



**SHENZHEN NANSHAN POWER CO.,LTD**

# 2009 Annual Report

Report Ref.: 2010-013

April 13<sup>th</sup>, 2010

## Caution

The board of directors, board of supervisors as well as the directors, supervisors and senior managers of the company guarantee that the data in this report are correct, true, free of misleading statement and misstatement, and undertake individual and joint responsibilities on the authenticity, accuracy and integrity.

The vice-president did not attend the meeting due to evection, and authorized the board Li Hongsheng to represent and execute the voting rights on behalf of him. The vice-president Sun Yulin and the board He Yingyi did not attend the meeting due to evection, and both authorized the board Fu Bo to represent and execute the voting rights on behalf of them. The independent boards Zhou Chengxin and Yu Xiufeng did not attend the meeting due to evection and both authorized the independent board Huang Sujian to represent and execute the voting rights on behalf of them. The board of directors review and approve the 2009 annual report.

Deloitte provides the company with an audit report which has explanatory paragraphs without qualified opinions. The board of directors and board of supervisors of the company also specify relevant items in details and the investors shall read carefully.

Yang Haixian, president of the company, Fu Bo, executive director as well as Lu Xiaoping, financial controller, and Huang Jian, manager of financial management department declare that: the financial report in the annual report is true and complete.

This report is compiled in both Chinese and English, and the Chinese version will prevail if there is any difference or deviation between the two versions.

## Content

I. Brief Introduction to the Company-----	3
II. Abstract of Accounting Data and Business Data-----	5
III. Capital Share Alternation and Shareholder information-----	8
IV. Director, Supervisor and Senior Manager as well as Employer -----	12
V. Organization Structure of the Company-----	21
VI. Brief Introduction to the general Meeting of Shareholders-----	26
VII. Report of Board of Directors-----	26
VIII. Report of Board of Supervisors-----	39
IX. Important Items-----	41
X. Financial Report-----	47
XI. Further References-----	48

## **I. Brief Introduction to the Company**

- (I) Legal Name In Chinese: 深圳南山热电股份有限公司  
Legal Name in English: SHENZHEN NANSHAN POWER CO., LTD
- (II) Corporate representative: Yang Haixian
- (III) Secretary of board of directors: Hu Qin  
Telephone: (0755) 26948888  
Fax: (0755) 26003684  
Email: investor@nspower.com.cn  
Contact address: Building 16 and 17, Hantang Mansion, Huaqiao Town, Nanshan District, Shenzhen, China
- (IV) Registered address: No. 2097, Moon bay Blvd, Nanshan District, Shenzhen, China  
Postal code: 518052  
Business address: Building 16 and 17, Hantang Mansion, Huaqiao Town, Nanshan District, Shenzhen, China  
Postal code: 518053  
Website: <http://www.nsrld.com.cn>  
Email: public@nspower.com.cn
- (V) Designated newspapers for information disclosure: Secutimes, China Securities Journal and Hong Kong Wenhui Daily  
Website designated by China Securities Regulatory Committee for publishing the annual report: <http://www.cninfo.com.cn>  
The annual report is prepared and kept by: Secretariat of board of directors
- (VI) Stock Exchange: Shenzhen Stock Exchange  
Short name and code of share: SND A 000037  
SND B 200037
- (VII) Other information  
Initial registration date: April 6<sup>th</sup>, 1990  
Initial registered address: Nanshan Jiaojia, Nanshan District, Shenzhen
- (IV) Registration address after alternation: No. 2097, Moon bay Blvd, Nanshan District, Shenzhen, China  
Number of the business license for corporate: 440301501125497  
Tax registration number: YSWZ 440305930100069 No. (14)  
Code of organization: 61881512—1  
The accounting firm designated by the company: Deloitte  
Business address: Building 30, Bund Center, No. 222. East Yan An Road, Shanghai, China
- (VIII) Explanation:  
Company, and the company: SHENZHEN NANSHAN POWER CO., LTD  
Server Company: Shenzhen server Petrochemical Supplying Co., Ltd. with 50% shares held by the company  
New Electric Power Company: Shenzhen New Electric Power Industry Co., Ltd with 100% shares held by the company

Singapore Company: Shennan Energy (Singapore) Co., Ltd with 100% shares held by the company

Syndidome Company: Hong Kong Syndidome Co., Ltd

Shenzhen Nanshan Power Engineering Company: Shenzhen Nanshan Power Gas Turbine Engineering Technology Co., Ltd with 100% shares held by the company

Shenzhen Nanshan Power (Zhongshan) Co., Ltd: Shenzhen Nanshan Power (Zhongshan) Electrical Power Co., Ltd with 80% shares held by the company

Shenzhen Nanshan Power (Dongguan) Company: Shenzhen Nanshan Power (Dongguan) Weimei Electrical Power Co., Ltd with 70% shares held by the company

Shenzhen Nanshan Power (Zhongshan) Environmental Protection Company: Shenzhen Nanshan Power Environmental Protection Co., Ltd. with 100% shares held by the company

Wenergy Tongling Company: Wenergy Tongling Power Company with 2.83% shares held by the company

Energy Environmental Protection Company: Shenzhen Energy Environmental Protection Co., Ltd with 10% shares held by the company

Nanshan Power Plant: Nanshan Power Plant of Shenzhen Nanshan Power Co., Ltd. It is the secondary organization of the company

Zhongshan Nanlang Power Plant: Zhongshan Nanlang Power Plant of Shenzhen Nanshan Power (Zhongshan) Electrical Power Co., Ltd

Dongguan Gaobu Power Plant: Dongguan Gaobu Power Plant of Shenzhen Nanshan Power (Dongguan) Weimei Electrical Power Co., Ltd, with 70% shares held by the company

Shenzhong Property Company: Zhongshan Shenzhong Real Estate Investment Co., Ltd with 75% shares held by the company

Shenzhong Real Estate Company: Zhongshan Shenzhong Real Estate Development Co., Ltd with 75% shares held by the company

Jiangxi Xinchang Company: Jiangxi China Power Investment Xinchang Power Generation Co., Ltd with 30% shares held by the company

Jiangxi Pengze Eletronuclear Company: China Power Investment Jiangxi Eletronuclear Co., Ltd with 5% shares held by the company

CSRC: China Securities Regulatory Committee

Shenzhen Regulatory Commission: Shenzhen Regulatory Authority of China Securities Regulatory Committee

Shenzhen Stock Exchange: Shenzhen Stock Exchange

Designated newspapers: Secutimes, China Securities Journal and Hong Kong Wenhui Daily

RMB: All the base currency of the financial data and monetary unit in the financial report refers to RMB except for special explanation.

## II. Abstract of Accounting Data and Business Data

### (I) Main Accounting Data of the year

(Unit: RMB Yuan)

Item	Value
Operating profit	-340,294,680.64
Total profit	131,976,361.23
Net profit of the shareholders of the public listed company	74,115,448.64
Net profit of the shareholders of the public listed company excluding non-recurring profit and loss	55,653,062.62
Net cash flow generated by operational activities	348,353,702.92

### Item and value excluding non-recurring profit and loss

(Unit: RMB)

Item	Value
Net profit	120,010,011.59
Deduction: net income on disposal of non-current assets	34,288,861.08
Government grants (closely related to enterprise businesses exclusive those enjoyed according to the united national standard ration or quota )	170,231.00
Income on debt restructuring	223,000.00
Prepared loss return of accounts receivable which independently receive the loss test	2,625,905.45
Other non-operating income and expense except each item above	236,766.47
Income tax influence number of non-recurring profit and loss	-10,378,802.10
Net (loss)/profit excluding non-recurring profit and loss	92,844,049.69
Shareholders of parent company	55,653,062.62
Equity of minority shareholders	37,190,987.07

### (II) Adjustment on Profit and Net Assets According to International Accounting Standards

In the report period, there are no differences on the net profits and net assets at home and aboard.

### (III) Main Accounting Data and Financial Index of the Past Three Years

#### 1. Main Accounting Data of the Past Three Years

(Unit: RMB Yuan)

Item	2009	2008	Increased and decreased by (%) to the previous year	2007	
				Before adjustment	After adjustment
Operating income	1,867,829,757.71	3,156,551,549.97	-40.83%	3,620,124,000.00	3,620,123,640.65

Total profit	131,976,361.23	64,759,837.86	103.79%	94,963,000.00	164,760,068.92
Net profit of the shareholders of the public listed company	74,115,448.64	10,763,920.54	588.55%	118,086,000.00	170,434,785.35
Net profit of the shareholders of the public listed company excluding non-recurring profit and loss	55,653,062.62	-57,432,714.45	-196.90%	15,201,000.00	15,201,000.00
Net cash flow generated by operational activities	348,353,702.92	331,500,520.47	5.08%	202,670,000.00	202,671,517.27
Item	The end of 2009	The end of 2008	Increased and decreased by (%) than the end to the previous year	The end of 2007	
				Before adjustment	After adjustment
Total assets	4,926,596,324.59	4,985,939,525.71	-1.19%	5,552,914,000.00	5,552,914,994.20
Equity of shareholders of the public listed company	1,847,287,676.40	1,773,172,227.76	4.18%	1,725,019,000.00	1,777,366,070.14
Capital share	602,762,596	602,762,596		547,965,998	547,965,998

## 2. Main Financial Index of the Last Three Years

Item	2009	2008	Increased and decreased by (%) to the previous year	2007	
				Before adjustment	After adjustment
Basic earnings per share (RMB/share)	0.12	0.02	500.00%	0.22	0.31
Diluted earnings per share (RMB/share)	0.12	0.02	500.00%	0.22	0.31
Earnings per share calculated by using latest capital share (RMB/share)	0.12	0.02	500.00%	0.20	0.28
Basic earnings of each share excluding non-recurring profit and loss (RMB/share)	0.09	-0.10	192.33%	0.03	0.02
The weighted average net assets returns ratio (%)	4.09%	0.61%	3.48%	0.07%	0.10%
The weighted average net assets returns ratio excluding non-recurring profit and loss (%)	3.07%	-3.23 %	6.3%	0.01%	0.01%
Net cash flow generated by each share of operational activities (RMB/share)	0.58	0.55	5.45%	0.37	0.37
Item	The end of 2009	The end of 2008	Increased and decreased by (%) than	The end of 2007	
				Before	After

			the end to the previous year	adjustment	adjustment
Net asset of each share of the shareholders of the public listed company (RMB)	3.06	2.94	4.08%	3.15	3.24

#### (IV) Attached Table of the Profit Statement in the Report Period

Profit in the report period	Weighted average net assets income rate (%)	Earnings per share (RMB)	
		Basic earnings of per share	Diluted earnings per share
Net profit of the shareholders of the public listed company	4.09%	0.12	0.12
Net profit of common shareholder of the company excluding non-recurring profit and loss	3.07%	0.09	0.09

#### (V) Statement of Provision for Loss of Assets

(Unit: RMB)

Item	Book balance at the beginning of the year	Summing and drawing amount of the current period	Decreased value of the current period		Book balance at the beginning of the year
			Reverse	Charge-off	
I. Bad debt reserve	38,011,378.83	912,603.50	2,625,905.45	-	36,298,076.88
II. Inventory falling price reserves	59,047,325.85	7,350,261.76	-	4,567,282.20	61,830,305.41
III. Depreciation reserves for financial assets available for sale					
IV. Depreciation reserves for investment held to maturity					
V. Depreciation reserves for long-term equity investments	18,873,600.00	2,943,700.00	-	-	21,817,300.00
VI. Depreciation reserves for investment real estate					
VII. Depreciation reserves for fixed assets	30,954,232.90	-	-	2,626,099.90	28,328,133.00
VIII. Depreciation reserves for engineering materials					
IX. Depreciation reserves for project under construction	-	14,036,855.79	-	-	14,036,855.79
X. Depreciation reserves for productive biological assets					
Wherein: depreciation reserves for mature productive biological assets					
XI. Depreciation reserves for oil and gas assets					
XII. Depreciation reserves for intangible assets	8,241,327.90	-	-	3,126,264.19	5,115,063.71
XIII. Depreciation reserves for goodwill					

XIV. Others					
Total	155,127,865.48	25,243,421.05	2,625,905.45	10,319,646.29	167,425,734.79

### III. Capital Share Alternation and Shareholder information

#### (I) Capital Share Alternation

##### 1. Table of capital share alternation (As of December 31, 2009)

(Unit: share)

Item	Before the alternation		shares Increased or decreased in the alternation (+,-)	After the alternation	
	Number	Ratio (%)	Others	Number	Ratio (%)
I. Shares with limited sales conditions	105,385,433	17.484	-105,372,440	12,993	0.002
1. Shares held by state					
2. Shares held by state-owned corporate	105,372,440	17.482	-105,372,440	0	0
3. Shares held by other domestic capitals					
Wherein: shares held by other domestic non-state corporate					
Shares held by domestic natural persons					
4. Shares held by foreign capitals					
Wherein: shares held by foreign corporate					
Shares held by domestic natural persons					
5. Shares of executives	12,993	0.002	0	12,993	0.002
II. Shares with unlimited sales condition	497,377,163	82.516	+105,372,440	602,749,603	99.998
1. Ordinary shares	233,522,717	38.742	+105,372,440	338,895,157	56.224
2. Domestically limited foreign shares	263,854,446	43.774	0	263,854,446	43.774
3. Foreign share listed overseas					
4. Others					
III. Total shares	602,762,596	100	0	602,762,596	100

#### 【Note】

- (1) The restrictions on sales of A shares with limited sales conditions held by the non-tradable shareholders in the companies' original A share market (Shenzhen Guangju Investment Holding Co., Ltd (used to be 'Shenzhen Guangju Power Investment Co., Ltd') and Shenzhen Energy Corporation) after the share division reformation had been fully released on May 27<sup>th</sup>, 2009. (Please see the company's bulletin on May 26<sup>th</sup>, 2009 for details; and the report Ref. is 2009-031.)
- (2) Shares held by senior executives among the shares with limited sales conditions are the A shares with limited sales conditions held by Zhang Jie, deputy general manager of the company, at the end of the report period.



## 2. Alternation table of shares with limited sales conditions

(Unit: share)

Name of shareholder	Shares with limited sales at the beginning of the year	Shares with limited sales condition released in the year	Shares with limited sales condition increased in the year	Shares with limited sales condition at the end of the year	Reason for limited sales	Date for releasing limited sales
Shenzhen Guangju Investment Holding Co., Ltd	70,404,440	70,404,440	0	0	Share-reforming commitment	May 27 <sup>th</sup> , 2009
Shenzhen Energy Corporation	34,968,000	34,968,000	0	0	Share-reforming commitment	May 27 <sup>th</sup> , 2009
Zhang Jie	12,993	0	0	12,993	Legal condition	-
Total	105,385,433	105,372,440	0	12,993		

## (II) Share Issuing and Listing

1. The company did not issue shares and derivative securities in the past three years.
2. In the reporting period, alternation of the total shares and structure, and alternation of the asset and liabilities structure are not caused due to presenting shares, turning to increase share capitals, offering shares, further issuing new shares, issuing shares in a non-public way, exercising warrants, implementing share ownership incentive plan, jointing enterprises, transferring convertible bonds, listing internal employee shares, issuing bonds or other causes.
3. There are no existing internal employee shares in the company.

