29,798	237,387	522,887	169,705	74,537	11,550	—	1,045,864
Disposals	—	(420)	(26,506)	—	(996)	(4,049)	—	(31,971)
At 31 December 2009	29,798	1,758,518	5,162,871	1,240,097	334,795	67,196	—	8,593,275
Net book value								
At 31 December 2009	6,672,640	12,051,612	11,433,613	3,675,936	536,115	147,910	7,236,227	41,754,053

16 PROPERTY, PLANT AND EQUIPMENT *(CONTINUED)*

(a) Group *(Continued)*

	Buildings and leasehold improvements RMB'000	Power generators and equipment RMB'000	Electricity supply equipment RMB'000	Furniture and fixture, tools and other equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
Cost							
At 1 January 2008, as previously reported	4,641,135	11,671,456	2,361,229	680,447	96,388	3,641,730	23,092,385
Change in accounting policy (Note 2.2)	(398,112)	(1,564,130)	(149,848)	(54,299)	(3,944)	—	(2,170,333)
At 1 January 2008, as restated	4,243,023	10,107,326	2,211,381	626,148	92,444	3,641,730	20,922,052
Additions	2,619	231,583	120	15,413	10,711	1,934,762	2,195,208
Disposals	(13,727)	(36,616)	(4,535)	(11,172)	(41)	—	(66,091)
Transfer	763,665	3,275,103	776,944	40,800	35,464	(4,891,976)	—
At 31 December 2008	4,995,580	13,577,396	2,983,910	671,189	138,578	684,516	23,051,169
Accumulated depreciation and impairment losses							
At 1 January 2008, as previously reported	1,607,772	5,479,675	1,101,722	257,739	50,921	—	8,497,829
Change in accounting policy (Note 2.2)	(346,121)	(1,498,453)	(138,030)	(42,378)	52	—	(2,024,930)
At 1 January 2008, as restated	1,261,651	3,981,222	963,692	215,361	50,973	—	6,472,899
Depreciation charge for the year	147,037	507,286	95,005	50,907	8,759	—	808,994
Impairment charge for the year (note (v))	119,187	209,879	14,570	4,869	—	—	348,505
Disposals	(6,324)	(31,897)	(2,875)	(9,883)	(37)	—	(51,016)
At 31 December 2008	1,521,551	4,666,490	1,070,392	261,254	59,695	—	7,579,382
Net book value							
At 31 December 2008	3,474,029	8,910,906	1,913,518	409,935	78,883	684,516	15,471,787

16 PROPERTY, PLANT AND EQUIPMENT *(CONTINUED)*

(a) Group *(Continued)*

(i) As at 31 December 2009, certain of the Group's property, plant and equipment with carrying value of approximately RMB4,437 million (2008 (as restated): RMB4,112 million) were situated on leasehold land in the PRC leased from China Power Investment Corporation (中國電力投資集團公司) ("CPI Group") which held the rights on the leasehold land under long-term leases. The remaining period of the Group's rights on leasehold land as at 31 December 2009 is ranging from 10 to 16 years (2008: 11 to 17 years).

(ii) As at 31 December 2009, the legal title of certain of the Group's properties with carrying amount of approximately RMB1,589 million (2008 (as restated): RMB1,938 million) had not been transferred to the Group subject to certain administrative procedures to be completed by the relevant local government authorities. However, the directors are of the opinion that the risks and rewards of using these assets have been transferred to the Group.

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

(iii) As at 31 December 2009, the cost and accumulated depreciation of property, plant and equipment held by the Group under finance leases amounted to RMB232,630,000 (2008: RMB232,630,000) and RMB29,078,750 (2008: RMB9,692,917) respectively.

(iv) As at 31 December 2009, certain property, plant and equipment of the Group with carrying amount of approximately RMB276 million (2008: RMB420 million) was pledged as security for certain long-term bank borrowings of the Group (Note 31(e)).

(v) As a result of the close down and planned close down of certain power generating units of the Group, an impairment loss on the Group's power generators and equipment amounting to RMB348,505,000 was recognised in the consolidated income statement of year 2008.

16 PROPERTY, PLANT AND EQUIPMENT *(CONTINUED)*

(b) Company

	2009				
	Leasehold improvements RMB'000	Office and other equipment RMB'000	Furniture and fixture RMB'000	Motor vehicles RMB'000	Total RMB'000
Cost					
At 1 January 2009, as previously reported	7,552	1,316	469	2,359	11,696
Change in accounting policy (Note 2.2)	—	86	10	2	98
At 1 January 2009, as restated	7,552	1,402	479	2,361	11,794
Additions	—	10	—	—	10
At 31 December 2009	7,552	1,412	479	2,361	11,804
Accumulated depreciation and impairment losses					
At 1 January 2009, as previously reported	4,317	700	86	874	5,977
Change in accounting policy (Note 2.2)	—	61	8	1	70
At 1 January 2009, as restated	4,317	761	94	875	6,047
Depreciation charge for the year	1,329	263	92	414	2,098
At 31 December 2009	5,646	1,024	186	1,289	8,145
Net book value					
At 31 December 2009	1,906	388	293	1,072	3,659

16 PROPERTY, PLANT AND EQUIPMENT *(CONTINUED)*

(b) Company *(Continued)*

	2008				
	Leasehold improvements RMB'000	Office and other equipment RMB'000	Furniture and fixture RMB'000	Motor vehicles RMB'000	Total RMB'000
Cost					
At 1 January 2008, as previously reported	5,669	1,205	68	2,359	9,301
Change in accounting policy (Note 2.2)	—	86	10	2	98
At 1 January 2008, restated	5,669	1,291	78	2,361	9,399
Additions	1,883	120	416	—	2,419
Disposals	—	(9)	(15)	—	(24)
At 31 December 2008	7,552	1,402	479	2,361	11,794
Accumulated depreciation and impairment losses					
At 1 January 2008, as previously reported	3,136	464	38	452	4,090
Change in accounting policy (Note 2.2)	—	47	7	—	54
At 1 January 2008, as restated	3,136	511	45	452	4,144
Depreciation charge for the year	1,181	257	60	423	1,921
Disposals	—	(7)	(11)	—	(18)
At 31 December 2008	4,317	761	94	875	6,047
Net book value					
At 31 December 2008	3,235	641	385	1,486	5,747

17 PREPAYMENTS FOR CONSTRUCTION OF POWER PLANTS

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

18 LAND USE RIGHTS

	Group	
	2009	2008
	RMB'000	RMB'000
Cost		
At 1 January	**44,511**	44,511
Acquisition of subsidiaries (Note 40)	**255,963**	—
Additions	**121,310**	—
At 31 December	**421,784**	44,511
Accumulated amortisation		
At 1 January	**2,072**	1,177
Amortisation charge for the year	**1,844**	895
At 31 December	**3,916**	2,072
Net book amount		
At 31 December	**417,868**	42,439

The amount represents cost of the land use rights in respect of land located in the PRC where certain of the Group's property, plant and equipment are built on. As at 31 December 2009, the remaining period of the land use rights ranged between 23 and 69 years.

19 GOODWILL

	Group	
	2009	2008
	RMB'000	RMB'000
Cost		
At 1 January	**166,939**	166,939
Acquisition of subsidiaries (Note 40)	**467,619**	—
At 31 December	**634,558**	166,939
Accumulated impairment losses		
At 1 January	**40,000**	—
Impairment losses	**126,939**	40,000
At 31 December	**166,939**	40,000
Net book amount		
At 31 December	**467,619**	126,939

Goodwill is allocated to Shanxi Shentou Electric Power Company Limited ("Shentou") and Wuling Group, both of which are subsidiaries of the Group.