## (III) Shareholders and Actual Controllers

1. At the end of the reporting period, the total number of the company's shareholders is 47,252, wherein 31,388 is A share shareholders, increased by 10,396 than that of the previous year and 15,864 is B share shareholders, increased by 2,003 than that of the previous year.
2. Shareholding information of the shareholders (Up to December 31, 2009) (Unit: share)

Total number of shareholders	47,252				
Shareholding of the top ten shareholders					
Name of shareholder	Property of shareholder	Sharehold ing ratio	Total number of shareholders	Number of shares with limited sales condition	Number of shares which are pledged or frozen
Shenzhen Guangju Investment Holding Co., Ltd	State-owned corporate	18.61%	112,185,584	0	0
Hong Kong Nanhai Foreign Firm (International) Co., Ltd	Overseas corporate	15.28%	92,123,248	0	0
Shenzhen Energy Corporation	State-owned corporate	10.80%	65,106,130	0	0
Tengda Property Co., Ltd	Overseas corporate	10.76%	64,869,094	0	0
State Grid Shenzhen Energy Development Group Co., Ltd	State-owned corporate	5.97%	35,999,805	0	0

Yang Shimin	Natural person	0.50%	3,029,410	0	Unknown
Yan Tiangong	Natural person	0.46%	2,753,004	0	Unknown
Zhongshan Changli Real Estate Development Co., Ltd	Other	0.29%	1,770,000	0	Unknown
Naito Securities Co., Ltd	Overseas corporate	0.28%	1,686,982	0	Unknown
Tong Cai	Natural person	0.26%	1,578,190	0	Unknown
Shareholding condition of the top ten shareholders with unlimited sale condition					
Name of shareholder	Number of shares with unlimited sales condition			Type of share	
Shenzhen Guangju Investment Holding Co., Ltd	112,185,584			Ordinary share	
Hong Kong Nanhai Foreign Firm (International) Co., Ltd	92,123,248			Domestically listed foreign share	
Shenzhen Energy Corporation	65,106,130			Ordinary share	
Tengda Property Co., Ltd	64,869,094			Domestically listed foreign share	
State Grid Shenzhen Energy Development Group Co., Ltd	35,999,805			Ordinary share	
Yang Shimin	3,029,410			Domestically listed foreign share	
Yan Tiangong	2,753,004			Domestically listed foreign share	
Zhongshan Changli Real Estate Development Co., Ltd	1,770,000			Ordinary share	
Naito Securities Co., Ltd	1,686,982			Domestically listed foreign share	
Tong Cai	1,578,190			Ordinary share	
Explanations on the incidence relation and consistent actions of the above shareholders	1. Shenzhen Energy Corporation holds 100% shares of Hong Kong Nanhai Foreign Firm (International) Co., Ltd 2. The company does not know whether the above social public shareholders have incidence relation or belong to the persons acting in concert or not.				

### 3. Information of dominant shareholders and actual controllers

The company does not have the dominant shareholders and actual controllers and it is not changed in the reporting period.

### 4. The first majority shareholder of the company

Shenzhen Energy Co., Ltd directly and indirectly holds 157,229,378 shares of the company, which accounts for 26.08% of the total shares of the company, and is the first majority shareholder of the company.

The corporate representative is Gao Zimin. Shenzhen Energy Co., Ltd. was established on July 15<sup>th</sup>, 1985 with registration capital of 0.955555556 billion RMB. It is a limited liability company and its operating scope covers developing, producing, purchasing and selling various normal energies (including power, heat, coal, oil and gas) and new energies, designing, constructing, managing and operating various energy engineering projects, operating equipments and accessories, apparatuses, aluminum materials, wood materials, cement and other materials needed by the energy engineering project, operating import-export services (transacted according to No. 147 message of SMGSZZD), operating the services of personnel training and consulting matched with the energy engineering, as well as other relevant services

(report or declare additionally for details), developing and transferring environmental protection technologies, and providing technical service, investing and operating the transportation services on the fuels, materials and equipments needed by the energy project. Property management (operating with the property management qualification certificate) and own property leasing

The property right and control relation diagram among the first majority shareholder, main shareholders and the company:

Explanation of the names in the diagram below:

Shenzhen Nanshan Power: Shenzhen Nanshan Power Co., Ltd

Shenzhen Energy Group: Shenzhen Energy Corporation

Hong Kong Energy: Shenzhen Energy (Hong Kong) International Co., Ltd

Nanhai Foreign Firm: Hong Kong Nanhai Foreign Firm (International) Co., Ltd

Guangju Holding: Shenzhen Guangju Investment Holding Co., Ltd

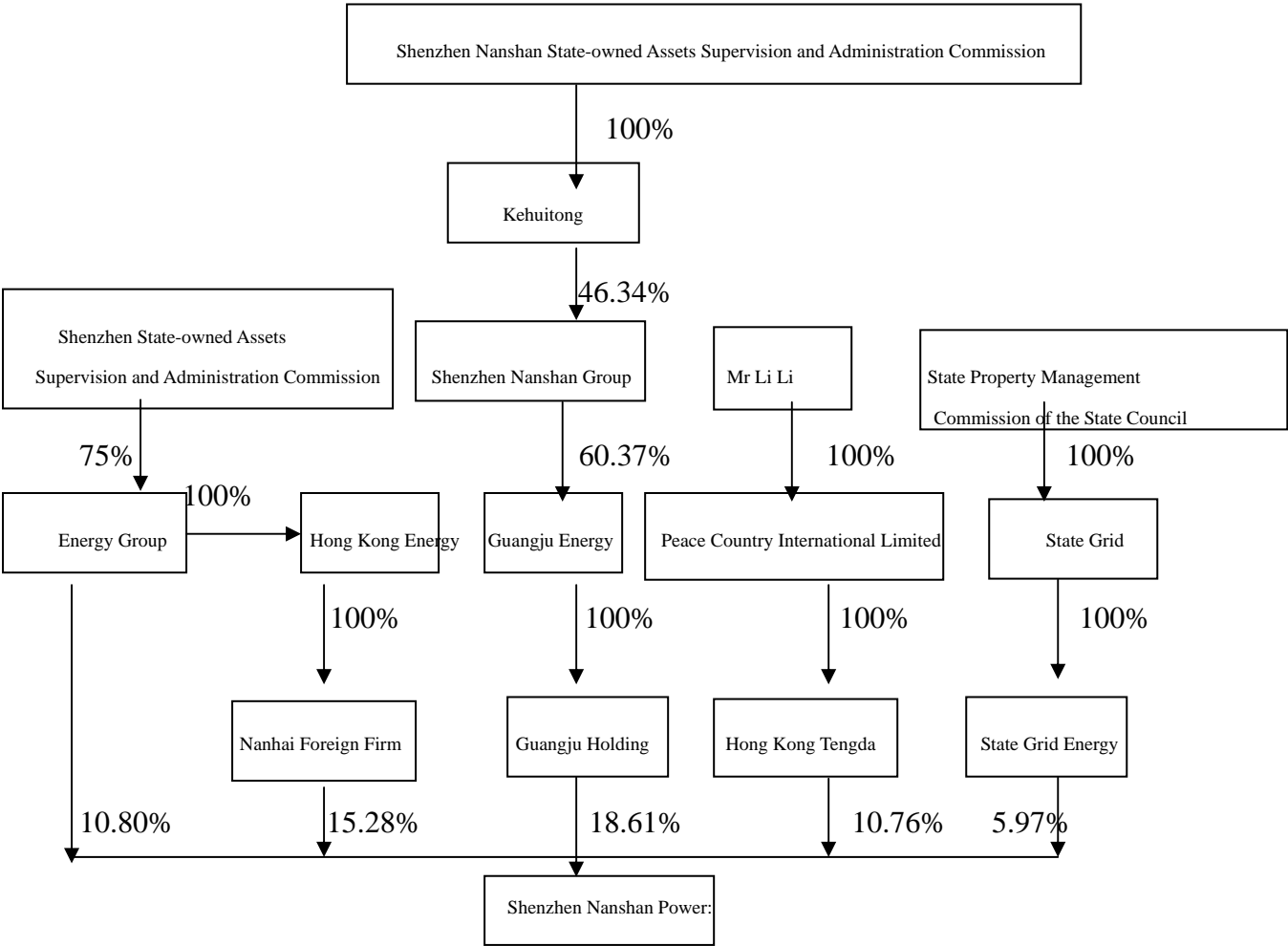
Hong Kong Tengda: Tengda Property Co., Ltd

State Grid Energy: State Grid Shenzhen Energy Development Group Co., Ltd

Guangju Energy: Shenzhen Guangju Energy Co., Ltd

Shenzhen Nanshan Group: Shenzhen Nanshan Petroleum (Group) Co., Ltd

Kehuitong: Shenzhen Kehuitong Investment Holding Co., Ltd   Shenzhen Guangju Investment Holding Co., Ltd



The first majority shareholder of the company is not altered in the reporting period.

5. Other shareholders holding more than 10% (inclusive 10%) corporate shares

- (1) Shenzhen Guangju Investment Holding Co., Ltd, which was established on May 31, 1989 with a registration capital of 0.111 billion RMB holds 18.61% of shares; its corporate representative is Wang Jianbin and its property is liability limited company. Its operating scope includes industrial projects and power investment (the detailed projects are additionally reported or declared).
- (2) Hong Kong Nanhai Foreign Firm (International) Co., Ltd, established on May 15, 1985 holds 15.28% of shares; and its operating scope is investment.
- (3) Tengda Property Co., Ltd established on August 27, 1980 holds 10.76% of shares; its corporate representative is Li Li and its operating scope includes property, financial market investment, etc.

## IV. Director, Supervisor and Senior Manager as well as Employer

### (I) Basic Information

#### 1. Board Member

Name	Post	Gender	Age	Starting date	Ending date	Shareholding at the beginning of the year	Shareholding at the beginning of the year	Alternation cause	Pretax reward sum got from the company in the report period (ten thousand RMB)	Whether getting from the shareholder unit or other associated unit or not
Yang Haixian	President	Male	53	2008.9	2009.10	0	0		70.37	No
Wang Jianbin	Vice-president	Male	46	2006.10	2009.10	0	0		0	Yes
Sun Yulin	Vice-president	Male	58	2006.10	2009.10	0	0		0	Yes
Fu Bo	Director General manager	Male	47	2006.10	2009.10	0	0		61.1	No
Yu Chunling	Director	Female	44	2006.10	2009.10	0	0		0	Yes
He Yingyi	Director	Male	53	2006.10	2009.10	0	0		0	Yes
Huang Fuhan	Director	Male	55	2006.10	2009.10	0	0		0	Yes
Li Hongsheng	Director	Male	47	2009.1	2009.10	0	0		0	Yes
Huang Sujian	Independent director	Male	54	2006.10	2009.10	0	0		17.16	No
Zhou Chengxin	Independent director	Male	54	2006.10	2009.10	0	0		17.16	No
Xu Jing'an	Independent director	Male	68	2006.10	2009.10	0	0		17.16	No
Yu Xiufeng	Independent director	Male	45	2006.10	2009.10	0	0		17.16	No
Wu Xiaolei	Independent director	Female	45	2006.10	2009.10	0	0		17.16	No
Total						0	0		217.27	

[Note] The allowance distribution standard of the independent director is 100,000 RMB/year/person (after tax) according to relevant regulations of the company's "Board Fee Management Method". In 2009, the allowance of the independent director is 140,000 RMB/person (after tax); wherein including 40,000

RMB/person (after tax) complementally distributed for 2008.

## 2. Board Members

Name	Position	Gender	Age	Starting date	Ending date	Shareholding at the beginning of the year	Shareholding at the beginning of the year	Alternation cause	Pretax reward sum got from the company in the report period (ten thousand RMB)	Whether getting from the shareholder unit or other associated unit or not
Zhu Tianfa	Supervisor president	Male	60	2006.10	2009.10	0	0		0	Yes
Zhou Qun	Supervisor	Male	45	2006.10	2009.10	0	0		0	Yes
Chen Lihong	Supervisor	Female	46	2006.10	2009.10	0	0		0	Yes
Wang Difei	Supervisor	Male	43	2009.08	2009.10	0	0		0	Yes
Wang Wei	Employee supervisor	Male	48	2006.10	2009.10	0	0		28	No
Li Chao	Employee supervisor	Male	38	2006.10	2009.10	0	0		28.6	No
Yi Yaoping	Employee supervisor	Male	41	2006.10	2009.10	0	0		31.7	No
Total						0	0		88.3	

## 3. Senior Managers

Name	Post	Gender	Age	Starting date	Ending date	Shareholding at the beginning of the year	Shareholding at the beginning of the year	Alternation cause	Pretax reward sum got from the company in the report period (ten thousand RMB)	Whether getting from the shareholder unit or other associated unit or not
Fu Bo	Managing director General manager	Male	47	2006.10	2009.10	0	0		61.1	No
Lin Qing	Deputy general manager	Female	45	2006.12	2009.12	0	0		48.96	No
Ji Ming	Deputy general manager	Male	53	2006.12	2009.12	0	0		48.96	No
Zhang Jie	Deputy general manager	Female	41	2006.12	2009.12	17,325	17,325	Note	48.96	No
Zhu Wei	Deputy general manager	Male	52	2006.12	2009.12	0	0		48.96	No
Wang Rendong	General engineer	Male	48	2006.12	2009.12	0	0		48.96	No
Lu Xiaoping	Financial controller	Male	47	2006.12	2009.12	0	0		48.96	No
Hu Qin	Secretary of board of directors	Female	42	2006.12	2009.12	0	0		36.9	No
Total						17,325	17,325		391.76	

[Note] The shares held by the deputy general manager, Zhang Jie was purchased from a secondary market before he worked as the deputy general manager of the company; wherein 4,332 shares have met the conditions of releasing restrictions on sale and 12,993 shares are still legal shares limited to sell.

#### 4. Official Performance of the Board and Supervisor in the Shareholding company

Name	From	Post	Working period
Yang Haixian	Shenzhen Energy Corporation	Party committee member and director	From September 2008 till now
Wang Jianbin	Shenzhen Guangju Investment Holding Co., Ltd	President	From October 2009 till now
Sun Yulin	State Grid Shenzhen Energy Development Group Co., Ltd	Party secretary and deputy general manager	From December 1999 till now
Yu Chunling	Shenzhen Energy Corporation	General manager of Shenzhen Energy (Hong Kong) International Co., Ltd	From 2009 till now
He Yingyi	State Grid Shenzhen Energy Development Group Co., Ltd	Deputy general manager	From 2005 till now
Huang Fuhan	Shenzhen Energy Corporation	Deputy general manager	From May 2006 till now
Li Hongsheng	Shenzhen Guangju Investment Holding Co., Ltd	Managing director	From October 2009 till now
Zhu Tianfa	Shenzhen Energy Corporation	Chief accountant	From November 2001 till now
Zhou Qun	Shenzhen Energy Corporation	General manager of Shenzhen Energy Investment Holding Co., Ltd (Huizhou)	From 2006 till now
Chen Lihong	Shenzhen Guangju Energy Co., Ltd	Deputy general manager	From October 2005 till now
Wang Difei	State Grid Shenzhen Energy Development Group Co., Ltd	Office director	From 2005 till now

5. Main working experiences of the current directors, supervisors and senior managers as well as their full-time or part-time office performances in other units except the shareholding company.