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

	Coal-fired electricity RMB'000	**Hydropower electricity RMB'000**	**Total RMB'000**
As at 31 December 2009	**166,939**	**467,619**	**634,558**
As at 31 December 2008	166,939	—	166,939

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

There are a number of assumptions and estimates involved in the preparation of cash flow projections for the period covered by the approved budget. Management prepared the financial budgets taking into account actual and prior year performance and market development expectations. The pre-tax discount rate used for value-in-use calculations for goodwill is 9% (2008: 9%). Management estimates the discount rate using pre-tax rates that reflect market assessments of the time value of money and the specific risks relating to the cash-generating units. Other key assumptions applied in the impairment tests include the expected tariff rates, demand of electricity in the region where the power plants are located and fuel costs, where applicable.

19 GOODWILL *(CONTINUED)*

Impairment of goodwill for Shentou:

During the year, the Group assessed the recoverable amount of goodwill and determined that goodwill associated with Shentou was impaired. The major factor contributing to the impairment of the cash-generating unit is that the existing power generating units in Shentou are expected to be closed down gradually in the upcoming years. Consequently, while there is no indication that the carrying amount of the relevant property, plant and equipment in Shentou exceeded their recoverable amount as at 31 December 2009, goodwill attributable to the cash-generating unit was considered impaired.

At 31 December 2009, if the pre-tax discount rate applied to the discounted cash flow had been 1% lower, with all other variables held constant, the impairment charges on goodwill would decrease by approximately RMB34 million.

At 31 December 2009, if the budgeted fuel price applied to the discounted cash flow had been 5% lower, no impairment charge for goodwill will be required.

20 INVESTMENTS IN SUBSIDIARIES

	Company	
	2009	2008
	RMB'000	RMB'000
Unlisted investments, at cost	**8,839,441**	4,418,737
Provision for impairment	**(610,144)**	(483,152)
	8,229,297	3,935,585
Amounts due from subsidiaries (note (a))	**351,285**	242,650
Amounts due to subsidiaries (note (b))	**887,280**	158,190

Note:

(a) Except for an aggregate amount due from subsidiaries of RMB340,000,000 (2008: RMB230,000,000) which carries interest at 4.38% (2008: 3.33% to 5.91%) per annum and repayable within the next twelve months, amounts due from subsidiaries are unsecured, interest free and repayable on demand.

(b) The amounts due to subsidiaries are unsecured, repayable on demand, and carry interest at 0.36% (2008: 0.36% to 0.72%) per annum.

20 INVESTMENTS IN SUBSIDIARIES *(CONTINUED)*

The following is a list of the principal subsidiaries at 31 December 2009:

Name of companies	Place of establishment and operation	Registered/paid up capital	Proportion of ownership interest Held by the Company	Proportion of ownership interest Held by a subsidiary	Type of legal entity	Principal activities
Interests held directly:						
Anhui Huainan Pingwei Electric Power Generating Company Limited	The PRC	RMB841,600,000	100%	—	Wholly foreign-owned enterprise	Generation and sale of electricity
Huainan Pingwei No.2 Electric Power Generating Company Limited	The PRC	USD150,000,000/ USD104,153,000	100%	—	Wholly foreign-owned enterprise	Generation and sale of electricity
Huanggang Dabieshan Power Generating Company Limited	The PRC	RMB992,000,000/ RMB771,971,000	93%	—	Sino-foreign equity joint venture	Generation and sale of electricity
Pingdingshan Yaomeng Power Generating Company Limited	The PRC	RMB866,000,000	100%	—	Wholly foreign-owned enterprise	Generation and sale of electricity
Pingdingshan Yaomeng No.2 Power Generating Company Limited	The PRC	USD120,000,000/ USD105,241,000	100%	—	Wholly foreign-owned enterprise	Generation and sale of electricity
Tianze Development Limited	British Virgin Islands	USD1	100%	—	Limited liability company	Investment holding
Wu Ling Power Corporation	The PRC	RMB3,800,000,000	63%	—	Sino-foreign equity joint venture	Generation and sale of electricity
中電恒源物流（北京）有限公司	The PRC	HK$5,000,000	100%	—	Wholly foreign-owned enterprise	Provision of logistics service
四川中電福溪電力開發有限公司	The PRC	USD29,800,000/ USD29,763,000	51%	—	Sino-foreign equity joint venture	Generation and sale of electricity#
遼寧中電清河發電有限公司	The PRC	RMB520,000,000/ RMB82,356,000	100%	—	Wholly foreign-owned enterprise	Generation and sale of electricity#

20 INVESTMENTS IN SUBSIDIARIES *(CONTINUED)*

Name of companies	Place of establishment and operation	Registered/paid up capital	Proportion of ownership interest Held by the Company	Proportion of ownership interest Held by a subsidiary	Type of legal entity	Principal activities
Interests held indirectly:						
Guizhou Qing Shui Jiang Hydropower Co., Ltd.	The PRC	RMB1,480,500,000	—	95%	Sino-foreign equity joint venture	Generation and sale of electricity
Huaihua Yuanjiang Power Development Co., Ltd.	The PRC	RMB500,000,000	—	95%	Sino-foreign equity joint venture	Generation and sale of electricity
Hunan Wuhua Hotel Co., Ltd.	The PRC	RMB162,100,000	—	70%	Sino-foreign equity joint venture	Hotel ownership and operation
Hunan Wuling Engineering Co., Ltd.	The PRC	RMB46,000,000	—	100%	Sino-foreign equity joint venture	Provision of repair and maintenance services
Hunan Wu Ling Li Yuan Economic Development Co., Ltd.	The PRC	RMB49,795,000	—	100%	Sino-foreign equity joint venture	Provision of repair and maintenance services
Hunan Xiang Zhong Power Co., Ltd.	The PRC	RMB50,000,000	—	95%	Sino-foreign equity joint venture	Generation and sale of electricity
Shanxi Shentou Electric Power Company Limited	The PRC	RMB501,681,000	—	100%	Wholly foreign-owned enterprise	Generation and sale of electricity
Wuling Power Fuel Company Limited	The PRC	RMB30,000,000	—	100%	Limited liability company	Provision of fuel purchase services

The power plant is under development.

21 INTERESTS IN ASSOCIATED COMPANIES

	Group		Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
		(Restated)		(Restated)
Unlisted investments, at cost	**552,500**	552,500	**552,500**	552,500
Acquisition of subsidiaries (Note 40)	**643,770**	—	**—**	—
Share of undistributed post-acquisition reserves	**378,968**	250,982	**—**	—
	1,575,238	803,482	**552,500**	552,500

Interests in associated companies acquired during the year include goodwill of approximately RMB158,000,000 (2008: Nil).

The following are the details of the associated companies as at 31 December 2009:

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

The power plant is under development.

21 INTERESTS IN ASSOCIATED COMPANIES *(CONTINUED)*

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

	2009	2008
	RMB'000	RMB'000
		(Restated)
Operating results		
Turnover	**3,783,596**	2,081,378
Profit/(loss) before taxation	**568,983**	(103,777)
Profit/(loss) after taxation	**516,008**	(81,936)
Financial position		
Non-current assets	**6,162,238**	3,008,198
Current assets	**1,234,508**	566,113
Current liabilities	**(3,453,479)**	(1,905,142)
Non-current liabilities	**(1,050,334)**	(62,206)
Net assets	**2,892,933**	1,606,963

No dividend income was received from the associated companies for the year (2008: Nil).

22 INTERESTS IN JOINTLY CONTROLLED ENTITIES

	Group	
	2009	2008
	RMB'000	RMB'000
Unlisted investments, at cost	**70,000**	70,000
Acquisition of subsidiaries (Note 40)	**14,569**	—
Share of undistributed post-acquisition reserves	**(8,899)**	(3,869)
	75,670	66,131

22 INTERESTS IN JOINTLY CONTROLLED ENTITIES *(CONTINUED)*

The following are the details of the jointly controlled entities as at 31 December 2009:

Name of companies	Place of establishment and operation	Paid up capital	Proportion of ownership interest Held by the Company	Proportion of ownership interest Held by a subsidiary	Type of legal entity	Principal activities
Interest held indirectly:						
廣州中電荔新電力實業有限公司 (Guangzhou China Power Lixin Industrial Company Limited)	The PRC	RMB140,000,000	—	50%	Sino-foreign equity joint venture	Generation and sale of electricity
張家界索溪峪酒店有限公司	The PRC	RMB18,000,000	—	50%	Sino-foreign equity joint venture	Hotel ownership and operations

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

	2009 RMB'000	2008 RMB'000
Operating results		
Turnover	**—**	—
Loss for the year	**5,030**	3,869
Financial position		
Non-current assets	**209,746**	129,181
Current assets	**1,159**	39,570
Current liabilities	**(135,235)**	(102,620)
Non-current liabilities	**—**	—
Net assets	**75,670**	66,131

22 INTERESTS IN JOINTLY CONTROLLED ENTITIES *(CONTINUED)*

	2009 RMB'000	2008 RMB'000
Capital commitments in respect of property, plant and equipment		
Contracted but not provided for	**824,739**	422,099

There are no contingent liabilities relating to the Group's interests in the jointly controlled entities and the jointly controlled entities did not have any material contingent liabilities as at 31 December 2009 (2008: Nil).

23 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group		Company	
	2009 RMB'000	2008 RMB'000	**2009 RMB'000**	2008 RMB'000
Unlisted equity investments outside Hong Kong – at cost (note (a))	**101,000**	—	**—**	—
Equity securities listed outside Hong Kong - at fair value (note (b))	**2,720,498**	1,379,011	**2,720,498**	1,379,011
	2,821,498	1,379,011	**2,720,498**	1,379,011
Market value of equity securities listed outside Hong Kong	**2,720,498**	1,379,011	**2,720,498**	1,379,011

Note:

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

23 AVAILABLE-FOR-SALE FINANCIAL ASSETS *(CONTINUED)*

(b) Details of the equity securities listed outside Hong Kong as at 31 December 2009 are as follows:

Name of company	Place of establishment and operation	Registered and paid up capital	Equity interest attributable to the Group	Type of legal entity	Principal activity
Interest held directly:					
Shanghai Electric Power Co., Ltd ("Shanghai Power")	The PRC	RMB2,139,739,257	21.92%	Joint stock company with limited liability with its A shares listed on the Shanghai Stock Exchange	Investment holdings and the generation and sale of electricity

As at 31 December 2009, the directors of the Company evaluated the shareholding structure and the composition of the board of directors in Shanghai Power and concluded that the Group is not able to exercise significant influence over the financial and operating decisions of Shanghai Power despite that the Group holds an aggregate 21.92% interest in Shanghai Power (also see Note 4(iv)). Consequently, the Group continues to account for its investment in Shanghai Power as "Available-for-sale financial assets" which is measured based on its fair value, with the changes in fair value recognised in equity.

24 LONG-TERM LOANS TO A FELLOW SUBSIDIARY

As part of the acquisition of Wuling Group, the Group assumed the entrusted loans provided by Wuling to Qian Dong Power Corporation ("Qian Dong"), a former subsidiary of Wuling (and currently a subsidiary of CPIH), amounting to RMB 1,500,000,000. These loans are granted for a term of 3 years from the respective dates of drawdown at a fixed interest rate of 5.4% per annum. All these loans are repayable in the year 2012.

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

25 INVENTORIES

	Group 2009 RMB'000	2008 RMB'000
Coal and oil	**64,494**	313,903
Spare parts and consumables	**200,671**	185,873
	265,165	499,776

26 ACCOUNTS RECEIVABLE

	Group 2009 RMB'000	2008 RMB'000
Accounts receivable from provincial power grid companies (note (a))	**1,335,287**	1,283,682
Accounts receivable from other companies (note (a))	**459**	51,274
	1,335,746	1,334,956
Notes receivable (note (b))	**94,708**	40,200
	1,430,454	1,375,156

26 ACCOUNTS RECEIVABLE *(CONTINUED)*

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

As at 31 December 2009, certain bank borrowings were secured by the rights on accounts receivable of certain subsidiaries of the Group (Note 31(e) and (f)). The accounts receivable secured under these facilities as at 31 December 2009 was amounting to RMB706,744,000 (2008: RMB129,671,000).

Note:

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

	Group	
	2009	2008
	RMB'000	RMB'000
1 to 3 months	**1,335,746**	1,334,956

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

(b) Notes receivable are analysed as follows:

	2009	2008
	RMB'000	RMB'000
Bank acceptance notes issued by related parties	**—**	34,700
Bank acceptance notes issued by third parties	**94,708**	5,500
	94,708	40,200

The notes receivable are normally with maturity period of 180 days (2008: 90 to 180 days).

27 AMOUNTS DUE FROM/(TO) GROUP COMPANIES

Group

	As at 31 December	
	2009	2008
	RMB'000	RMB'000
Amounts due from group companies		
Amount due from an intermediate holding company	**1,000**	719
Amounts due from fellow subsidiaries	**139,085**	198,362
Amount due from CPIF	**1,354**	—
	141,439	199,081
Amounts due to group companies		
Amount due to ultimate holding company	**68,374**	68,643
Amounts due to fellow subsidiaries	**36,206**	147,730
Purchase consideration payable to an intermediate holding company (note)	**1,188,417**	—
	1,292,997	216,373

Company

	As at 31 December	
	2009	2008
	RMB'000	RMB'000
Amounts due from group companies		
Amount due from a fellow subsidiary	**2,000**	—
Amounts due to group companies		
Amount due to ultimate holding company	**271**	271
Purchase consideration payable to an intermediate holding company (note)	**1,188,417**	—
	1,188,688	271

Note:

Apart from the purchase consideration payable to an intermediate holding company which is repayable on or before 31 October 2010, the amounts due from/(to) group companies are unsecured, interest free and repayable on demand.

28 CASH AND CASH EQUIVALENTS

	Group		Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Cash at bank and in hand	**1,201,212**	639,243	**869,152**	566,704
Time deposits with initial terms of less than three months	**709,604**	687,575	**709,604**	687,575
	1,910,816	1,326,818	**1,578,756**	1,254,279
Denominated in:				
RMB	**1,562,276**	922,269	**1,303,541**	853,051
USD	**326,279**	326,689	**256,156**	326,575
HK$	**22,261**	77,860	**19,059**	74,653
	1,910,816	1,326,818	**1,578,756**	1,254,279

(i) The weighted average effective interest rate on time deposits, with maturity ranging from 1 week to 3 months, was 2.2% and 2.6% per annum during the years ended 31 December 2009 and 2008 respectively. Cash at bank earns interest at floating rates based on daily bank deposit rates.

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

29 SHARE CAPITAL AND SHARE PREMIUM

(a) Authorised and issued capital

	Company	
	Number of shares (of HK$1 each)	Notional amount RMB'000
Authorised:		
At 1 January 2008, 31 December 2008 and 31 December 2009	**10,000,000,000**	**10,600,000**
Issued and fully paid:		
At 1 January 2008 and 31 December 2008	**3,605,610,850**	**3,798,610**
Issue of shares for acquisition of subsidiaries (note)	**1,501,449,927**	**1,322,863**
At 31 December 2009	**5,107,060,777**	**5,121,473**

Note:

On 15 December 2009, the Company issued 1,501,449,927 new shares of HK$1 each to CPIH as part of the purchase consideration for the acquisition of 63% interest in Wuling Group (the "Consideration Shares"). These new shares rank pari passu in all respects with the then existing shares. The fair value of the Consideration Shares, determined using the published closing price at the date of acquisition, amounted to approximately RMB 2,871 million (equivalent to approximately HK$3,258 million).