##### (1) Board members

Mr Yang Haixian, president, senior economic engineer, senior administration engineer and MBA, used to hold a position of deputy regimental commander of PLA, had successively held the posts of deputy chief of the office of Shenzhen municipal party committee's economic working department, deputy chief of the office and deputy director of Shenzhen-based unit working committee of Shenzhen municipal party committee, general manager assistance and member of party committee of Shenzhen Energy Co., Ltd as well as the convener of board of directors of Shenzhen Western Company; and now holds the posts of member and director of the party committees of Shenzhen Municipal Energy Group Co., Ltd and Shenzhen Energy Corporation, president of Singapore Company and director of Energy Environmental Protection Company, as well as representative of fourth Shenzhen Municipal People's Congress and the member of Economic Work Committee of Shenzhen Municipal Standing Committee of People's Congress.

Mr Wang Jianbin, vice-president and MBA, held the posts of manager of the oil product department, the general manager assistant, the deputy general manager, director and vice president, etc, of Shenzhen Nanshan Petroleum (Group) Co., Ltd, and holds the posts including the president of Shenzhen Nanshan Petroleum (Group) Co., Ltd, president of Shenzhen Guangju Energy Co., Ltd and president of Shenzhen Guangju Investment Holding Co., Ltd.

Mr Sun Yulin, vice president and senior engineer, had successively held the posts of secretary of minister of clerical office of Ministry of Water Resources and Power, deputy director general and party secretary of China Electricity Council as well as deputy general manager, general manager and senior engineer of Shenzhen Dianlian Power Industrial Company from 1985 to 1999, and now holds the posts of party committee secretary and deputy general manager of

State Grid Shenzhen Energy Development Group Co., Ltd as well as deputy director of State Grid Shenzhen-based Economic Development Liaison Office.

Mr Fu Bo, managing director and MBA, was graduated from the specialty of aero-engine, Xi'an Air Force Engineering University, served as lecturer of aviation mechanical engineering department, Xi'an Air Force Engineering University from 1984 to 1993, successively held the posts of secretary of general manager, vice director and director of the office, secretary of the board of directors and deputy general manager of the company since August 1993, has held the post of general manager of the company since January 2005, and now has held the concurrent posts of presidents of Shenzhen Nanshan Power (Zhongshan) Company and Shenzhen Nanshan Power (Dongguan) Company, as well as director of Singapore Company.

Miss Yu Chunling, director, senior engineer, on-job postgraduate of economics of Beijing University, was graduated from the specialty of power plant construction structure engineering, Wuhan University of Hydraulic and Electrical Engineering, successively held the posts of technician and civil engineering contract engineer of engineering department of Guangdong Nuclear Power Heying Co., Ltd, project manager of Shenzhen Energy Investment Holding Co., Ltd, vice business director, business director of office as well as minister of fuel trade department, minister and party branch secretary of planning and developing department as well as director and party branch secretary of pumped-reservoir power plant preparing office of Shenzhen Energy Corporation, and now holds the post of director general manager of Shenzhen Energy (Hong Kong) International Co., Ltd.

Mr He Yingyi, director, economist and bachelor of law, is graduated from the specialty of management, Hebei University, used to work in the 53 train power station of Electric Power Bureau of Hydropower Department, Zhejiang Zhenhai Power Plant and Zhejiang Beilun Power Plant and had successively held the posts of director of branch plant and vice manager of the plant for operating, etc, held the post of manager of the market department of State Grid Shenzhen Science and Technology Development Co., Ltd (now renamed as State Grid Shenzhen Energy Development Group Co., Ltd), and now holds the posts of deputy general manager of this company as well as president and general manager of State Grid Shenzhen Energy Technology and Trade Logistics Co., Ltd.

Mr Huang Fuhuan, director, senior engineer and master of engineering, was graduated from the specialty of thermal energy and power, Xi'an Thermal Power Research Institute, used to be the vice director of the automatization office of Xi'an Thermal Power Research Institute, successively held the posts of assistant chief engineer, vice manager and manager of Ma Bay Power Plant, Shenzhen Ma Bay Power Company, vice manager and director of overhauling department of Power Generation Branch, Shenzhen Energy, manager of Moon Bay Gas Turbine Power Plant, general manager of Shenzhen Nanshan Power Co., Ltd, manager, vice-president and vice secretary of party committee of Guangshen Shajiao B Power Company, director of preparing office, secretary of party branch and manager of Eastern Power Plant, Shenzhen Energy Co., Ltd, assistant general manager, chief engineer and deputy general manager of Shenzhen Energy Co., Ltd, and now holds the post of deputy general manager of Shenzhen Energy Co., Ltd.

Mr Li Hongsheng, director, master of engineering of Tianjin University, had successively held the posts of deputy general manager of Zhongyuan (Hong Kong) Property Co., Ltd, deputy general manager of Zhongyuan (Hong Kong) Industry and Trade Holdings Co., Ltd, director of

Shenzhen Nanshan Petroleum (Group) Co., Ltd, director and financial controller of Shenzhen Guangju Energy Co., Ltd, director and executive deputy general manager of Shenzhen Guangju Energy Co., Ltd, and now holds the post of managing director of Shenzhen Guangju Investment Holding Co., Ltd, as well as the director of Shenzhen Nanshan Petroleum (Group) Co., Ltd.

Mr Huang Sujian, independent director, researcher and doctoral supervisor, was graduated from Graduate School, Chinese Academy of Social Sciences and obtained the doctor degree of economics, has been researcher of Industrial and Economic Research Institute; Chinese Academy of Social Sciences since 1988, and now holds the posts of deputy director and researcher of Industrial and Economic Research Institute; Chinese Academy of Social Sciences, director of Management Science Research Center, Chinese Academy of Social Sciences, doctoral supervisor of Graduate School, Chinese Academy of Social Sciences, vice president and director general of China Enterprise-managing Research Association, as well as independent director of Wolong Electric Group Co., Ltd, and director of Zhejiang Jianfeng Group Co., Ltd.

Mr Zhou Chengxin, independent director, was graduated from School of Law, Wuhan University, obtained the doctor degree of law, was visiting fellow of School of Law, University of Michigan, successively held the posts of lecturer, and associate professor of School of Law, Wuhan University, as well as deputy director and deputy researcher of Shenzhen Municipal Office of Legislative Affairs, and now holds the posts of director and researcher of Shenzhen Municipal Office of Legislative Affairs, representative of fourth Shenzhen Municipal People's Congress and member of Commission on Legislation Affairs, expert of Shenzhen Municipal Advisory Committee of Exports, arbitrators of China International Economic and Trade Arbitration Commission as well as Shenzhen, Zhuhai, Shanghai and Nanjing Arbitration Commissions, part-time practicing lawyer of Guangdong Zhong An Law Firm, as well as independent directors of many companies such as China Aviation Sanxin Company Limited, etc.

Mr Xu Jing'an, independent director and researcher, was graduated from department of journalism, Fudan University, successively held the posts of section chief of study room of State Development Planning Commission, director of State Commission for Restructuring the Economic System, deputy director of China Association for Research on Economic Restructuring, director of Shenzhen Municipal Commission for Restructuring the Economic System, as well as vice president of Shenzhen Stock Exchange, and now holds the posts of president of Shenzhen Jing'an Cultural Communication Company, president of Shenzhen New Age Civilization Research Committee, and used to be part-time professor of Renmin University of China and Shenzhen University.

Mr Yu Xiufeng, independent director, was graduated from School of Law, Jilin University, and used to study in the Department of Law, Waseda University, and now holds the posts of director of Deheng Law Firm, Shenzhen Branch, post doctorate of applied economics of Jilin University, arbitrator of China International Economic and Trade Arbitration Commission, representative of fourth Shenzhen Municipal People's Congress, director of Shenzhen Lawyers Association, press spokesman, vice-chairman of Shenzhen Chamber of International Investment & Financing, honorary president of Hong Kong Small & Medium Enterprises General Association, part-time researcher of Nanjing University, part-time graduate tutor of



School of Law, Beijing University, as well as independent director of Shenzhen Han's Laser. Miss Wu Xiaolei, independent director, doctor of economic, and ICMC, successively studied in Xinjiang University, Southwestern University of Finance and Economics and Nankai University and respectively got the bachelor of arts, MB A and doctor of economic, entered the capital market in 1991, had held the posts of senior management in many famous listed companies and large-scale enterprise groups, was appointed by CMB to hold the posts of director and executive vice-president of CMB International Capital Corporation Limited in 2005, and now holds the posts of deputy general manager of Headquarters Investment Banking Division of CMB, vice-chairman of Shenzhen Association of Management Consultants, vice-chairman of Association of Women Entrepreneurs, as well as the director of China Reform Council.

## (2) Members of Board of Supervisors

Mr Zhu Tianfa, chief supervisor and chartered accountant, was graduated from Dongbei University of Finance & Economics, successively held the posts of minister of financial department and director of Power Development Company of Shenzhen Special Economic Zone, chief accountant, assistant minister, assistant minister, minister, deputy chief accountant, and chief accountant of Shenzhen Energy Corporation, as well as general manager and party branch secretary of Shenzhen Western Power Co., Ltd, and now holds the chief accountant of Shenzhen Energy Corporation.

Mr Zhou Qun, supervisor, economic engineer and Bachelor of Science of East China Institute of Technology, used to work in Shenzhen Geological Bureau, Shenzhen Nanshan Investment Management Corporation, Shenzhen Municipal State-owned Assets Management Office and Shenzhen Investment Management Corporation, successively held the posts of assistant engineer, office director, deputy director general, assistant minister of secretariat of board of directors, had successively held the posts of secretary of board of directors, general manager assistant and office director of Shenzhen Energy Corporation, preparing office director of Shenzhen Pumped-storage Power Station, president of Huizhou City Gas Co., Ltd as well as president of Huizhou Fengda Power Co., Ltd, and now holds the posts of party committee member of Shenzhen Energy Corporation as well as executive director and general manager of Huizhou Shenzhen Energy Investment Co., Ltd of Shenzhen Energy Corporation.

Miss Chen Lihong, supervisor and accountant, was graduated from junior college, had worked in Shenzhen Nanshan Petroleum (Group)\_Co., Ltd since 1998, and has worked in Shenzhen Guangju Energy Co., Ltd since February, 1999 by successively holding the posts of financial manager and general manager assistant, and now holds the post of deputy general manager of the company.

Mr Wang Difei, supervisor and accountant with a bachelor degree, had successively held the posts of accountant of financial department, Zhejiang Provincial Electric Power Industry Bureau, deputy manager of accounting department, Zhejiang Beilun Power Generation Plant, deputy manager of State Grid Shenzhen Science and Technology Industrial Trade Company, Ningbo Branch, deputy general manager of Guiguan Heshan Power Generation Co., Ltd of China Datang Corporation, manager of planning development department and human resource department of State Grid Shenzhen Science and Technology Development Co., Ltd as well as

manager of the general manager working department of State Grid Shenzhen Energy Development Group Co., Ltd, and now holds the posts of Shenzhen business office director of State Grid International Development Limited.

Mr Wang Wei, employee supervisor, was graduated from Shanghai University of Electric Power with a junior college degree, used to work in Shanghai Nanshi Power Generation Plant as shift supervisor of operating, transferred into the company since May 1991 and successively held the posts of minister of operating department, minister of overhauling department, etc, and has held the posts of managing director and party branch secretary of Shenzhen Nanshan Power (Zhongshan) Company from January 2004 till now.

Mr Li Chao, employee supervisor, Master of Management, and senior accountant, was graduated from School of Finance, Shanxi University of Finance and Economics, and then studied in the specialty of business administration, Macau University of Science and Technology, engaged in auditing in Shenzhen Dahua Accounting Firm from July 1994 to February 1996, held the post of manager of financial department of Compaq Technology (China) Co., Ltd from February 1996 to May 1997, held the post of manager of financial department of Hong Kong Zhonglian Power Financial Co., Ltd from May 1997 to February 2001, has worked in the company since February 2001 and successively held the post of minister assistant of enterprise development department, has held the posts of minister of enterprise development department since May 2005, and now holds the posts of director of Shenzhong Real Estate Company, Henzhong Property Company and Jiangxi Xinchang Company.

Mr Yi Yaoping, employee supervisor and engineer with a bachelor degree, was graduated from Department of Electric Power Engineering, Huazhong University of Science and Technology, held the post of shift supervisor of operating department of Moon Bay Gas Turbine Power Plant, Shenzhen Ma Bay Power Company from 1991 to 1998, has transferred to the company since July 1998, and successively held the posts of assistant minister of production management department, minister of operating department, assistant chief engineer, etc, and now holds the posts of vice-president of the company's labour union, manger of Nanshan Power Plant, party branch secretary of Nanshan Power Plant as well as vice-president of New Power Company and Jiangxi Xinchang Company.

### (3). Senior Managers

Mr Fu Bo is the managing director and see the previous director resume.

Miss Lin Qing, deputy general manager and senior engineer with a master degree, was graduated from the specialty of Power System and Its Automation of Hunan University, taught in the Power Department, Changsha University of Science and Technology since 1985, worked in the engineering department of Guangdong Daya Bay Nuclear Power Station since 1990, successively hold the posts of secretary of comprehensive department and business director of general administrative office of Shenzhen Energy Company, Shenzhen Western Power Company, minister of the party department, official labor unit president, office director, party branch secretary of office, director of labor union office, party committee member, and general manger assistant of Shenzhen Energy Corporation, etc, since December 1991, and now holds the post of deputy general manager of the company as well as president of Xiefu Company.

Mr Ji Ming, deputy general manager, engineer and master of management, was successively graduated from Changchun University of Science and Technology as well as Fudan University, held the post of Shenzhen Nanshan Petroleum (Group) Co., Ltd from 1994 to 1999, held the posts of deputy general manger of Shenzhen Guangju Energy Co., Ltd and the general manager of Shenzhen Guangju Power Investment Co., Ltd since 1999, held the post of deputy general manager of the company since December 2006, and now holds the posts of president of Shenzhong Real Estate Company, Shenzhong Property Company, Shenzhen Nanshan Power Environmental Protection Company, vice-president of Shenzhen Nanshan Power (Zhongshan) Co., Ltd, and Shenzhen Nanshan Power Engineering Company as well as director of Singapore Company.

Miss Zhang Jie, deputy general manager, Master of Psychology of Beijing University, and PDP enterprise advanced human resources manager, was graduated from the specialty of British and American Literature in the Foreign Language Department of Zhengzhou University, and then studied in the specialty of applied psychology in the Psychology Department, Beijing University, used to work in Henan Provincial Seismological Bureau as a translator, worked in the financial department and office of the company since October 1990, successively held the posts of secretary, office director, general manager assistant and employee supervisor of the company since 1993, held the post of deputy general manager of the company since December 2006, and now holds the posts of Shenzhen Nanshan Power (Zhongshan) Co., Ltd, Shenzhen Nanshan Power (Dongguan) Company and Singapore Company.

Mr Zhu Wei, deputy general manager and engineer, was graduated from Guangdong Electric Power School, used to work in Guangdong Xinfengjiang Power Plant and successively held the posts of operating team leader and shift supervisor, etc, studied in Nanjing Institute of Technology and obtained a junior college degree, successively held the posts of assistant minister of development department, minister of supply department and general manager assistant of the company since 1990, obtained on-job master degree during this period, has held the post of deputy general manager of the company since August 2003, and now holds the concurrent posts of president of New Power Company and chief supervisor of Jiangxi Xinchang Company.