(b) Share premium

	Company	
	2009 RMB'000	2008 RMB'000
At 1 January	**2,755,361**	2,755,361
Issue of shares for acquisition of subsidiaries (Note 29 (a))	**1,547,750**	—
At 31 December	**4,303,111**	2,755,361

29 SHARE CAPITAL AND SHARE PREMIUM *(CONTINUED)*

(c) Share option schemes

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

(i) Option Scheme

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

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

29 SHARE CAPITAL AND SHARE PREMIUM *(CONTINUED)*

(c) Share option schemes *(Continued)*

(i) Option Scheme *(Continued)*

Details of the options granted under the Option Scheme outstanding as at 31 December 2009 are as follows:

Date of grant	Expiry date	Exercise price	**Number of shares subject to the options At 31 December 2009**	Number of shares subject to the options At 31 December 2008
Directors				
4 April 2007	3 April 2017	HK$4.07	**2,572,000**	2,572,000
2 July 2008	1 July 2018	HK$2.326	**2,360,000**	2,360,000
Senior management and other employees				
4 April 2007	3 April 2017	HK$4.07	**10,947,000**	12,951,000
2 July 2008	1 July 2018	HK$2.326	**25,260,000**	27,230,000
			41,139,000	45,113,000

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

	2009		2008	
	Average exercise price in HK$ per share	**Number of options**	Average exercise price in HK$ per share	Number of options
At 1 January	**2.926**	**45,113,000**	4.07	20,629,000
Granted	**—**	**—**	2.326	29,590,000
Lapsed	**4.07**	**(2,004,000)**	4.07	(5,106,000)
Lapsed	**2.326**	**(1,970,000)**	—	—
At 31 December		**41,139,000**		45,113,000

29 SHARE CAPITAL AND SHARE PREMIUM *(CONTINUED)*

(c) Share option schemes *(Continued)*

(i) Option Scheme *(Continued)*

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

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

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

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

Note:

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

(ii) Pre-IPO Share Option Scheme

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

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

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

29 SHARE CAPITAL AND SHARE PREMIUM *(CONTINUED)*

(c) Share option schemes *(Continued)*

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

Details of the options granted under the Pre-IPO Scheme outstanding as at 31 December 2009 are as follows:

				Number of shares subject to the options	
	Date of grant	Expiry date	Exercise price	**At 31 December 2009**	At 31 December 2008
Directors	18 September 2004	17 September 2014	HK$2.53	**1,869,200**	1,869,200
Senior management and other employees	18 September 2004	17 September 2014	HK$2.53	**3,696,900**	3,696,900
Senior management and other employees	11 October 2004	10 October 2014	HK$2.53	**1,038,500**	1,537,000
				6,604,600	7,103,100

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

	2009		2008	
	Average exercise price in HK$ per share	**Number of options**	Average exercise price in HK$ per share	Number of options
At 1 January	**2.53**	**7,103,100**	2.53	10,531,400
Lapsed	**2.53**	**(498,500)**	2.53	(3,428,300)
At 31 December		**6,604,600**		7,103,100

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

29 SHARE CAPITAL AND SHARE PREMIUM *(CONTINUED)*

(c) Share option schemes *(Continued)*

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

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

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

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

Note:

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

30 RESERVES

Group

	Merger reserve (note (i)) RMB'000	Capital reserve (note (ii)) RMB'000	Revaluation reserve RMB'000	Available-for-sale financial assets reserve RMB'000	Statutory reserves (note (iii)) RMB'000	Share-based compensation reserve RMB'000	Accumulated losses (note (iv)) RMB'000	Total RMB'000
At 1 January 2009, as previously reported	306,548	2,262,848	500,853	(434,224)	137,972	23,769	(1,278,383)	1,519,383
Change in accounting policy (Note 2.2)	—	—	(500,853)	—	—	—	390,646	(110,207)
At 1 January 2009, as restated	306,548	2,262,848	—	(434,224)	137,972	23,769	(887,737)	1,409,176
Increase in fair value of available-for-sale financial assets	—	—	—	1,341,487	—	—	—	1,341,487
Deferred tax on increase in fair value of available-for-sale financial assets (Note 38)	—	—	—	(263,841)	—	—	—	(263,841)
Employee share option benefits	—	—	—	—	—	7,980	—	7,980
Lapse of share options	—	—	—	—	—	(2,334)	2,334	—
Transfer to reserves	—	—	—	—	57,962	—	(57,962)	—
Profit for the year	—	—	—	—	—	—	519,008	519,008
At 31 December 2009	306,548	2,262,848	—	643,422	195,934	29,415	(424,357)	3,013,810

30 RESERVES *(CONTINUED)*

Group *(Continued)*

	Merger reserve (note (i)) RMB'000	Capital reserve (note (ii)) RMB'000	Revaluation reserve RMB'000	Available-for-sale financial assets reserve RMB'000	Statutory reserves (note (iii)) RMB'000	Share-based compensation reserve RMB'000	Accumulated losses (note (iv)) RMB'000	Total RMB'000
At 1 January 2008, as previously reported	306,548	2,262,848	511,440	1,751,557	137,972	20,450	(409,897)	4,580,918
Change in accounting policy (Note 2.2)	—	—	(511,440)	—	—	—	400,121	(111,319)
At 1 January 2008, as restated	306,548	2,262,848	—	1,751,557	137,972	20,450	(9,776)	4,469,599
Decrease in fair value of available-for-sale financial assets	—	—	—	(2,396,854)	—	—	—	(2,396,854)
Deferred tax on decrease in fair value of available-for-sale financial assets (Note 38)	—	—	—	211,073	—	—	—	211,073
Employee share option benefits	—	—	—	—	—	9,322	—	9,322
Lapse of share options	—	—	—	—	—	(6,003)	6,003	—
2007 final dividend	—	—	—	—	—	—	(194,703)	(194,703)
Loss for the year (Note 2.2)	—	—	—	—	—	—	(689,261)	(689,261)
At 31 December 2008	306,548	2,262,848	—	(434,224)	137,972	23,769	(887,737)	1,409,176

30 RESERVES *(CONTINUED)*

Group *(Continued)*

Note:

(i) Merger reserve

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

(ii) Capital reserve

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

(iii) Statutory reserves

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

(iv) Accumulated losses

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

30 RESERVES *(CONTINUED)*

Company

	Revaluation reserve RMB'000	Available-for-sale financial assets reserve RMB'000	Share-based compensation reserve RMB'000	Retained earnings RMB'000	Total RMB'000
At 1 January 2009, as previously reported	**13**	**(233,541)**	**23,769**	**1,026,488**	**816,729**
Change in accounting policy (Note 2.2)	**(13)**	**—**	**—**	**41**	**28**
At 1 January 2009, as restated	**—**	**(233,541)**	**23,769**	**1,026,529**	**816,757**
Loss for the year	**—**	**—**	**—**	**(87,295)**	**(87,295)**
Employee share option benefits	**—**	**—**	**7,980**	**—**	**7,980**
Lapse of share options	**—**	**—**	**(2,334)**	**2,334**	**—**
Increase in fair value of available-for-sale financial assets	**—**	**1,341,487**	**—**	**—**	**1,341,487**
Deferred tax on increase in fair value of available-for-sale financial assets (Note 38)	**—**	**(263,841)**	**—**	**—**	**(263,841)**
At 31 December 2009	**—**	**844,105**	**29,415**	**941,568**	**1,815,088**