Mr Wang Rendong, general engineer, was graduated from the specialty of thermal power of Power Department, Huazhong University of Science and Technology, and then obtained a master degree on the specialty of economic management of Huazhong University of Science and Technology, used to work in the planning department of Beijing Electrical Planning and Design Institute of State Ministry of Water Resources and Power, transferred and assigned to Shenzhen Huadian Southern Development (Group) Company in June 1988, successively held the post of minister of operating department, minister of engineering department, assistant chief engineer, general manager assistant and employee supervisor of the company since 1990, held the post of deputy general manager of the company since December 2006, and now holds the concurrent posts of president and managing director of Shenzhen Nanshan Power Engineering Company, as well as director of Shenzhen Nanshan Power (Dongguan) Company and Singapore Company.

Mr Lu Xiaoping, financial controller, senior accountant and master of Zhongnan University of Economics and Law, used to work in Chashi Town People's Government, Hengyang County, Hunan Province, Hunan Hengyang Oil and Pump Nozzle Plant as well as Shenzhen Pengji

Industrial Development Company, held the post of deputy manager of financial department of Shenzhen Zhongshen International Corporation from 1995 to 1998, held the posts of accountant and director of Shenzhen Energy Corporation since December 1998, and has held the post of financial controller of the company since August 2003, and now holds the concurrent posts of director of Shenzhong Real Estate Company and Shenzhong Property Company as well as supervisor of Wenery Tongling Company.

Miss Hu Qin, secretary of board of directors, engineer and economist, was graduated from the specialty of applied chemistry in the Thermal Power Engineering Department of Wuhan University of Hydraulic and Electrical Engineering, and then studied for a master degree in the specialty of finance in Nankai University, used to work as the counselor of Thermal Power Engineering Department of Wuhan University of Hydraulic and Electrical Engineering (Wuhan University now), successively worked the engineering department, operating department, office and investment department of the company, has held the post of secretary of board of directors as well as director of secretariat of board of directors of the company since March 2005, and now holds the concurrent posts of director of New Power Company and supervisor of Energy Environmental Protection Company.

## 6. Annual Remuneration

According to relevant regulation of Articles of Association, the remuneration of directors and supervisors is decided by the general meeting of shareholders and the remuneration of the senior managers is decided by the board of directors. In the report period, the senior managers of the company all get paid in the company.

In the report period, refer to '1 Current Board Member in the (I) Basic Situation in IV. Director, Supervisor and Senior Manager as well as Employer for the details of the allowance issued to the independent directors by the company; relevant expenses like traffic, lodging, survey, inspection and meeting caused by work are paid by the company.

Except the president Hang Haixian, the managing director Fu Bo, the employee supervisors Wang Wei, Li Chao and Yi Yaoping who get paid from the company, Wang Jianbin, Sun Yulin, Li Li( has left the post), Yu Chunling, He Yingyi, Huang Fuhuan, Huang Shaoji( has left the post) and Li Hongsheng among the board members, as well as Zhu Tianfa, Zhou Qun, Li Yongsheng (has left the post), Chen Lihong, Zhang Yanmin ( has left the post) and Wang Difei among the member of board of supervisors all get paid in the shareholder units.

Relevant expenses like traffic, lodging, survey, inspection and meeting of directors and supervisors caused by performing responsibility are paid by the company.

The pretax remuneration of the current director, supervisor and senior manager in the report period is 6.3623 million RMB in total.

## 7. Off-post and recruitment

- (1) "The Proposal about Exchanging the Director" was deliberated and approved by the fifth interim session of the board of directors of the company on January 5, 2009 to agree that Mr. Zhong Chengli would not hold the post of director of the company's fifth board of directors due to the reason of retiring. *Proposal about Exchanging the*

*Directors* was deliberated and passed by the first interim session of the board of directors of the company on January 21, 2009 to select Mr. Li Hongsheng as the director of the company.

- (2) The board of directors received the written resignations of Mr. Li Li, vice-president of the company and Huang Shaoji, director of the company on May 5, 2009; Mr. Li Li resigned his post of vice-president and director of the company due to personal reasons and Mr. Huang Shaoji resigned his post of director of the company due to personal reasons. The self-resignations of the directors above were valid since they were sent to the company's board of directors.
- (3) The board of directors received the written resignation of Mr Li Yongsheng, supervisor of the company on May 5, 2009; Mr. Li Yongsheng resigned his post of supervisor of the company due to personal reasons. The self-resignation of the supervisor above was valid since it was sent to the company's board of supervisors.
- (4) "Proposal about Exchanging the Supervisors" was deliberated and approved by the nineteenth session of the fifth board of supervisors of the company on June 11<sup>th</sup>, 2009 to agree that Mr. Zhang Yanmin would not hold the post of supervisor of the fifth board of supervisors and agree Mr Wang Difei to become supervisor candidate of fifth board of supervisors. *Proposal about Exchanging the Supervisors* was deliberated and passed by the third general meeting of stockholders of the company on August 28, 2009 to select Mr. Wang Difei as the supervisor of the company's fifth board of supervisors.

In the report period, off-post and recruitment information of other directors, supervisors and senior managers were not occurred.

## **(II) Employees**

Up to December 31<sup>st</sup>, 2009, the company has 363 employees in total (exclusive holdings subsidiary) which was a little less than that of 2008. Specialty component: 91 are operating personnel, 67 are overhauling personnel, 18 are material supply personnel, 22 are financial personnel and 54 are administrative personnel; education background: 100 persons hold a junior college degree, 126 persons hold a bachelor degree and 29 persons hold a master degree or above.

As Shenzhen municipal social insurance system is executed by the company, it does not need to pay expenses of retired employees.

## **V. Organization Structure of the Company**

### **(I) Corporate Governance**

#### **1. Basic information**

In the report period, the company keeps perfecting corporate governance structure,

regulates the corporate operation, maintains the healthy and stable development of the company by strictly following the requirements of laws and regulations as well as normative documents such as *Corporate Law*, *Securities Act*, *Code of Corporate Governance for Quoted Companies*, etc. The operation and convoking, convening of the corporate stockholders' meeting, board of directors and board of supervisors are uniformly executed by strictly according to relevant regulated procedures of the *Articles of Association*, so as to maintain the corporate general interest; and the practical situation of the corporate governance structure basically meets regulations of normative documents about governance of quoted companies issued by China Securities Regulatory Commission.

## 2. Establishment of Corporate Internal Control System

The construction of internal control is one of the key works of the company all the time. In the report period, the company established a special institution for the revise of internal control system, founded an execution group for the revise of internal control system according to the covered business scope, started to systemize and revise relevant systems, and finished the system compilation, totally revised and newly increased 45 items of various types of systems in 2009, wherein, *Registration System for Insides*, *Interim Provisions for Internal Auditing*, *Selection and Recruitment System for Accounting Firm*, etc had been respectively performed approval procedures of the board of directors or stockholders' meeting according to requirements of regulation department one after another, and have been executed right now. In March, 2010, Accountability System for Important Malpractice of Annual Report Information Disclosure was formulated by the company according to requirements of "Post on Doing Well Annual Report of 2009 and Relevant Work of Public listed company" of China Securities Regulatory Commission (China Securities Regulatory Commission Post No.[2009]34) and *Notice on Requiring for Establishing Accountability System for Important Malpractice of Annual Report Information Disclosure* of Shenzhen Regulatory Commission, so as to clear the accountability system for person in charge of annual report information disclosure, and will be executed after passing deliberation of the 30<sup>th</sup> meeting of the 5<sup>th</sup> board of directors of the company. In order to reinforce management for information reported by external units, the company is establishing Management System for Reporting and Application of Corporate External Information planned to submit to the corporate board of directors for deliberation.

## 3. Development of Special Administrator in the Report Period

In the report period, the company deeply promotes the activity of 'Administrator and rectify and reform year of public listed company' issued by China Securities Regulatory Commission, carefully classifies self-examination and rectify and reform in special administrator activity of 2007 and 2008 according to requirement and deploy of *Notice on Doing Well Deep Promotion of Relevant Work of Corporate Administrator* activity of Shenzhen Regulatory Commission (No.[2009]65), implemented careful self-examination for rectify and reform of items listed in the rectify and reform report; and the chairman of the board personally committed the rectify and reform work, so as to effectively solidified work product obtained by the administrator

special activity.

Existing questions and rectify and reform measures: (1) the *Articles of Association* does not clearly list cash dividends policy, which does not meet *Decisions on Amending Provisions of Cash Dividends of Public listed company* of China Securities Regulatory Commission; and the company is supposed to re-amend *Articles of Association* and submit to corporate board of directors and stockholders' meeting for deliberation recently. (2) Aiming at that there is lack of effective supervisory mechanism for activities for the insiders as well as the relevant parties thereof to purchase and sell stocks of the company, the company has established Registration System for Insiders and regularly report *Table for Undisclosed Information Provided to Major Stockholders and Actual Controller* to Shenzhen Regulatory Commission for filing monthly. (3) Audit management department has established and approved by the 12<sup>th</sup> board of director of the 5<sup>th</sup> corporate meeting; and the Interim provisions for internal audit has passed deliberation of the 23<sup>rd</sup> meeting of the corporate 5<sup>th</sup> board of directors. In the report period, the company recruits both inside and outside of the company according to job qualification for audit personnel; however, because there were no proper persons and personnel of audit management department is still vacant. In 2010, the company will recruit qualified professional person as soon as possible to do well the internal audit work.

## **(II) Duty Performance of Independent Directors**

During the report period, all the independent directors perform duties seriously and maintain all the legal benefits of the whole shareholder, especially the middle and small shareholders according to the following laws such as company law, governance regulations on public company, guiding opinion on founding independent directors at public company, several regulations on strengthening the rights protection of social public shareholders, working system of independent directors and the regulations of articles of association.

1. Establishment and perfection on the relevant working systems of the company's independent directors

- (2) To further improve the corporate governance structure, protect rights of small shareholders, maintain benefits of company, enhance the relevant work's normalization of company's annual report formation, audit and information published, promote the operation of company and guarantee independent directors' independent exercising rights, according to the *company law, guiding opinion on founding independent directors at public company, governance regulations on public company, the regulations of company articles of association* and consider the actual situation, the independent directors working system was established in May, 2002 and was passed in the first interim general meeting of stockholders in 2002 and then was implemented.
- (2) To improve the management system of interior control, fully play the supervision and coordination role of independent director, maintain the benefits of middle and small investors, according to relevant regulations on the company annual finance report audit of CSRC and SZSE and the regulations of Articles of Association, Working System of Independent Directors and Company's Management System On Information Disclosure, consider the company annual report formation and the actual situation of information publicizing, the company independent directors annual working system was established

in April,2008. The system was passed and implemented at the tenth meeting of shareholder.

## 2. Duty performance of independent directors

There are five independent directors in the company, the number has exceeded one third of all the directors and it is according with the requirements of CSRC's *Guiding Opinion on Establishing Independent Director System on Public Company*. The independent directors exercise their duties according to the Independent Director's Working System and Independent Directors' Annual Working System. The independent directors shall give written comment letter on the important trade and other matters which need independent directors' opinion. Besides, the independent directors have no other opinions on any proposal of board of directors the year.

(1) Attend all the meetings of board of directors, examine the proposals and sign on the resolutions of meetings.

14 meetings of board of directors were held the year, four of them were voted by communications. For details, refer to the following forms:

Name of independent directors	Supposed attendance	Actual attendance	Attendance by communication	Entrust attendance	Absence	Whether not attending the meeting continuously for twice by themselves or not
Huang Sujian	14	9	4	1	0	No
Zhou Chengxin	14	7	4	3	0	YES
Xu Jing'an	14	8	4	2	0	No
Yu Xiufeng	14	9	4	1	0	No
Wu Xiaolei	14	9	4	1	0	No

Notes on those who did not attend the board meetings continuously for twice: The independent director Zhou Chengxin did not attend the 26<sup>th</sup> board meeting of the fifth session and the 27<sup>th</sup> board meeting of the fifth session and all entrusted the independent director Yu Xiufeng to attend and execute the voting rights on behalf of him.

- (2) Take part in the annual audit work actively and put forward suggestions on the formation of annual report.
- (3) Express independent suggestions on the inner control self-evaluation, external warrant and relevant trade in 2009.
- (4) Keep further attention on matters' progress and express there suggestions at the relevant meetings, exercise the duty of information publicizing according to the requirements of the supervising department, establish the necessary resolution to the law, master the skills of dealing with matters and exercise the duty of integrity and hard-work actively.

## **(III) Independence on business, capital, staff, structure and finance between the company and the first majority shareholder in the report period**

The first majority shareholder of the company performs the right of promoter by general meeting of stockholders. The company is totally independent from the first majority on business, capital, staff, structure and finance. The company has independent and integrated



business and operation capacity.

1. On business, it is totally independent from the first shareholder. Although the first shareholder and his sub-ordinary unit have some business which is same or similar with that of the company, the operation and management are totally independent.
2. On capital, the company has an independent and complete capital and the property right is also very clear. The first shareholder does not occupy or dominate company's capital, he didn't intervene the operation and management of company's capital.
3. On the aspect of personnel, all personnel are independent from the first shareholder. The manager, finance person in charge and the secretary of board of directors don't hold any post in the unit of the first shareholder.
4. On structure, the board of directors, board of supervisors and other inner structure all operate independently. The first shareholder and its function department have no leader-member relation with other function departments and it never makes any plan or instructions to the company or its subordinate institutions. It doesn't affect the independency of the company or its subordinate institutions by any means.
5. On finance, the company establishes and perfects the finance and accounting management system and adjusts accounts independently according the relevant laws and regulations. The first shareholder of company don't intervene any finance and accounting.

#### **(IV) Evaluations and incentive system of company on the senior managers**

The board of directors takes such rewards and punishment scheme that the evaluation and incentive shall be relevant with the operation result to the senior managers of company.

#### **(V) Self-evaluation on the internal control of the company**

Please refer to the Internal Control Self-evaluation Report published on the <http://www.cninfo.com.cn/>

The existing inner control management system is complete, reasonable and effective and it can meet the needs of company management and development. The system can make sure the authenticity, validity and integrality. This system can make sure the safety and integrality of company's capital. This system can report the information truly, exactly and completely. Since the inner control system is established, all the other systems can be implemented effectively. There is no punishment or denounce against the company by China Securities Regulatory Commission (CSRC) or Shenzhen Stock Exchange. With the improvement of our country's laws and regulations and the operation development needs of the company, we will deepening management continuously, improve inner control system, strengthen risk control management, enhance the communications between internal and external information. Then, the company's development can meet the needs of our country's laws and regulations. At the same time, we will make every effort to implement the system and supervise it effectively.

### **IV. Brief Introduction to the General Meeting of Shareholders**

Four interim general meetings of stockholders and the meeting of stockholders of 2008 were held during the report period. For details, please refer to the following contents:

(I) First interim general meeting of stockholders of 2009

The first interim general meeting of stockholders was held on January 21<sup>st</sup>, 2009. The resolution of meeting has been published in the designated newspapers and periodicals and the appointed websites by CSRC on January 21<sup>st</sup>, 2009. (Designated newspapers and periodicals include *China Securities Journal*, *Securities Times* and *Wenhui Daily*. The designated website of CSRC is <http://www.cninfo.com.cn>.