30 RESERVES *(CONTINUED)*

Company *(Continued)*

	Revaluation reserve RMB'000	Available-for-sale financial assets reserve RMB'000	Share-based compensation reserve RMB'000	Retained earnings RMB'000	Total RMB'000
At 1 January 2008, as previously reported	13	1,952,240	20,450	1,507,925	3,480,628
Change in accounting policy (Note 2.2)	(13)	—	—	57	44
At 1 January 2008, as restated	—	1,952,240	20,450	1,507,982	3,480,672
Loss for the year	—	—	—	(292,753)	(292,753)
2007 final dividend	—	—	—	(194,703)	(194,703)
Employee share option benefits	—	—	9,322	—	9,322
Lapse of share options	—	—	(6,003)	6,003	—
Decrease in fair value of available-for-sale financial assets	—	(2,396,854)	—	—	(2,396,854)
Deferred tax on decrease in fair value of available-for-sale financial assets (Note 38)	—	211,073	—	—	211,073
At 31 December 2008	—	(233,541)	23,769	1,026,529	816,757

31 BANK BORROWINGS

Bank borrowings are analysed as follows:

	Group		Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Non-current				
Long-term bank borrowings				
– secured (note (e))	**15,992,186**	193,000	**—**	—
– unsecured (note (b))	**9,901,370**	9,883,875	**682,820**	412,725
	25,893,556	10,076,875	**682,820**	412,725
Less: current portion of long-term bank borrowings				
– secured	**(629,866)**	(100,000)	**—**	—
– unsecured	**(646,850)**	(125,000)	**—**	—
– unsecured bank borrowings reclassified as current (note (b))	**(682,820)**	(412,725)	**(682,820)**	(412,725)
	23,934,020	9,439,150	**—**	—
Current				
Short term bank borrowings, secured (note (f))	**—**	100,000	**—**	—
Short-term bank borrowings, unsecured	**2,550,000**	880,000	**—**	—
	2,550,000	980,000	**—**	—
Unsecured bank borrowings reclassified as current (note (b))	**682,820**	412,725	**682,820**	412,725
Current portion of long-term bank borrowings	**1,276,716**	225,000	**—**	—
	4,509,536	1,617,725	**682,820**	412,725
Total bank borrowings	**28,443,556**	11,056,875	**682,820**	412,725

31 BANK BORROWINGS *(CONTINUED)*

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

	2009	2008
	RMB'000	RMB'000
RMB	**26,125,850**	10,644,150
USD	**874,285**	412,725
JPY	**1,443,421**	—
	28,443,556	11,056,875

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

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

	Group	
	2009	2008
	RMB'000	RMB'000
Wholly repayable within five years (also see note (b) above)	**7,608,050**	1,581,075
Not wholly repayable within five years	**18,285,506**	8,495,800
	25,893,556	10,076,875

31 BANK BORROWINGS *(CONTINUED)*

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

	Group	
	2009	2008
	RMB'000	RMB'000
Within one year (also see note (b) above)	**1,959,536**	637,725
In the second year	**1,879,366**	743,350
In the third to fifth year	**3,769,148**	200,000
After the fifth year	**18,285,506**	8,495,800
	25,893,556	10,076,875

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

	Group	
	2009	2008
Non-current bank borrowings, at floating rates	**5.16%**	6.6%
Current bank borrowings, at floating rates	**4.59%**	6.5%

(e) As at 31 December 2009, the long-term bank borrowings of the Group were secured as follows:

	2009
	RMB'000
Secured against the rights on accounts receivable of certain subsidiaries of the Group	**13,448,766**
Guaranteed by the ultimate holding company	**1,822,060**
Guaranteed by Hunan Provincial Finance Bureau	**621,360**
Secured against property, plant and equipment of a subsidiary of the Group (Note 16(a)(iv))	**100,000**
	15,992,186

As at 31 December 2008, the long-term bank borrowings of RMB193,000,000 were secured by certain property, plant and equipment of the Group with carrying amount of RMB420,033,000 (Note 16).

31 BANK BORROWINGS *(CONTINUED)*

(f) The short-term bank borrowings of RMB100,000,000 as at 31 December 2008 were secured by the rights on accounts receivable of certain subsidiaries of the Group (Note 26).

(g) At 31 December 2009, the Group had the following undrawn committed borrowing facilities:

	Group	
	2009	2008
	RMB'000	RMB'000
Long-term bank borrowings, at floating rates	**12,168,411**	1,604,200

32 BORROWINGS FROM GROUP COMPANIES

	Group	
	2009	2008
	RMB'000	RMB'000
Non-current		
Long-term borrowings from ultimate holding company (note (a))	**1,473,816**	—
Long-term borrowings from CPIF (note (b))	**1,150,000**	—
Long-term payable to CPIF (note (c))	**—**	270,295
	2,623,816	270,295
Current		
Short-term borrowings from CPIF (note (d))	**1,450,000**	100,000
Current portion of long-term payable to CPIF (note (c))	**270,295**	—
	1,720,295	100,000
	4,344,111	370,295

The carrying amounts of borrowings from group companies approximate their fair values.

32 BORROWINGS FROM GROUP COMPANIES *(CONTINUED)*

Note:

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

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

(c) Long-term payable to CPIF are unsecured, bearing interest at 5.27% (2008: 5.27%) per annum and are repayable by 30 June 2010.

(d) The short-term borrowings from CPIF are unsecured, bearing interest at rates ranging from 2.91% to 4.78% (2008: 6.66%) per annum and are repayable by year 2010.

33 LONG-TERM OTHER BORROWINGS

	Group	
	2009	2008
	RMB'000	RMB'000
Corporate bonds (note(a))	**992,506**	—
Loans from a minority shareholder (note(b))	**385,201**	—
Other borrowing (note(c))	**7,126**	—
	1,384,833	—

Note:

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

(b) Loans from a minority shareholder are unsecured, bearing interest at 5.35% per annum and repayable by 31 December 2015.

(c) Other borrowing represents a loan from a local government in the PRC, which is unsecured and bearing interest at 3.60% per annum and repayable after year 2010.

34 OBLIGATIONS UNDER FINANCE LEASES

	Group	
	2009	2008
	RMB'000	RMB'000
Obligations under finance leases	**208,999**	232,012
Current portion of finance leases	**(24,244)**	(26,857)
Non-current portion of finance leases	**184,755**	205,155

At 31 December 2009, the Group's finance lease liabilities were repayable as follows:

	Group	
	2009	2008
	RMB'000	RMB'000
Within one year	**35,417**	29,615
In the second to fifth year	**141,669**	118,460
After the fifth year	**80,856**	192,388
	257,942	340,463
Future finance charges on finance leases	**(48,943)**	(108,451)
Present value of finance leases	**208,999**	232,012

35 ACCOUNTS AND BILLS PAYABLES

	Group	
	2009	2008
	RMB'000	RMB'000
Accounts payable (note (a))	**178,785**	558,793
Due to related companies (note (a))	**194,112**	137,736
	372,897	696,529
Bills payables (note (b))	**125,281**	—
	498,178	696,529

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

Note:

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

	Group	
	2009	2008
	RMB'000	RMB'000
1 to 6 months	**350,916**	594,229
7 to 12 months	**82**	60,017
Over 1 year	**21,899**	42,283
	372,897	696,529

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

(b) Bills payables are bills of exchange with average maturity period of 3 to 6 months (2008: Nil). As at 31 December 2009, bank deposits of approximately RMB48,886,000 (2008: Nil) have been pledged against these bills payables as security.

36 OTHER PAYABLES AND ACCRUED CHARGES

	Group		Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Salaries and staff welfare payable	**81,636**	50,904	**9,487**	3,542
Value added tax payable	**151,721**	193,264	**—**	—
Other taxes payable	**153,391**	28,945	**—**	63
Repairs and maintenance expense payable	**26,323**	12,485	**—**	—
Insurance expense payable	**13,132**	14,029	**—**	988
Discharge fees payable	**2,998**	3,985	**—**	—
Reservoir maintenance fees payables	**108,599**	—	**—**	—
Interest payable	**82,113**	14,654	**1,662**	7,166
Other payables and accrued operating expenses	**187,371**	100,461	**47,136**	10,153
	807,284	418,727	**58,285**	21,912

37 DERIVATIVE FINANCIAL INSTRUMENTS

	Group	
	2009	2008
	RMB'000	RMB'000
Derivative financial instruments - held for trading	**71,441**	—

As at 31 December 2009, the Group had certain net settled derivative financial instruments mainly to sell USD for JPY with an aggregate notional principal amount of JPY3,381,976,000.

38 DEFERRED INCOME TAX

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

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

	Group		Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
		(Restated)		
Deferred income tax assets	**107,971**	57,189	**—**	—
Deferred income tax liabilities	**(661,246)**	—	**(263,841)**	—
Net deferred income tax (liabilities)/assets	**(553,275)**	57,189	**(263,841)**	—

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

	Group		Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
		(Restated)		
At 1 January, as previously reported	**21,453**	(227,362)	**—**	(211,073)
Change in accounting policy (Note 2.2)	**35,736**	36,928	**—**	—
At 1 January, as restated	**57,189**	(190,434)	**—**	(211,073)
(Charged)/credited directly to equity (Note 30)	**(263,841)**	211,073	**(263,841)**	211,073
Acquisition of subsidiaries (Note 40)	**(380,961)**	—	**—**	—
Credited to consolidated income statement (Note 10)	**34,338**	36,550	**—**	—
At 31 December	**(553,275)**	57,189	**(263,841)**	—

38 DEFERRED INCOME TAX *(CONTINUED)*

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

Deferred tax liabilities:

	Group								Company	
	Accelerated tax depreciation		Revaluation surplus on property, plant and equipment		Changes in fair value of available-for-sale financial assets		Total		Changes in fair value of available-for-sale financial assets	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000 (Restated)	**RMB'000**	RMB'000	**RMB'000**	RMB'000 (Restated)	**RMB'000**	RMB'000
At 1 January, as previously reported	**—**	—	**(45,842)**	(56,791)	**—**	(211,073)	**(45,842)**	(267,864)	**—**	(211,073)
Change in accounting policy (Note 2.2)	**—**	—	**45,842**	56,791	**—**	—	**45,842**	56,791	**—**	—
At 1 January, as restated	**—**	—	**—**	—	**—**	(211,073)	**—**	(211,073)	**—**	(211,073)
Acquisition of subsidiaries	**(404,441)**	—	**—**	—	**—**	—	**(404,441)**	—	**—**	—
(Charged)/credited directly to equity (Note 30)	**—**	—	**—**	—	**(263,841)**	211,073	**(263,841)**	211,073	**(263,841)**	211,073
Charged to consolidated income statement	**(31,005)**	—	**—**	—	**—**	—	**(31,005)**	—	**—**	—
At 31 December	**(435,446)**	—	**—**	—	**(263,841)**	—	**(699,287)**	—	**(263,841)**	—

38 DEFERRED INCOME TAX *(CONTINUED)*

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

Deferred tax assets:

	Group													
	Decelerated tax depreciation		Revaluation deficit on property, plant and equipment		Provision for receivables		Provision for inventories obsolescence		Tax losses		Others		Total	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000 (Restated)	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000 (Restated)
At 1 January, as previously reported	**–**	–	**10,106**	19,863	**13,187**	13,187	**7,452**	7,452	**36,550**	–	**–**	–	**67,295**	40,502
Change in accounting policy (Note 2.2)	**–**	–	**(10,106)**	(19,863)	**–**	–	**–**	–	**–**	–	**–**	–	**(10,106)**	(19,863)
At 1 January, as restated	**–**	–	**–**	–	**13,187**	13,187	**7,452**	7,452	**36,550**	–	**–**	–	**57,189**	20,639
Acquisition of subsidiaries	**6,368**	–	**–**	–	**10,613**	–	**–**	–	**–**	–	**6,499**	–	**23,480**	–
Credited/(charged) to consolidated income statement	**29,482**	–	**–**	–	**(898)**	–	**(2,564)**	–	**35,274**	36,550	**4,049**	–	**65,343**	36,550
At 31 December	**35,850**	–	**–**	–	**22,902**	13,187	**4,888**	7,452	**71,824**	36,550	**10,548**	–	**146,012**	57,189

38 DEFERRED INCOME TAX *(CONTINUED)*

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through the future taxable profits is probable. At 31 December 2009, the Group had unrecognised tax losses to be carried forward against future taxable income amounted to RMB1,093,000,000 (2008: RMB767,463,000), which are mainly expiring within five years.

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

	Group		**Company**	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Available-for-sale financial assets reserve (Note 30)	**263,841**	(211,073)	**263,841**	(211,073)

39 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

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

	2009 RMB'000	2008 RMB'000 (Restated)
Profit/(loss) before taxation	**574,086**	(698,443)
Share of (profits)/losses of associated companies	**(127,986)**	40,968
Share of losses of jointly controlled entities	**5,030**	3,869
Interest expense	**724,070**	611,449
Dividend income	**(6,000)**	—
Depreciation of property, plant and equipment	**1,045,864**	808,994
Amortisation of land use rights	**1,844**	895
Amortisation of deferred income	**(11,015)**	(9,184)
Loss on disposal of property, plant and equipment	**6,739**	11,018
Impairment on property, plant and equipment	**—**	348,505
Provision for impairment of other receivables	**611**	—
Provision for impairment of inventories	**7,759**	—
Fair value loss on derivative financial instruments	**9,902**	—
Impairment on goodwill	**126,939**	40,000
Share-based compensation expense	**7,980**	9,322
Interest income	**(34,551)**	(17,011)
Operating profit before working capital changes	**2,331,272**	1,150,382
Decrease/(increase) in accounts receivable	**345,201**	(92,082)
Increase in prepayments, deposits and other receivables	**(171,507)**	(324,103)
Decrease/(increase) in inventories	**240,744**	(221,933)
Decrease/(increase) in balances with group companies	**1,178,916**	(45,180)
(Decrease)/increase in accounts and bills payables	**(198,351)**	267,899
(Decrease)/increase in other payables and accrued charges	**(109,893)**	100,100
Increase in deferred income	**9,580**	24,504
Decrease/(increase) in long-term receivable from HEPC	**34,000**	(68,000)
Decrease in other long-term prepayments	**15,950**	12,718
Decrease in other long-term liabilities	**(570)**	—
Cash generated from operations	**3,675,342**	804,305

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

(b) Analysis of changes in financing during the year

	Long-term and short-term bank and other borrowings RMB'000	Borrowings from CPIF and ultimate holding company RMB'000	Obligations under finance leases RMB'000	Minority interests RMB'000
Balance at 1 January 2008	8,777,350	—	—	44,458
New bank borrowings	3,610,525	—	—	—
Repayment of bank borrowings	(1,331,000)	—	—	—
New borrowings from CPIF	—	100,000	—	—
New obligation under finance leases	—	—	232,630	—
Payments for obligations under finance leases	—	—	(8,448)	—
Interest element for obligations under finance leases	—	—	7,830	—
Contributions from minority shareholders of subsidiaries	—	—	—	37,401
Minority shareholders' share of loss for the year	—	—	—	(13,520)
Balance at 31 December 2008	11,056,875	100,000	232,012	68,339
Acquisition of subsidiaries	21,360,133	2,173,816	—	2,271,293
New bank borrowings	3,558,595	—	—	—
Repayment of bank borrowings	(6,045,720)	—	—	—
Repayment of other borrowings	(101,494)	—	—	—
New borrowings from CPIF	—	1,800,000	—	—
Payments for obligations under finance leases	—	—	(35,416)	—
Interest element for obligations under finance leases	—	—	12,403	—
Contributions from minority shareholders of subsidiaries	—	—	—	70,762
Minority shareholders' share of profit for the year	—	—	—	32,602
Balance at 31 December 2009	29,828,389	4,073,816	208,999	2,442,996

40 BUSINESS COMBINATIONS

Effective 1 November 2009, the Group acquired 63% equity interests in Wuling from CPIH (the "Acquisition"). The acquired business contributed revenue of RMB374,486,000 and net profit of RMB92,187,000 to the Group for the period from 1 November 2009 to 31 December 2009. If the Acquisition had occurred on 1 January 2009, the Group's revenue for the year ended 31 December 2009 would have been RMB13,336,855,000 and profit for the year would have been RMB1,078,853,000. These amounts have been calculated using the Group's accounting policies and by adjusting the results of Wuling Group to reflect the relevant depreciation and amortisation that would have been charged assuming the fair value adjustments on the relevant assets had applied from 1 January 2009, together with the consequential tax effects.