(II) Second interim general meeting of stockholders of 2009.

The second interim general meeting of stockholders of 2009 was held on April 7<sup>th</sup>, 2009. The resolution of the meeting had been published on the designated newspapers and periodicals on April 8, 2009 and the resolution was also published on the designated website of CSRC.

(III) Annual general meeting of stockholder of 2008 The general meeting of stockholder of 2008 was held in April 29, 2009. The resolution of the meeting had been published in the designated newspapers and periodicals on April 30, 2009 and published on the designated website of CSRC.

(IV) Third interim general meeting of stockholders of 2009

The third general meeting of stockholder of 2008 was held in August 28, 2009. The resolution of the meeting had been published in the designated newspapers and periodicals on August 29, 2009 and published on the designated website of CSRC.

(V) Fourth interim general meeting of stockholders of 2009

The fourth general meeting of stockholder of 2009 was held on November 5, 2009. The resolution of the meeting had been published in the designated newspapers and periodicals on November 6, 2009 and published on the designated website of CSRC.

## **VII. Report of Board of Directors**

### **(I) Retrospection of state of operation within report period**

#### **1. Business scope and state of operation**

The company engages in power and heat supply as well as technical consultation and technical service related to power plant (station). We mainly carry out power generation with gas-steam combined cycle generating unit and coal-fired generating unit. At present, corporate generating units on service or under construction mainly lie in central area of power load in PRD, including regions of Shenzhen, Zhongshan, Dongguan, and Nanchang of Jiangxi Province in addition.

In 2009, upon consistent effect of international financial crisis, global economy declined rapidly, which inevitably largely stroke Chinese economy. As a result, supply and demand changed disruptively in regional power market. Within report period, serious economic situation led to a big drop of power demand, subsequently adjustment of subsidy policy for power generation as well as strict requirements for scheduling management and environmental supervision produce great difficulty to us. Upon substantial support from all shareholders, board of directors set up the operation objective of “strike to live, struggle against difficulty”.

All employees try their best to overcome difficulty, strive for progress and get out of trouble with a steady confidence. In particular, as the second quarter came, company sufficiently seized a good opportunity that price of existing natural gas in international market decreased largely, spared no pains to generate more power and actively prompted subsidy policy for power generation. Although full-year generated energy decreased a lot, main operation profit was much higher than predicted in the beginning of the year. Meanwhile, to improve abilities of survival, development and risk resistance, we continued to largely push construction of recycling economy project, actively participate in investment of nuclear power project as well as conduct adjustment of industrial structure thus to acquire long sustainable development after pulling through.

During report period, corporate generated energy was 3.231 billion kWh in total, shrinking 34.95 % from the same period and achieving 93.65 % of annual planned index. Generated energy of Nanshan Power Co., Ltd. (inclusive of new power supply) was 1.679 billion kWh (inclusive of power generation by natural gas, 1.125 billion kWh), decreasing 42.52 % from last year in the same caliber, where grid connection energy was 3.131 billion kWh, occupying 27.36 % in Shenzhen's regional regulated thermal power output, which is higher than the share of its installed capacity in Shenzhen regional regulated market. Shenzhen Nanshan Power (Zhongshan) Co., Ltd generated energy 689 million kWh, shrinking 25.83 % from the same period. Shenzhen Nanshan Power (Dongguan) Co., Ltd generated energy 863 million kWh, shrinking 22.74 % from the same period. Corporate thermal power combined supply project provided 32200 tons for users, shrinking 64.52 % from the same period but exceeding 62.82% of annual planned index.

On Dec. 31, 2009, combined total assets of the company was RMB 4,926.60 million, down by 1.19% than the beginning of year; the shareholders' equity of the company was RMB2,055.90 million, thereof, shareholders' equity of the parent company was RMB 1,847.29 million, up 6.20 % than the previous year. In 2009, the company achieved operating revenues of RMB1,867.83 million, down by 40.83 % than the previous year, non-operating income of RMB 472.39 million, and total profits of RMB 131.98 million up by 103.79% than the previous year; net profits of the parent company was RMB 74.12 million up by 588.56 % than the previous year; the EPS of the company was RMB 0.12, up by 588.56% than the previous year.

## 2. Composition of operation revenue and profit within report period

(Unit: 10,000 RMB)

Sub-sector or sub-product	Operation revenue	Operating cost	Gross profit ratio (%)	Increase or decrease of operation revenue from last year (%)	Increase or decrease of operating cost from last year (%)	Increase or decrease of gross profit ratio from last year
Power production	183,371.63	191,854.60	-4.63%	-37.03	-55.20	+42.45 %
Heat production	969.81	1,350.10	-39.21%	-68.65	-65.42	-13.01%
Project contracting	2,307.48	628.62	72.76%	17.87	3.59	+3.76%
Other	134.07	120.94	9.79%	-99.31	-99.35	+13.72%

(Unit: 10,000 RMB)

Region	Operation revenue	Increase or decrease of operation revenue from last year (%)
Shenzhen	105,345.65	-47.36%
Zhongshan	35,866.83	-29.26%
Dongguan	43,916.78	-32.25%
Overseas	1,653.72	-

### 3. Main supplier and customer

Corporate core service is power generation. Main materials necessary for power generation include fuel oil, natural gas and spare parts for equipment maintenance. In 2009, value of purchase from the top five suppliers was RMB1276.4671 million, sharing 64.51% in annual purchase value. Power sale in Shenzhen was 1032.15 million, all of which was for Shenzhen Power Supply Bureau of Guangdong Power Grid Co., Ltd. Power sale in Zhongshan was RMB 358.6683 million, all of which was for Guangdong Power Grid Co., Ltd. Power sale in Dongguan was RMB 439.1678 million, all of which was for Guangdong Power Grid Co., Ltd.

### 4. Financial information

#### (1) Change of structure of asset-liability ratio within report period

(Unit: RMB)

Item	Dec.31,2009		Dec.31,2008		Increase of share in total asset
	Value	Share in total asset%	Value	Share in total asset%	
Total assets	4,926,596,324.59		4,985,939,525.71		
Monetary capital	379,162,100.63	7.70%	429,507,715.29	8.61%	-0.91%
Account receivable	4,419,870.02	0.09%	67,011,796.04	1.34%	+0.08%
Prepayment	12,135,292.96	0.25%	16,177,663.50	0.32%	-1.25%
Other account receivable	1,344,705,190.19	27.29%	1,292,492,515.40	25.92%	-0.07%
Inventory	262,754,150.41	5.33%	154,568,943.00	3.10%	+1.37%
Long-term equity investment	2,286,167,921.21	46.40%	2,501,462,089.16	50.17%	+2.23%
Fixed asset	203,626,585.32	4.13%	69,221,381.57	1.39%	-3.77%
Project in construction	58,188,188.59	1.18%	84,312,023.87	1.69%	+2.74%
Intangible asset	2,419,120,000.00	49.10%	2,461,843,918.77	49.38%	-0.51%
Short-term borrowing	68,210,216.75	1.38%	69,049,391.35	1.38%	-0.28%
Note payable	20,945,942.55	0.43%	104,706,998.24	2.10%	0%
Account payable	-400,141,494.43	-8.12%	-339,865,158.06	-6.82%	-1.67%

Tax payable	353,795,654.34	7.18%	332,609,649.89	6.67%	-1.30%
Other account payable	156,000,000.00	3.17%	281,000,000.00	5.64%	+0.24%
Long-term borrowing	4,419,870.02	0.09%	67,011,796.04	1.34%	-2.47%

Note: Primary causes for changes from the same period

Compared to beginning of the year

- 1) Monetary capital decreased in that bank deposit money was compressed in corporate system.
- 2) Account payable was mainly consistent with that of beginning of the year.
- 3) Prepayment decreased, which was mainly derived from reduction of prepayment for suppliers.
- 4) Other account receivable in that some debts were received.
- 5) Inventory increased in that cost of proposed product increased.
- 6) Long-term equity investment increased, which was mainly derived from increase of invest fund for Jiangxi China Power Investment Xinchang Power Generation Co., Ltd.
- 7) Fixed asset decreased which was mainly derived from accrual depreciation in the year.
- 8) Intangible asset decreased in that land use right of wharf was disposed by Shenzhong Real Estate Development Company.
- 9) Short-term borrowing was mainly consistent with beginning of the year
- 10) Note payable was mainly consistent with beginning of the year
- 11) Account payable decreased, which was mainly derived from reduction of payment for suppliers in the end of the year.
- 12) Balance of tax payable was negative in that input tax was higher than output tax in value added tax since electrovalence was lower than generating cost.
- 13) Other account payable increased in that loan interest for Xingzhong Group was increased.
- 14) Long-term borrowing decreased in that borrowing due within one year was transferred from long-term borrowing in the year.

(2) Change of financial data: operating cost, management cost, financial cost and income tax etc.

(Unit: RMB)

Item	2009	2008	Increase or decrease rate %
Operating cost	945,157.22	2,179,835.99	-56.64%
Management cost	99,736,599.07	99,372,070.91	0.37%
Financial cost	124,982,945.84	156,740,252.87	-20.26%
Asset Devaluation	22,617,515.60	74,648,595.18	-69.70%
Investment income	-9,833,574.79	-	
Non-business income	472,393,279.52	1,769,137,635.18	-73.30%
Non-business expenditure	122,237.65	4,684,975.82	-97.39%
Income tax	11,966,349.64	49,926,080.06	-76.03%

Note: Primary causes for change from the same period

Compared to last year:

- ①. Operating cost decreased for reduction of business volume of Xiefu Company
- ②. Management cost was mainly consistent

- ③. Financial cost decreased mainly resulting from down-regulation of bank base rate.
- ④. Asset devaluation decreased as reserves for accrual falling price of land were made for Zhongshan's old factory while no accrual number was added in the year.
- ⑤. Investment income decreased mainly for loss of investment in Jiangxi Xinchang Company calculated as equity method.
- ⑥. Non-business income decreased mainly for reduction of fuel subsidy.
- ⑦. Non-business expenditure decreased mainly for reduction of disposal loss on asset.
- ⑧. Income tax decreased mainly for cost reduction of accrued income tax.

(3) Change of financial data of cash flow within report period

(Unit: RMB)

Item	2009		2008		Increase or decrease of texture ratio
	Value	Texture ratio%	Value	Texture ratio%	
Cash inflow by operating activity	2,860.79 4,426.72	47.43	6,118.36 1,886.30	52.77	-5.34percent
Cash from goods sales and rendering of service	2,372.92 5,200.26	82.95	4,351.12 7,948.22	71.12	+11.83percent
Cash outflow by operating activity	2,512.44 0,723.80	41.54	5,786.86 1,365.83	50.28	-8.74percent
Including: cash paid for goods and receiving service	2,225.45 0,777.72	88.58	5,553.76 6,896.67	95.97	-7.39percent
Net cash flow by operating activity	348,353, 702.92	-2179.01	331,500, 520.47	384.31	-2563.32percent
Net cash flow by investment	-181,595 ,887.82	1135.91	-316,576 ,24	-0.37	+1136.28percent
Net cash flow by financing activity	-182,744 ,637.98	1143.10	-244,924 ,593.60	-283.94	+1427.04percent

Note: chief causes for change from the same period

Compared to last year:

- ① Net cash flow from operating activity increased mainly for reduction of cash paid for goods and receiving service resulting from cost reduction of material.
- ② Net cash flow from operating activity decreased mainly for investment for Jiangxi Xinchang Company.
- ③ Net cash flow from financing activity increased mainly for reduction of dividend distribution, profit or cash paid for interest.

5. Achievements and operational conditions of main holding companies and shareholding enterprises

- (1) New Power Company is mainly engaged in technology development for waste heat utilization and power generation by waste heat. Its registered capital is RMB 113.85million with all held by Company. Up to Dec.31, 2009, corporate total asset was RMB 798.4616 million, increasing 4.13% from beginning of the year. Net asset was RMB 158.7225million, increasing 120.96% from beginning of the year. Main operation income of 2009 was RMB 666.6630 million, decreasing 16.74% from beginning of the year. Net profit was RMB 146.6029 million.
- (2) Shenzhen Nanshan Power (Zhongshan) Co., Ltd is mainly engaged in power generation by gas turbine and waste heat as well as power and heat supply projects with heating pipe

network excluded. Its registered capital is RMB 396.8 million with 80% held by Company. Up to Dec.31, 2009, corporate total asset was RMB 1110.8323 million, decreasing 5.78 % from beginning of the year. Net asset was RMB 9.2161million, decreasing 67.20% from beginning of the year. Main operation income of 2009 was RMB 358.6683 million, decreasing 29.26% from last year. Corporate loss was RMB 18.8826 million, increasing 64.98 % from last year. The loss was mainly due to: 1.large reduction of power generation in the first and second quarters of the year; 2. no subsidy for power generation of more than 70million kWh in peak hours from July to Oct.

- (3) Shenzhen Nanshan Power (Dongguan) Co., Ltd is mainly engaged in power generation by gas turbine and waste heat as well as power supply. Its registered capital is US 35.04 million dollars with 70% held by Company. Up to Dec.31, 2009, corporate total asset was RMB 1074.0817 million, increasing 2.23 % from beginning of the year. Net asset was RMB 436.3791million, increasing 51.19% from beginning of the year. Main operation income of 2009 was RMB 439.1678 million, decreasing -32.25 % from last year. Net profit was RMB 147.7435 million, increasing 287.18 % from last year, which was because the company generated more power during relatively low price of natural gas.
- (4) Shenzhen Nanshan Power Engineering Company is mainly engaged in technology consultation for construction engineering of gas-vapor combined cycle power generation plant (station) as well as maintenance and repair for operational outfit in gas-vapor combined cycle power generation plant. Its registered capital is RMB 10 million with all held by Company. Up to Dec.31, 2009, corporate total asset was RMB 141.6128 million, increasing 7.97 % from beginning of the year. Net asset was 130.9554million, increasing 10.87% from beginning of the year. Main operation income of 2009 was RMB 27.5081 million, decreasing15.03 % from last year. Net profit was RMB 12.8431 million, decreasing 44.79%, which was mainly caused by reduction of business volume.
- (5) Xiefu Company is mainly engaged in purchase and sale of diesel oil, heavy oil and lubricating oil. Its registered capital is RMB 53.30 million with 50% held by company. Up to Dec.31, 2009, corporate total asset was RMB 100.7715 million, decreasing 84.43 % from beginning of the year. Net asset was RMB 80.3802 million, increasing 19.84 % from beginning of the year. Main operation income of 2009 was RMB 380.3730 million, decreasing 78.53 % from last year. Net profit was RMB 13.3053 million, increasing 78.23% from last year.
- (6) Shenzhong Real Estate Investment Company/Shenzhong Real Estate Development Company engages in development of real estate and estate management, owning purchase of commercial residential building, leasing and investment of real estate, where corporate shareholding ratio are all 75% while Zhongshan Xingzhong Group holds 25%. Up to Dec.31, 2009, corporate total asset was RMB 1228.1734 million, increasing 6.78% from beginning of the year. Net asset was RMB 140.6355 million, increasing 1.83% from beginning of the year. Full-year main operation income was RMB 11.4367 million.
- (7) Shenzhen Nanshan Power Environmental Protection Company engages in sludge drying project for development of circular economy. Its registered capital is RMB 79 million with all held by Company. The company was established in Apr.5, 2008, majoring in investment and construction of sludge drying project. Up to 2009, the company hasn't been put into operation. It management cost was RMB 52,774.60 while no operation

income was got.