Details of net assets acquired and goodwill are as follows:

	RMB'000
Purchase considerations:	
– Fair value of shares issued (Notes 29(a) and (b))	2,870,613
– Cash paid	176,778
– Consideration payable in cash (Note 27)	1,188,417
– Direct expenses relating to the acquisition	44,952
	4,280,760
Fair value of net identifiable assets acquired (see below)	(3,813,141)
Goodwill (Note 19)	467,619

Goodwill arose from the acquisition is attributable to the anticipated profitability of the company's operations and the anticipated future operating synergies.

Note:

During the year, the acquisition was completed and the Group commenced to account for the business combination from the effective date when the Group gained control over Wuling. As at the date of these accounts, the initial accounting for the acquisition is determined on a provisional basis as the allocation of fair value to the identifiable assets and liabilities of the acquisition is still progressing. Adjustments to those provisional values of identifiable assets and liabilities, including any additional depreciation, amortisation, and other profit or loss effect, if any, will be recognised on completion of the initial accounting.

40 BUSINESS COMBINATIONS *(CONTINUED)*

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

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

There were no acquisitions during the year ended 31 December 2008.

41 COMMITMENTS

(a) Capital commitments

	Group		Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Authorised but not contracted for in respect of				
– property, plant and equipment	**488,963**	23,096	**—**	—
– capital contribution to an associated company	**813,800**	813,800	**813,800**	813,800
Contracted but not provided for in respect of				
– property, plant and equipment	**14,211,866**	343,894	**—**	—
– other investments	**198,450**	—	**198,450**	—
– capital contribution to subsidiaries	**—**	—	**1,254,681**	1,622,912
– acquisition of a business	**944,628**	944,628	**—**	—
	16,657,707	2,125,418	**2,266,931**	2,436,712

(b) Commitments under operating leases

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

	Group		Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Land and buildings				
Not later than one year	**23,995**	25,475	**14,072**	13,354
Later than one year and not later than five years	**16,812**	26,721	**16,812**	4,049
	40,807	52,196	**30,884**	17,403

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

41 COMMITMENTS *(CONTINUED)*

(c) Future operating lease arrangements

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

	Group		Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Other equipment				
Not later than one year	**63,144**	2,240	**—**	—
Later than one year and not later than five years	**66,241**	—	**—**	—
	129,385	2,240	**—**	—

(d) Long-term receivable from HEPC

In order to support the electricity transmission requirements for a power plant in Hubei Province, the Group agreed to provide certain advancement to HEPC to the extent of RMB200,000,000. As of 31 December 2008, the Group advanced an aggregate amount of RMB68,000,000 to HEPC for which RMB34,000,000 shall be repayable, and had been repaid, in 2009 and the remaining amount shall be repayable by 30 September 2010. The amounts due from HEPC are unsecured and interest free.

42 RELATED PARTY TRANSACTIONS

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

Related parties refer to entities in which CPI Group has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions, or directors or officers of the Company. They include enterprises directly or indirectly owned or controlled by the PRC government ("state-owned enterprises") as defined under HKAS 24, "Related Party Disclosures" ("HKAS 24"). Neither CPI Group nor the PRC government has published accounts.

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

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

42 RELATED PARTY TRANSACTIONS *(CONTINUED)*

Related parties	Relationship with the Company
Qian Dong (貴州黔東電力有限公司)	Fellow subsidiary
Shanxi Electric Power Corporation ("SEPC")	Related party of the Company as defined under HKAS 24
Hubei Electric Power Corporation ("HEPC")	Related party of the Company as defined under HKAS 24
Hunan Xiangtou International Investment Limited ("Xiangtou") (湖南湘投國際投資有限公司)	A minority shareholder of a subsidiary
Other related companies	Related parties of the Company as defined under HKAS 24
Other state-owned enterprises	Related parties of the Company as defined under HKAS 24

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

42 RELATED PARTY TRANSACTIONS *(CONTINUED)*

(a) Income

	Note	2009 RMB'000	2008 RMB'000
Sales of electricity to regional and provincial power grid companies	(i)	**10,696,290**	8,761,986
Income from generation of electricity on behalf of fellow subsidiaries and other related companies	(ii)	**147,723**	386,611
Interest income from Qian Dong	(iii)	**12,766**	—
Rental income from			
– Qian Dong	(iv)	**9,018**	—
– A minority shareholder of a subsidiary	(iv)	**688**	—
Management fee from CPIH	(v)	**3,995**	7,036
Dividend income from CPIF	(vi)	**6,000**	—
Income from the provision of repairs and maintenance services to Qian Dong	(vii)	**1,828**	—

(i) Pursuant to the power purchase agreements entered into between the Group and the respective regional and provincial power grid companies, which are regarded as state-owned enterprises, the Group is required to sell its generated electric power to those power grid companies at approved tariff rates. Whilst these companies are related parties of the Group as defined under HKAS 24, the directors are of the opinion that each party is operating independently; and the tariff rates are to be agreed with the respective power grid companies, subject to the approval of the relevant government authorities.

(ii) Income from generation of electricity on behalf of fellow subsidiaries and other related companies were calculated based on mutually agreed prices.

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

(iv) Rental income from a fellow subsidiary and a minority shareholder of a subsidiary was charged in accordance with the terms of the relevant agreements.

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

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

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

42 RELATED PARTY TRANSACTIONS *(CONTINUED)*

(b) Expenses

	Note	2009 RMB'000	2008 RMB'000
Operating lease rental in respect of land to CPI Group	(i)	**17,061**	17,061
Operating lease rental in respect of buildings to CPIH	(i)	**10,095**	10,396
Purchases of fuel, raw materials and spare parts from fellow subsidiaries	(ii)	**97,581**	85,552
Service fees to	(iii)		
– fellow subsidiaries		**296,804**	276,671
– other related companies		**6,362**	5,979
– other state-owned enterprises		**68,235**	61,724
Construction costs to fellow subsidiaries	(iv)	**70,407**	185,747
Labor costs charged by fellow subsidiaries	(v)	**8,295**	9,397
Purchases of coal from other state-owned enterprises	(vi)	**2,968,212**	3,070,945
Interest expense to CPIF	(vii)	**67,722**	19,466
Interest expense to CPI Group	(viii)	**12,650**	—
Interest expense to Xiangtou	(ix)	**6,094**	—

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

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

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

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

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

(vi) Purchases of coal from other state-owned enterprises were charged in accordance with the terms of the relevant agreements.

(vii) Interest expense to CPIF were charged based on outstanding loan balance at 2.91% to 6.66% (2008: 3.6% to 6.66%) per annum.

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

(ix) Interest expense to Xiangtou were charged based on outstanding loan balance at 5.35% per annum.

42 RELATED PARTY TRANSACTIONS *(CONTINUED)*

(c) Year-end balances with related parties

Details of year-end balances with related parties are disclosed in the respective Notes to the accounts.

(d) Key management compensation

	2009	2008
	RMB'000	RMB'000
Basic salaries, housing allowance, other allowances, discretionary bonus and benefits in kind	**6,108**	7,027
Employer's contributions to pension scheme	**—**	—
Share-based compensation	**2,801**	4,764
	8,909	11,791

43 APPROVAL OF ACCOUNTS

The accounts were approved by the Board of Directors on 16 April 2010.

	2009 RMB million	2008 RMB million (Restated)	2007 RMB million (Restated)	2006 RMB million (Restated)	2005 RMB million (Restated)
Revenue	**10,936.5**	9,632.4	5,907.3	5,202.9	4,361.7
Profit/(loss) before taxation	**574.1**	(698.4)	671.6	748.5	743.6
Taxation	**(22.5)**	(4.3)	(64.8)	(95.3)	(82.4)
Profit/(loss) for the year	**551.6**	(702.7)	606.8	653.2	661.2
Attributable to:					
Equity holders of the Company	**519.0**	(689.2)	607.8	654.3	661.9
Minority interests	**32.6**	(13.5)	(1.0)	(1.1)	(0.7)
Profit/(loss) for the year	**551.6**	(702.7)	606.8	653.2	661.2
Total non-current assets	**49,684.9**	18,374.1	20,240.9	14,159.2	8,223.4
Total current assets	**4,521.7**	3,935.5	2,581.2	2,818.9	3,485.1
Total assets	**54,206.6**	22,309.6	22,822.1	16,978.1	11,708.5
Total current liabilities	**10,422.5**	4,265.6	3,403.4	3,628.9	1,719.4
Total non-current liabilities	**28,902.7**	10,012.6	8,350.7	4,385.2	3,169.7
Net assets	**14,881.4**	8,031.4	11,068.0	8,964.0	6,819.4
Equity attributable to equity holders of the Company	**12,438.4**	7,963.1	11,023.6	8,938.2	6,808.4
Minority interests	**2,443.0**	68.3	44.4	25.8	11.0
Total equity	**14,881.4**	8,031.4	11,068.0	8,964.0	6,819.4
Attributable installed capacity (MW)	**11,177**	9,037	7,883	5,348	4,255
Gross generation (MWh)	**37,195,711**	36,360,449	26,701,707	24,065,245	20,143,783
Net generation (MWh)	**34,714,399**	33,890,035	24,813,254	22,262,463	18,700,995
Average utilisation hours (hour)	**5,073**	5,403	6,191	6,611	6,529
Net coal consumption rate (grams/kWh)	**329.85**	334.4	343.4	348.6	345.3

"attributable installed capacity"	the aggregate proportionate installed capacities attributable to a company based on the percentage of equity interest held by such company in its controlled or invested company or companies
"auxiliary power"	electricity consumed by a power plant in the course of generation
"average utilisation hours"	for a specified period, the amount of electricity produced in such period (in MWh) divided by the average capacity in such period
"Board"	the Board of Directors of the Company
"Changshu Power Plant"	江蘇常熟發電有限公司 (Jiangsu Changshu Electric Power Generating Company Limited*)
"China Power" or "Company"	China Power International Development Limited
"China Power Qinghe Company"	遼寧中電清河發電有限公司 (Liaoning China Power Qinghe Electric Power Generating Company Limited*)
"CPCE"	中國電能成套設備有限公司 (China Power Complete Equipment Co., Ltd.*)
"CPDL"	China Power Development Limited (中國電力發展有限公司*)
"CPI Engineering Company"	中電投電力工程有限公司 (CPI Engineering Company Limited*)
"CPI Group"	中國電力投資集團公司 (China Power Investment Corporation*)
"CPI Wuhu Power Plant"	中電國際（蕪湖）發電有限公司 (CPI Wuhu Power Generating Company Limited*)
"CPIF" or "CPI Financial"	中電投財務有限公司 (CPI Financial Co., Ltd.)
"CPI Holding"	中國電力國際有限公司 (China Power International Holding Limited)
"Director(s)"	director(s) of the Company
"Dabieshan Power Plant"	黃岡大別山發電有限責任公司 (Huanggang Dabieshan Power Company Limited*)

"Fuxi Power Plant"	四川中電福溪電力開發有限公司 (Sichuan CPI Fuxi Power Company Limited*)
"gross generation"	for a specific period, the total amount for electrical power produced by a power plant in that period including auxiliary power
"GW"	gigawatt, one million kilowatts
"installed capacity"	the manufacturers' rated power output of a generating unit or a power plant, usually denominated in MW
"KWh"	kilowatt-hour, a standard unit of energy used in the electric power industry. One kilowatt-hour is the amount of energy that would be produced by a generator producing one thousand watts for one hour
"MW"	megawatt, one million watts. The installed capacity of a power plant is generally expressed in MW
"MWh"	megawatt-hour, one thousand kWh
"Net coal consumption rate"	average consumption of standard coal for supplying 1 kWh power (deducting self-used power)
"Pingwei Industry Company"	淮南平圩電力實業有限責任公司(Huainan Pingwei Electric Power Industry Company Limited*)
"Pingwei Maintenance Company"	安徽淮南平圩電力檢修工程有限責任公司 (Anhui Huainan Pingwei Power Engineering Company Limited*)

"Pingwei Power Plant"	安徽淮南平圩發電有限責任公司 (Anhui Huainan Pingwei Electric Power Generating Company Limited*)
"Pingwei Power Plant II"	淮南平圩第二發電有限責任公司 (Huainan Pingwei No.2 Electric Power Generating Co., Ltd.*)
"net generation"	the actual amount of electricity sold by a power plant in a particular period of time, which equals gross generation less auxiliary power and losses incurred during the transmission from the power plant to the power grid
"Qinghe Power Plant"	遼寧清河發電有限責任公司 (Liaoning Qinghe Electric Power Generating Company Limited*)
"Shanghai Power"	上海電力股份有限公司 (Shanghai Electric Power Co., Ltd.*)
"Shentou I Power Plant"	山西神頭發電有限責任公司 (Shanxi Shentou Power Generating Company Limited*)
"Shentou Industrial Company"	山西神頭電力實業有限責任公司 (Shanxi Shentou Industrial Company Limited*)
"Shentou Engineering Company"	山西神頭電力檢修有限責任公司 (Shanxi Shentou Engineering Company Limited*)
"standard coal"	coal with an energy content of 7,000 kilocalories per kilogram
"super-critical"	a thermodynamic expression describing the state of a substance where there is no clear distinction between the liquid and the gaseous phase. Water reaches this state at a pressure above 22.1 megapascals (MPa)
"Wuhu Shaoda Power Plant"	蕪湖兆達電力開發有限公司 (Wuhu Shaoda Power Development Company Limited*)
"Wu Ling Power"	五淩電力有限公司 (Wu Ling Power Corporation*)
"Xintang Power Plant"	廣州中電荔新電力實業有限公司 (Guangzhou China Power Lixin Industry Company Limited)
"Yaomeng Engineering Company"	平頂山姚孟電力工程有限責任公司 (Pingdingshan Yaomeng Power Engineering Co., Ltd.*)
"Yaomeng Industrial Company"	平頂山姚孟電力實業有限責任公司 (Pingdingshan Yaomeng Power Industrial Co., Ltd.*)

"Yaomeng Power Plant"	平頂山姚孟發電有限責任公司(Pingdingshan Yaomeng Electric Power Generating Company Limited*)
"Yaomeng Power Plant II"	平頂山姚孟第二發電有限公司 (Pingdingshan Yaomeng No.2 Power Generating Co., Ltd.*)

* *For identification purpose only*

RESULTS

The financial results of the Company for the year ended 31 December 2009 was published on 16 April 2010.

ANNUAL REPORTS

The 2009 Annual Report of the Company will be made available on our website http://www.chinapower.hk and will be despatched to our shareholders by the end of April 2010.

ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held on 8 June 2010 at 10:00 a.m. For details of the Annual General Meeting, please refer to the Notice of Annual General Meeting which is expected to be published by the end of April 2010.

LISTING

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

SHAREHOLDERS' ENQUIRIES

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

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17/F
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong
Tel.: (852) 2862 8628
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For enquiries from investors and analysts, please contact:

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