## **(II) Outlook of corporate future development**

### **1. Analysis of business environmental**

Since world economy doesn't absolutely get out of decline and great uncertainty exists in global economy, the road of sustainable recovery is long with heavy burden in 2010. Although Chinese economy shows a good sign of steady recovery, deep-seated problems and conflicts impairing social and economic development increasingly stand out. Keeping steady and rapid increase of future economy is faced with various issues and challenges.

At the same time, economy of Guangdong Province recovers steadily. As a result, social power demand is predicted to relatively increase smoothly in 2010. Moreover, recently, serious drought has occurred in western China, which provides a rare opportunity for us to win over more electric quantity. In the future, "energy saving and emission reduction" and low-carbon environmental protection will be core competitiveness for an enterprise, where the company has superiority. Being second batch of recycling economy pilot unit, gradual commencements of recycling economy projects give long viability to power asset in stock. In addition, since every subsidiary gas turbine power plant completes conversion project from oil to gas, dispatching sequence of generator system may be up-regulated in power grid, which conforms to low-carbon economic idea especially after entering nuclear field.

### **2. Job objectives in 2010**

It is crucial for us to speed up adjustment of industrial structure and strive for existence and development in 2010. We must initiate works with innovative idea and spirit of reform. Our objectives of 2010 are to control cost and reduce expense, make effort on safe and economic power generation, improve economic benefit, highlight enterprise transformation and emission reduction thus to ensure existence and promote development. It is necessary to seek new development opportunity during industrial transformation, optimization and adjustment as well as try for new development in adjustment of industrial structure. We will initiate several tasks as following:

(1) Make effort on safe and economic power generation, improve profitability in power generation

Construct efficient and perfect system for safety management and control based on construction of enterprise with intrinsic safety thus to implement production safety and security. Win over profitable subsidy policy for electrovalence and excise drawback for fuel oil, implement economic power generation and improve profitability in power generation to maximize shareholder value.

(2) Accelerate fuel transformation in gas turbine power plant, improve corporate dispatching sequence in power generation

Speed up construction of recycling economy project in subsidiary Nanshan Power Co., Ltd. to fundamentally improve viability and competitiveness. On the other hand, carry out



construction of conversion project from oil to gas in Zhongshan Nanlang Power Co., Ltd to achieve fuel transformation in all subsidiary gas turbine power plants. Improve corporate dispatching sequence in power generation by recycling economy project and use of clean energy.

(3) Further perfect management system for internal control, construct normalized operation standard

Based on *Basic Standard for Enterprise Internal Control* and requirements of supervision department, further perfect internal control system and set up normalized operation standard by revising and enlarging or amending internal control system on schedule. Actively promote informatization construction and optimize service process to renew management idea and improve management level and work performance. Strengthen execution construction, prompt performance management and evaluation system in all levels and build healthy and upward enterprise culture to make basis for long and steady operation and better development.

(4) Initiate planning and construction for talented workforce, improve core competitiveness and innovation ability

For the objective of sustainable development, it is necessary to strengthen planning and construction for talented workforce from strategic angle. We will take a broad view to future to formulate medium to long-term general planning for talented workforce suitable for company development, based on present. New professionals in urgent need will be introduced or trained to provide constructive and innovative suggestion for our strategic decision. As a result, overall quality of entire employees will be improved and finally corporate core competitiveness and innovation ability will be promoted as well.

(5) Actively prompt optimization and adjustment of industrial structure, strive for sustainable development

Based on success of investments on first-stage project of Jiangxi Xinchang Power Station and Pengze Nuclear Project, solidify cooperative relation with known enterprises like CPL. For the purpose of further optimization of corporate asset structure and enhancement of ability for sustainable development, it is necessary to actively explore to turn low-carbon economy project into transformation direction and new economic growth point thus to accelerate adjustment of industrial structure.

(6) Change term of board of directors, board of supervisors and business group smoothly

The fifth board of directors has expired in Dec. 2009. It is necessary to coordinate shareholders to change term of board of directors, board of supervisors and business group smoothly based on *Company Law* and Article of Association.

(7) Strengthen investor relations

Manage investor relations complying with laws, regulations and corporate system. Seriously and patiently respond to investor's visit and telephone consultation. Publicize the company and lead investors in right side with investor relations management platform in Shenzhen Stock Exchange and company website. Lay emphasis on daily monitoring for media report and

improvement of ability of crisis management

and control any negative information in the bud thus to practically conserve market image.

In 2010, board of directors will continue to run according to law, operate as regulation and govern scientifically with a diligent, self-disciplined and faithful attitude. It will strictly carry out information disclosure of listed company and management of investor relation, practically undertake duties given by all shareholders to maximize shareholder value and form a win-win for shareholders, company and employees.

### **(III) Corporate investment**

#### **1. Investment of fund-raising**

Within report period, no fund was raised by us. And, no situation existed that raised fund prior to report period was used within report period.

#### **2. Investment of non-raised capital**

##### **(1) Sludge drying project**

We built Sino-foreign joint venture “Shenzhen Nanshan Power Environmental Protection Co., Ltd” together with Syndidome Company early in 2008, majoring in construction and management of sludge drying project, which was listed as Shenzhen major construction project, major water pollution treatment project as well as major pollution treatment & cleaning project successively in 2008 and 2009. Up to the end of 2009, building project of sludge drying was completed on the whole. Installation of No.1 and No.2 drying lines waned to the close and that of No.3 and No.4, common equipment was finished and entered the stage of commission. 85% of the project plan was finished and came into commission in Nov. 2009. Within report period, no capital increase was conducted by us. Up to the end of report period, corporate contribution of capital was RMB 46.34 million in total.

##### **(2) Cooling & heating power (CHP) project for development of recycling economy**

CHP was listed as 2009 Shenzhen major construction project by Shenzhen major project leading group office. Within report period, civil construction, equipment installation and system commission were accomplished for chiller plant inside first-stage project pilot plant and accessory system in power station. On Aug.20, 2009, test run for system was successfully performed, supplying cool air smoothly for comprehensive building in Nanshan Power Co., Ltd. and office building in Xiefu Company. At present, first draft of technology scheme for concentrated cold supply has been formulated for Qianhai Business Center and Houhai new development area and submitted to competent department for approval. We’re also actively following up development circumstance of planning for the area. Within report period, capital RMB5.2002 million was increased for the project by us. Up to end of report period, we contributed capital of RMB 5.6889 million in total.

##### **(3) Jiangxi Xinchang Project**

Upon joint effort of project company and participative unit, full-load performance test of 168 hours was successfully carried out for the two 660MW ultra-supercritical units of Xinchang’s

new project “big pressure on the small” successively on Dec.14, 2009 and Feb.14, 2010, which were formally put into operation. Relying on favorable factor that benchmarking feed-in tariff of tracking coal-fired generating unit (including desulfurization cost) has been up-regulated to 0.422 RMB/kWh in Jiangxi’s power grid (Jiangxi Development & Reform Committee, Commercial Price [2009] No. 2079) for deficiency of power in Jiangxi, Xinchang’s operation is predicted to be optimistic. Completion of the project is the first stage of successful performance of adjustment strategy for industrial structure, which will effectively improve the original operation mode that generating equipment was too simplex and ability of risk resistance was poor.

Within report period, we conducted two tasks of capital increase for Xinchang, RMB117.4286 million in total with 30% held by us. Up to the end of report period, we contributed capital of 181.2857 million in total. At the same time, we’re following up preliminary work of second-stage project of Xinchang.

#### (4) Jiangxi Pengze Nuclear Project

To carry out development strategy, we actively participated in good-prospect nuclear project complying with state energy strategy. Also to further optimize industrial structure and strive for long sustainable development, we decided to set up Jiangxi Pengze Nuclear Company in cooperation with CPL, Jiangxi Ganneng Co., Ltd and Jiangxi Ganyue Expressway Co., Ltd, ratio of investment 5%, 55%, 20% and 20% respectively, responsible for project development, construction, operation and management. The decision was passed at the 28<sup>th</sup> meeting of 5<sup>th</sup> session of board of directors and the first interim general meeting of shareholders of 2010.

For the nuclear project, 5,000,000 kWh AP1000 unit is planned where AP1000 PWR nuclear power unit of 2,500,000 kWh is for the first-stage project. Construction cycle is preliminarily decided as 56 months (from the first tank of concrete placed by the first unit to business operation). The first unit is predicted to place the first tank of concrete in the end of 2010 followed by completion of the second unit after 10 months, which are planned to be put into business operation in 2015 and 2016 respectively. Up to now, preliminary works like land acquisition, removal, site leveling, “two evaluations” have been finished and the reply “travel permit” was actively applied from NDRC.

Based on feasible study data, total investment for the first-stage project is approximately RMB35 billion where capital is about RMB7 billion. As a 5% ratio of investment, capital is predicted to be RMB347.85 million for us. First registered capital was RMB727.27 million for the first-stage project. Within report period, no capital was contributed by us.

#### **(IV) Instruction for items related to non-standard audit report from CPA firm by board of directors**

In 2009, auditors offered an audit report with emphasis of matter and unqualified opinion in respect of the matter under the oil product option agreement made and entered into between this company and J. Aron (Singapore) Private Company (hereinafter referred to as “J. Aron Company”) in Mar. 2008. (The matter involved is detailed in “IX. Important Items – (VII) Major contracts and their performance – (5) Major disputes in this report period” )

Based on the legal opinions of independent lawyer, the Board of Directors thinks that, 1. Two

letters of confirmation and relevant transactions have been terminated by both trading parties; 2. This company hasn't known any information of or basic evidence for judicial proceeding in respect of option agreement dispute, and the progress of the matter is faced with multiple uncertain factors, and this company can't estimate the subsequent development progress, loss and probable result of such option agreement dispute in current phase; 3. now the final result can't be estimated reasonably or reliably, so estimated liability shall not be identified in the financial statements of 2009 for the matter above.

The matter involved with such nonstandard unqualified opinion doesn't obviously breach any provision of accounting standards, systems or related information disclosure specifications.

This company will go on tracing the treatment of the matter and actually protect the rights and interests of shareholders. The Board of Directors of this company will recheck the position above and related accounting process according to the progress of the matter.

#### **(V) Daily work of board of directors**

##### **1. Meeting**

Within report period, fourteen meetings were initiated by board of directors. Specifics are as following:

- (1) On Jan.5, 2009, interim meeting of the 5<sup>th</sup> session of board of directors. Resolution of the meeting was published on designated newspapers and periodicals on Jan. 6, 2009 and disclosed in website designated by CSRC.
- (2) On Mar.18. 2009, interim meeting of the 5<sup>th</sup> session of board of directors. Resolution of the meeting was published on designated newspapers and periodicals on Mar.21, 2009 and disclosed in website designated by CSRC.
- (3) On Apr.7, 2009, the 17th meeting of the 5th session of board of directors. Resolution of the meeting was published on designated newspapers and periodicals on Apr.9, 2009 and disclosed in website designated by CSRC.
- (4) On Apr.23, 2009, the 18<sup>th</sup> meeting of the 5th session of board of directors. Resolution of the meeting was published on designated newspapers and periodicals on Apr.25, 2009 and disclosed in website designated by CSRC.
- (5) On Jun.4, 2009, 19<sup>th</sup> meeting of the 5<sup>th</sup> session of board of directors (voting by correspondence)
- (6) On Jun.18<sup>th</sup>, 2009, the 20<sup>th</sup> meeting of 5<sup>th</sup> session of board of directors (voting by correspondence). Resolution of the meeting was published on designated newspapers and periodicals on Jun.20, 2009 and disclosed in website designated by CSRC.
- (7) On Jun.30<sup>th</sup>, 2009, the 21<sup>st</sup> meeting of the 5<sup>th</sup> session of board of directors. Resolution of the meeting was published on designated newspapers and periodicals on Jul. 3, 2009 and disclosed in website designated by CSRC.
- (8) On Aug.10<sup>th</sup>, 2009, the 22<sup>nd</sup> meeting of the 5<sup>th</sup> session of board of directors (voting by correspondence). Resolution of the meeting was published on designated newspapers and periodicals on Aug.12, 2009 and disclosed in website designated by CSRC.
- (9) On Jul.30<sup>th</sup>, 2009, the 23<sup>rd</sup> meeting of the 5<sup>th</sup> session of board of directors. Resolution of the meeting was published on designated newspapers and periodicals on Aug.3, 2009 and

disclosed in website designated by CSRC.

- (10) On Aug.11<sup>th</sup>, 2009, the 24<sup>th</sup> meeting of the 5<sup>th</sup> session of board of directors. Resolution of the meeting was published on designated newspapers and periodicals on Aug.12, 2009 and disclosed in website designated by CSRC.
- (11) On Sept.21<sup>st</sup>, 2009, the 25<sup>th</sup> meeting of the 5<sup>th</sup> session of board of directors. Resolution of the meeting was published on designated newspapers and periodicals on Sept.23, 2009 and disclosed in website designated by CSRC.
- (12) On Oct.16<sup>th</sup>, 2009, the 26<sup>th</sup> meeting of the 5<sup>th</sup> session of board of directors. Resolution of the meeting was published on designated newspapers and periodicals on Oct.20, 2009 and disclosed in website designated by CSRC.
- (13) On Nov.30<sup>th</sup>, 2009, the 27<sup>th</sup> meeting of 5<sup>th</sup> session of board of directors. Resolution of the meeting was published on designated newspapers and periodicals on Dec.3, 2009 and disclosed in website designated by CSRC.
- (14) On Dec.27<sup>th</sup>, 2009, the 28<sup>th</sup> meeting of 5<sup>th</sup> session of board of directors. Resolution of the meeting was published on designated newspapers and periodicals on Dec.29, 2009 and disclosed in website designated by CSRC.

## 2. Implementation for resolution of shareholders' meeting

Within report period, based on relevant resolutions, board of directors launched works as following:

- (1) Events like providing guarantee for loan of Shenzhen Nanshan Power (Zhongshan)Company
- (2) Paying reward of 2008 for audit institution abroad and at home
- (3) Inviting audit institution abroad and at home for 2009's audit
- (4) Amending *Articles of Association* and submitting to Shenzhen Administration for Industry and Commerce for records.
- (5) Investing Jiangxi Pengze Nuclear Project
- (6) Persistently following up items related to close-down and transfer of capacity of generating units in Nanshan Power Co., Ltd.

Meanwhile, board of directors actively participated in investigation of key projects and made careful analysis and decision for key events related to investment like oil-gas transformation and development and utilization of recycling economy project as well as nuclear project in subsidiary power enterprises, which ensures success of daily operation and production control.

## 3. Performance report from audit committee

Within report period, corporate audit committee seriously performed all responsibilities in accordance with requirements of supervision institution, Implementation Rules for Audit Committee, Working Regulation for Annual Report of Audit Committee, including providing assist for board of directors and reviewing audit report and items related to employment of CPA firm. Activities of audit committee are summarized hereby as following:

- (1) Within report period, audit committee held five meetings.
- (2) Auditing financial information and getting after annual report audit
  - ① Within report period, audit committee seriously reviewed annual audit plan of 2008 and

relevant data, fixing schedule for financial report audit of 2008 under negotiation with Price Waterhouse Coopers (Shenzhen Branch) (PWC) on duty of annual audit. Prior to mobilization of certified public accountant, audit committee carefully reviewed financial accounting statement that was preliminarily formulated by the company and claimed to perform audit of 2008 in coordination with audit institution strictly complying with requirements of supervision department.

- ② When CPA for annual audit entered the arena, audit committee communicated with him on problems detected in process of audit and time for submittal of audit report. Special Explanation on Unqualified Audit Report with Explanatory Paragraph Provided by Shenzhen Nanshan Power Co., Ltd provided by PWC was agreed.

The committee believed that annual audit report provided by CPA sufficiently reflected financial information of 2008, operation achievements and condition of cash flow, the conclusion of which complied with corporate actual situation.

### (3) Proposal on further employment and replacement of audit institution

In consideration of excessive audit expense paid for PWC, in order to control cost, under careful selection, the company employed Deloitte Touche Tohmatsu as audit institution of 2009, which was adopted at the 17<sup>th</sup> meeting of the 5th session of board of directors and 2008 annual shareholders' meeting.

### (4) Supervision of internal control

The committee paid great attention to construction and performance of internal control system. Within report period, systems for internal control, like Interim Provisions on Internal Audit of Shenzhen Nanshan Power Co., Ltd, Selection and Employment System of CPA Firm and Registration System for Inside Information Insider were approved. Audit management department established by sanction of board of directors, the duty of which is to check and supervise, claimed to employ auditors and put them into work as soon as possible.

### 4. Performance report from compensation & evaluation committee

Within report period, compensation & evaluation committee initiated special meeting to discuss Scheme for Compensation Accrual & Evaluation of 2009 and Summary Report on Performance of Responsibilities of Compensation & Evaluation Committee and debriefed Report on Performance of Scheme for Compensation Accrual & Evaluation of 2008. The committee deemed that performance of compensation in 2008 and scheme for compensation accrual of 2009 were in accordance with general principle established by board of directors.

Moreover, payments of director, supervisor and senior management were reviewed. It is believed that, the company paid directors, supervisor and senior management as accrual principle and standard for payment determined at 2009 board meeting, which conforms to payment policy and assessment criterion involved.

### 5. Plan for profit distribution of 2009

Upon audit of Deloitte, net profit attributable to shareholders of listed companies was RMB 74,115,448.64. Considering that legal earned surplus reserve shared more than 50% of capital stock as at Dec.31, 2009, based on *Company Law of the Peoples Republic of China* and Article of Association, surplus accumulation fund: surplus accumulation fund

Considering current state of operation, to improve profitability in the future, profit RMB547.98675529 million in total, which was unallocated up to the end of 2009, was carried over to next year to supply working fund necessary for daily operation.

In 2009, neither profit distribution nor plan for capital conversation of non-capital accumulation fund: capital accumulation fund was carried out.

### Cash dividends of the former three years

(Unit: RMB)

	Value of cash dividend (Inclusive of Tax)	Net profit attributable to shareholders of listed companies in annual consolidated statement of dividend	Share in net profit attributable to shareholders(owners) of listed companies in consolidated statement	Annual distributable profit
2008	0.00	10,763,920.54	0.00%	473,871,306.65
2007	16,438,979.94	170,434,785.35	9.65%	534,342,963.11
2006	0.00	63,133,000.00	0.00%	376,505,000.00
Share of amount of accumulative dividend of the former three years in Latest annual average profit (%)			6.73	

#### 6. Information disclosure

Within report period, board of directors timely and accurately disclosed various periodic and temporary notices, 72 in total, as required by supervision department and relevant law and regulation.

## VIII. Report of Board of Supervisors

### (I) Working performance

Board of supervisors seriously performed all responsibilities as required by state law and regulation and Article of Association. Within report period, it initiated six meetings and participated in all board meetings where supervisors reviewed important proposals and provided opinions in written. Details of meetings initiated by board of supervisors are as following:

1. Apr.7, 2009, the 17th meeting of the 5th session of board of supervisors. Examined and adopted 2008 Report of Supervisors, 2008 Annual Financial Statement and Analysis Report, 2008 Plan for Profit Distribution, Full Text and Abstract of 2008 Annual Report (Domestic and Overseas Editions), 2008 Annual Audit Report (Domestic and Overseas Editions) and Supervisors' Opinion on Self-evaluation Report on Internal Control.
2. Apr.23, 2009, the 18<sup>th</sup> meeting of the 5<sup>th</sup> session of board of supervisors. Examined and adopted 2009 First-quarter Report of Production, Operation and Management, 2009 First-quarter Final Financial Report and Full Text and Abstract of 2009 First-quarter Report (Domestic and Overseas Editions).
3. Jun.11, 2009, the 19<sup>th</sup> meeting of the 5th session of board of supervisors (voting by correspondence). Examined and adopted Proposal on Replacement of Supervisors.
4. July.30, 2009, the 20th meeting of the 5th session of board of supervisors. Examined and

adopted 2009 First Half Report of Production, Operation and Management, 2009 Semi-annual Final Financial Report and Full Text and Abstract of 2009 Semi-annual report (Domestic and Overseas Editions).

5. Oct.16, 2009, the 21<sup>st</sup> meeting of the 5<sup>th</sup> session of board of supervisors. Examined and adopted 2009 Third-quarter Report of Production, Operation and Management, 2009 Third-quarter Final Financial Report, Full Text and Abstract of 2009 Third-quarter Report (Domestic and Overseas Editions), Proposal on Lending to Shenzhen Nanshan Power Engineering Company by Bank Entrusted Lending and Proposal on Consolidation of 97-03-036 Land for New Bridge in Aotoumamia, Daya Bay, Huizhou.
6. Nov.30, 2009, the 22<sup>nd</sup> meeting of the 5<sup>th</sup> session of board of supervisors. Examined and adopted Proposal on Close-down and Transfer (to Shenzhen Energy Corporation) of Capacities of No.7 & No.9 Generating Units in Subsidiary Nanshan Power Co., Ltd.

## **(II) Independent opinion from Board of Supervisors**

### **1. Operating according to law**

Within report period, upon monitoring directors and senior management, board of supervisors believed that board of directors can operate legally in accordance with *Company Law*, *Securities Law*, *Listing Rules of Shenzhen Stock Exchange*, Article of Association and other relevant laws and regulations. Company has established and improved corporate management system on the whole and thorough internal management system and internal control mechanism were formulated. The directors and senior management diligently conformed to state laws and regulations.

### **2. Inspection on financial affairs**

Within report period, periodic report, accounting statement and relevant financial data were reviewed by board of supervisors. It is believed that, all previous formulations and audit procedures for periodic report were in accordance with law, administrative regulation and regulations of CSRC. No false record, misleading statement or major omission in the recorded data has been founded.

### **3. Use of raised fund**

The latest raised fund actually invested in project was in accordance with promise.

### **4. Transaction of asset acquisition and sales**

- (1) Disposing wharf at oil terminal of Shenzhong Real Estate Development Company
- (2) Consolidation of 97-03-036 Land for New Bridge in Aotoumamia, Daya Bay, Huizhou.
- (3) Close-down of capacities of No.5, 6 & 8 generating units and transfer (to Shenzhen Energy Corporation) of capacities of No.7 & 9 generating units in subsidiary Nanshan Power Co., Ltd.

Board of supervisors believed that neither of acquisition and sales of the former two businesses was connected transactions. Relevant decision procedures were legal and reasonable and pricing was reliable. No insider dealing was found. And, rights of other shareholders and corporate asset were away from damage, by which asset in stock was efficiently used.



The third business connected to transaction was carried out as required, the decision procedure of which was legal and no internal transaction was found. And, rights of other shareholders as well as corporate asset were away from damage.

#### 5. Connected transaction

- (1) Close-down and transfer (to Shenzhen Energy Corporation) of capacities of No.5, 6&8 generating units in subsidiary Nanshan Power Co., Ltd..
- (2) Daily connected transaction in 2009 (leasing of wharf of Moon Bay Oil Plants Port Co., Ltd and piping of Shenzhen Ma BayPower Co., Ltd)
- (3) Close-down and transfer (to Shenzhen Energy Corporation) of capacities of No.7&9 generating units in subsidiary Nanshan Power Co., Ltd.. Shenzhen Coastal Power Plant is listed in investment plan.

Board of supervisors believed that, within report period, all connected transactions were carried out as required. Relevant decision procedure was legal and no internal transaction was found. And, rights of other shareholders as well as corporate asset were away from damage.

#### 6. Comment of board of supervisors on internal control

Based on regulations of CSRC and Shenzhen Stock Exchange involved, internal control system covering all production and business links was set up and perfected in accordance with fundamental principle of internal control and actual condition. No significant defects or extreme events were found in internal control, which ensured safety, completion and efficient use of corporate asset. Self-evaluation on internal control truly and objectively reflected actual condition of internal control.

Nowadays, although organization and institution for internal control are fairly comprehensive, there's shortage in personnel allocation in internal audit department. It is hoped that in the new year, appropriate employee will be invited and, mechanism of internal control may be continuously perfected in accordance with new provisions of state law, regulations, department rules and regulatory document to ensure persistent and healthy development and guarantee interest for all shareholders.

#### 7. Opinion on instruction for items related to non-standard audit report of CPA firm provided by board of supervisors

Deloitte provided clean opinions with explanatory paragraph for the 2009 financial report, which was specially explained by board of directors. Board of supervisors believed that, special explanation by board of directors was objective and consistent with facts.

### **IX. Important Items**

- (I) The company was free from major lawsuit or arbitration the year.**
- (II) No bankruptcy and reorganization happened to the company within the report period.**
- (III) The company holds no stock of other listed companies, or joins the stock of commercial banks, securities companies, insurance companies, trust companies and futures companies, or other financial enterprises.**

#### **(IV) Items of assets purchasing and selling, and consolidation by merger**

##### **1. Transfer of capacities of #5, #6, #8, #7 and #9 generating units of Nanshan Power Co., Ltd.**

To carry out the directives on accelerating closedown of small thermal power generating units, respond to national industrial policy on energy, support the adjustment of electric structure of Shenzhen City, participate in 2 million kw project to “encourage large projects and discourage small energy-inefficient power plants” of Shenzhen Coastal Power Plant, Shenzhen Energy Corporation.(hereinafter referred to as Shenzhen Energy) and to acquire the share of participation in Shenzhen Coastal Power Plant in accordance with the request of discouraging small capacity power plants, the company closed down successively #5, #6, #8, #7 and #9 generating units of subordinate Nanshan Power Co., Ltd. in compliance with provisions of *Notice of State Council, National Development and Reform Commission, National Office of Energy on Accelerating Closing Down the Small Thermal Power Units* (Guo Fa No. 2 document [2007]) and plan to transfer #5, #6 and #8 generating units (capacity totaling 107,100kw) and #7 and #9 generating units (capacity totaling 173,400kw) to Shenzhen Energy. As Shenzhen Energy is the largest shareholder and holding subcompany of Shenzhen Energy Corporation., the above deal shall constitute connected transactions.

- (1) The 17<sup>th</sup> meeting of the 5<sup>th</sup> session of board of directors and 2008 annual shareholders’ meeting of company has deliberated and approved the company to transfer the closed #5, #6 and #8 generating units (capacity totaling 107,100kw). According to the uniform arrangement of Shenzhen City Development and Reform Bureau, the transaction value is 260 RMB/kw; the total price of capacity transfer is RMB 27,846,000 RMB [see company’s bulletin (number of bulletin: 2009—017) on April 9, 2009 and the bulletin (number of bulletin: 2009—028) on April 30, 2009 for details].
- (2) The 27<sup>th</sup> meeting of the 5<sup>th</sup> session of board of directors of company has approved the company to transfer the closed #7 and #9 generating units (capacity totaling 173,400kw). According to the uniform arrangement of Shenzhen City Development and Reform Bureau, the transaction value was 260 RMB/kw; the total price of capacity transfer was 45,084,000 RMB. The transaction still needs to go through the deliberation procedure of company’s shareholders’ meeting [see company’s bulletins on December 3, 2009 and Apr.13, 2010 (number of bulletins: 2009—067) for details].

To complete the above said transactions, the company shall need to sign a two-party agreement with Shenzhen Energy, and a five-party agreement with Shenzhen Energy, Development and Reform Commission of Guangdong Province, Shenzhen City People’s Government and Guangdong Power Grid Co., Ltd. Currently, the two-party agreement on transfer of capacities of #5, #6 and #8 generating units has been signed, while the signing of five-party agreement is proceeding. Once both the two-party and five-party agreements are signed, Shenzhen Energy shall pay, within 15 days, 20% of total price of purchased capacity to company; the rest of transfer payment shall be paid in batches in terms of agreements. After the transfer of capacities of #7 and #9 generating units undergoes the approval process of shareholders’ meeting, the company shall set about the signing of two-party and five-party agreements.

## 2. Daya Bay land consolidation

In September 1994, the company signed a Land Transfer Agreement with Daya Bay Branch Company of Huizhou City Land Resources Development Company, purchasing 12,400 square meters of land for business and domicile. The land failed to be developed later due to slow development of economy etc., the land original book value in Daya Bay was RMB 13,686,400 RMB; accumulated amortization was RMB 11,496,200 RMB. Via property depreciation test made in 2006, the accrual for provision of assets loss was RMB 1,652,800 RMB. By September 30, 2009, the net book value of land in Daya Bay was merely 537,400 RMB.

In September 2009, Huizhou Municipal Government adjusted the overall planning of the area, and incorporated the area into the range of consolidation. The 26<sup>th</sup> meeting of 5<sup>th</sup> session of board of directors and the 2009 4<sup>th</sup> temporary shareholders' meeting approved the local government to resume the land at RMB 6,609,200 RMB. On December 24, 2009, the payment of land expropriation had been received [see the bulletin on October 20, 2009 (number of bulletin: 2009-052) and the bulletin on November 6, 2009 (number of bulletin: 2009-062) for details].

## 3. Assets disposal of Shenzhong Real Estate Development Company

According to the resolutions of the 21<sup>st</sup> meeting of the 5<sup>th</sup> session of board of directors, Shenzhong Real Estate Development Company selected, via opening bidding, GZAA incorporated that accords with occupational requirements of securities to make an assessment on assets of wharf at oil terminal (including port, land, oil storage equipment and buildings etc.). By June 30, 2009, the assessed value of assets of wharf at oil terminal was 44,013,900 RMB, up 7,660,200 RMB in contrast with 36,353,700 RMB original net book value. On November 5, Shenzhong Real Estate Development Company sold the assets of wharf at oil terminal at open auction at transaction price 60 million RMB, which was 15,986,100 RMB over 44,013,900 RMB upset price (i.e. assessed value of assets), with an increase up to 36.32%. The auction price was received on December 1 [see the bulletin on July 3, 2009 (number of bulletin: 2009-034) for details].

## (V) Implementation of stock incentive plan

The company did not carry out the stock incentive plan within the report period.

## (VI) Major connected transactions

### 1. Connected transactions on routine business

The routine connected transactions (unit: 10,000 RMB) incurred within report period are as below.

Related Party	Type of Connected Transaction	Description of Connected Transaction	Pricing Mode & Decision Procedure of Connected Transaction	Value of Transactions incurred in 2009	Proportion in Similar Transactions
Moon Bay Oil Plants Port Co., Ltd	Rent	Rent wharf	Market pricing	239.01	100%
Shenzhen Ma Bay Power Co., Ltd.	Rent	Rent oil line	Market pricing	49.68	100%

### 2. Connected transactions on asset acquisition and sale

See the item 1 "Transfer of capacities of #5, #6, #8, #7 and #9 generating units of

Nanshan Power Co., Ltd.” under (4) “Items of assets purchasing and selling, and consolidation by merger” of 9 Important Items for details.

### 3. Connected transactions on joint external investment between the company and related parties

There was no connected transaction on joint external investment between the company and related parties within the report period.

### 4. Items on creditor and debt relationship or guaranty between the company and related parties (including sub companies beyond the range of merger)

#### (1) Creditor and debt relationship between the company and related parties

(Unit: RMB)

Name of Related Parties	Relations with Listed Company	Listed Company's Provision of Fund to Related Party		Related Party's Provision of Fund to Listed Company	
		Value Incurred	Balance	Value Incurred	Balance
Xie fu Company	Sub company	-58,271,973.78	6,279,664.17	-178,769,786.85	4,865,545.65
Shenzhen Nanshan Power Co., Ltd. (Zhongshan)	Sub company	6,853,985.92	269,415,458.71		
Shenzhen Real Estate Development Company	Sub company	94,915,645.81	666,085,773.42		
Shenzhen Nanshan Power Engineering Company	Sub company			-18,928,304.14	1,847,625.23
Shenzhen Nanshan Power Co., Ltd.(Dongguan)	Sub company	-22,681,880.41	164,060,195.84		
New Power Company	Sub company		597,875,904.41	179,197,824.33	334,269,727.50
Shenzhen Nanshan Power Environmental Protection Company	Sub company	-1,411,468.92	366,631.30		
Shenzhen Energy Corporation.	Shareholder				511,408.69
Syndidome Company	Sub company			-62,566.01	1,822,054.03
Singapore Company	Sub company	31,072.34	31,072.34		
Ma Bay Power Co., Ltd	Shareholder's sub company			-251,548.75	49,171.39
Moon Bay Oil Plants Port Co., Ltd	Shareholder's sub company			-1,404,537.97	
Total		19,435,380.96	1,704,114,700.19	-20,218,919.39	343,365,532.49

#### (2) The company's guaranty provided for related parties

(Unit: 10,000 RMB)

Secured Party	Relation with Listed Company	Value Guaranteed (Dec. 31, 2009)
Shenzhen Nanshan Power Co., Ltd. (Zhongshan)	Sub company	52,000
Shenzhen Nanshan Power Co., Ltd. (Dongguan)	Sub company	30,000
Shenzhen Nanshan Power Environmental Protection Company	Sub company	5,600
Total		87,600

Independent director's statement and opinions on the current outward guarantee

The special explanation and opinions on current outward guarantee are hereby stated according to the understanding for the company and information inquired, as well as *Notice Concerning Some Issues on Regulating the Funds between Listed Companies and Associated Parties and Listed Companies' Provision of Guaranty to Other Parties* (Zheng Jian Fa No. 56 document [2003]), *Notice on Strengthening Information Disclosure of Listed Company's Occupation of Funds and Illegal Guarantee* (Shenzhen Ju Fa Zi No. 338 document [2004]) and *Circular on Regulating the External Guaranties Provided by Listed Companies* (Zheng Jian Fa No. 120 document [2005]).

By December 31, 2009, the company has provided guarantee 876,000,000RMB (bank loan guarantee for the company's holding sub company). The company and holding sub companies did not provide guarantee for shareholders, other related parties, non-legal entities or individuals; and the company has performed closely the information disclosure obligation on outward guarantee.

#### 5. Other major connected transactions

The company had no other major connected transactions within report period.

### (VII) Major contracts and performance of company

#### 1. Items of company trusteeship, contract and leasing

According to the *Asset Trusteeship Management Contract of Gas and Steam Combined Cycle Generating Unit* signed in February 2003, the company was entrusted with the management of assets of generating unit owned by its wholly-owned sub company of New Power Company. Within the report period, the company received 34,950,000 RMB service charge for asset trusteeship. Besides this, the company is not involved in any other major trusteeship, contract or leasing items.

#### 2. Major guarantees

Within the report period, the company's outward guarantee went through the legal approval process. The specific conditions are as follows.

(Unit: 10,000 RMB)

Company's outward guarantee (excluding provision of guarantee to sub companies)						
Name of Guarantee Object	Date (to sign agreement)	Value Guaranteed	Type of Guarantee	Guaranty Period	Whether it is performed or not	Whether providing guarantee for related parties (yes or no)
Total value guaranteed incurred within report period		-				
Total balance of guarantee at the end of report period		-				
Company's guarantee for sub companies						
Total value guaranteed to sub companies within report period		-68,009.52				
Total balance of guarantee to sub companies at the end of report period		87,600.00				
Company's total value guaranteed (including provision of guarantee to sub companies)						
Total value guaranteed		87,600.00				

Proportion of value guaranteed in the net assets of company	47.42%
Including:	
The value of guarantee provided to shareholder, actual controller and related party	-
Value of direct or indirect debt guarantee provided to the guarantee objects whose asset-liability ratio is more than 70%.	52,000.00
The value guarantee in excess of 50% of net assets	-4,764.39
Total value guaranteed of above three items	47,235.61
Statement for the possible joint liability for satisfaction of undue guarantee	None

3. The company did not entrust others with cash assets management within the report period.

4. The company did not sign other major contract within the report period.

5. Significant controversial items within report period

In Mar. 2008, two letters of confirmation of option contract on oils (contract number 165723977102.11 and 165723968102.11, respectively) were signed with J. Aron Company. In 2009, we held rounds of talks on controversial matters of the two letters of confirmation with J. Aron Company without affecting rights of both parties but no settlement was reached. On Nov.27, 2009, Allen & Overy LLP (hereinafter referred to as Allen & Overy) wrote to us under entrustment of J. Aron Company to ask us to immediately pay for loss of USD79,962,943.00 caused by breach of contract and interest of USD3,736,958.66 up to Nov.27, 2009. It was announced that, if we wouldn't pay for the money mentioned above, J. Aron Company retained the right to prosecute without prior notice. At the same time, Allen & Overy wrote a separate letter under entrustment of J. Aron Company to put forward a settlement proposal that only loss of USD79,962,943.00 needed to be paid, by thirteen installments with interest dispensed (specifics are shown in corporate bulletin on Dec.29, 2009, number:2009—069). On Jan.25, 2010, we wrote in reply to refuse requirement of compensation for loss made by J. Aron Company and ask J. Aron Company to take liability for breach of contract, including but not limited to account payable of USD 300,000 of Oct. 2008 and relevant interest of USD16,862.52. On Feb. 26, 2010, Allen & Overy wrote in reply to refuse to take any liability and insisted on position indicated in letter of Nov.27, 2009. No evolution occurred on the event.

## (IX) Performance of company's commitments

Commitment Items	Contents of Commitment	Performance
Commitment to share reform	<p>The commitment of company's shareholders Shenzhen Energy Corporation. and Shenzhen Guangju Investment Holding Co., Ltd. to share reform:</p> <p>(1) The original non-tradable share must not be listed for transaction or transferred within 12 months as of the implementation of reform proposal.</p> <p>(2) After the former commitment expires, the shares shall be sold via stock exchanges; the value of shares sold must not exceed 5% of total shares of company within 12 months, and not exceed 10% within 24 months.</p>	The commitment was fulfilled actually in report period.

1. The holders of original non-tradable shares of company did not make other commitment in the equity division reform, except legal commitment.
2. The company and shareholders holding more than 5% (including 5%) shares did not make a commitment within report period that may have a great influence on the business result and financial situation of company, so did the commitment made before but extending to the report period.

**(IX) CPA firm engaged by company within report period and payment of remuneration**

For the sake of cost control and development of company, deliberated and approved at 2008 shareholders' meeting of company, it was proposed, by the Audit Committee of Board of Directors, that Deloitte was reappointed as 2009 audit institution of the company. It is the first time that Deloitte acts as the audit institution of company since the company was listed. Authorized by 2008 shareholders' meeting and approved on the 28<sup>th</sup> meeting of the 5<sup>th</sup> session of board of directors, the company agreed to pay 900,000 RMB remuneration of audit in 2009 to Deloitte. The travel expenses incurred in the audit period would be borne by the company.

**(X) The company, directors, supervisors, senior management, company's shareholders, actual controller and purchaser were free from such items as investigation of authoritative body, compulsory measures of judicial and disciplinary inspection department, or being transferred to judicial organ or being investigated for criminal liability.**

**(XI) There were no major events as listed in the article 67 of the *Securities Law* and article 17 of the *Interim Implementation Rules for Information Disclosure of Public Stock Issuance Companies*.**

**(XII) Investor's investigation and interview received within report period**

Within the report period, the investor management of company was mainly achieved by means of maintenance of interactive investor management platform and daily telephone inquiries. There was totally one time of experience in receiving domestic and oversea shareholders and investor's investigation.

Time	Address	Way of Reception	Object of Reception	Content of Talk & Information Provided
Feb. 18, 2009	Company	Field investigation	Industrial analyst of Finance and Industry Research Institute of Northeast Securities Co., Ltd.	Overall situation of company

## **X. Financial Report**

Deloitte audited the financial report of the company and issued an audit report (attached hereinafter) with explanatory paragraphs and clean opinions.

## **XI. Further References**

- (1) The accounting statement with the signature and seal of corporate representative, principal in charge of accounting work and principal of accounting organ.
- (2) The original copy of audit report with the seal of CPA firm, and signature and seal of certified public accountant.
- (3) The original copy of documents and bulletins disclosed publicly on *Securities Times*, *China Securities Journal* and *Hong Kong Wenhui Daily*.
- (4) Annual report publicized on the newspapers abroad.

Coporate representative: Yang Haixian

Shenzhen Nanshan Power Co., Ltd.

April 13, 2010



**Shenzhen Nanshan Power Co., Ltd.**

Financial Statements and Audit Report  
The Fiscal Year as of Dec. 31, 2009

Shenzhen Nanshan Power Co., Ltd.

Financial Statements and Audit Report  
The Fiscal Year as of Dec. 31, 2009

Content

Audit Report

Consolidated Balance Sheet

Balance Sheet of Parent Company

Consolidated Profit Statement

Profit Statement of Parent Company

Consolidated Cash Flow Statement

Cash Flow Statement of Parent Company

Consolidated Statement of Changes in Shareholder Equity

Statement of Changes in Shareholder Equity of Parent Company

Annotations of Financial Statements

# Audit Report

De Shi Bao (Shen) Zi (10) No. P0538

Shareholders of Shenzhen Nanshan Power Co., Ltd.,

We have audited the accompanying financial statements of Shenzhen Nanshan Power Co., Ltd. (hereinafter referred to as “the Company”), including Parent Company Balance Sheet and Consolidated Balance Sheet as of December 31, 2009, Parent Company Profit Statement and Consolidated Profit Statement, Parent Company Statement of Changes in Shareholder Equity and Consolidated Statement of Changes in Shareholder Equity, Parent Company Cash Flow Statement and Consolidated Cash Flow Statement of fiscal year 2009 as well as Annotations of Financial Statements.

## **I. Responsibility of the Management of the Company for Financial Statements**

It's a responsibility of the management of the company to compile financial statements according to Accounting Standard for Business Enterprises. Such responsibility is involved in (1) design, execution and maintenance of internal controls related to compilation of financial statements, for avoiding any material misstatement in the financial statements due to fraud or mistake; (2) selection and use of applicable accounting policies; and (3) making reasonable accounting estimate.

## **II. Responsibility of Certified Public Accountants**

It's our responsibility to give an audit opinion on these financial statements according to our audit. We conducted our audit in accordance with the Independent Auditing Standards for China Certified Public Accountants. Those Standards require that we abide by professional ethics, plan and perform the audit to obtain reasonable assurance for whether the financial statements are free of material misstatement or not.

An audit is involved in executing auditing procedures to obtain audit evidence supporting the amounts and disclosures in the financial statements. The auditing procedures are selected according to the CPA's judgment, and an audit also includes assessing the risk of any material misstatement in the financial statements due to fraud or mistake. During risk assessment, we take internal controls related to the compilation of financial statements into account for not giving an opinion on the effectiveness of internal controls but selecting suitable auditing procedures. An audit also includes evaluating the applicability of accounting policies selected by the Management of the company and the rationality of accounting estimates made by the Management of the company as well as evaluating the overall presentation of financial statements.

We believe that we obtained adequate suitable audit evidence that provides a reasonable basis for our audit opinion.

## **III. Audit Opinion**

In our opinion, the compilation of the Company's financial statements conforms to the Accounting Standards for Business Enterprises, and these financial statements are presented fairly in all material respects for the Company's parent company financial position and consolidated financial position as of December 31, 2009, parent company operating results and consolidated operating results, parent company cash flow and consolidated cash flow in the fiscal year 2009 then ended.

#### **IV. Emphasis of Matter**

We hereby remind the users of the Company's financial statements of paying attention to that, as stated in (VII) "Contingencies" of Annotations of Financial Statements, the company hasn't achieved a consensus with J. Aron (Singapore) Private Company yet in respect of liabilities and compensations after the termination of an option agreement, and both parties may solve the dispute between them in a judicial way. Because the final result of the matter above can't be reliably estimated, the Company didn't identify estimated liability in the financial statements. Nevertheless, the content of this paragraph doesn't influence our audit opinion presented above.

Deloitte Touche Tohmatsu CPA Ltd.  
Accountant

Chinese Certified Public

Shanghai, China

Chinese Certified Public Accountant

April 9, 2010

**Consolidated Balance Sheet**

Unit: RMB

Item	Anno tation	Ending balance	Beginning balance	Item	Anno tation	Ending balance	Beginning balance
Current assets:				Current liabilities:			
Monetary capital	(V) 1	379,162,100.63	429,507,715.29	Short-term loans	(V) 19	2,419,120,000.00	2,461,843,918.77
Notes receivable	(V) 2	200,000.00	2,626,222.50	Notes payable	(V) 20	68,210,216.75	69,049,391.35
Accounts receivable	(V) 3	339,735,079.02	339,893,125.56	Account payable	(V) 21	20,945,942.55	104,706,998.24
Advance payment	(V)	4,419,870.02	67,011,796.04	Deposit received	(V) 22	589,000.00	2,198,638.40
Other accounts receivable	(V) 6	12,135,292.96	16,177,663.50	Payroll payable	(V) 23	45,213,658.24	31,921,195.28
Inventory	(V) 7	1,344,705,190.19	1,292,492,515.40	Taxes payable	(V) 24	(400,141,494.43)	(339,865,158.06)
Total current assets		2,080,357,532.82	2,147,709,038.29	Accrued interest payable	(V) 25	3,121,564.50	5,993,120.79
Noncurrent assets:				Other payables	(V) 26	353,795,654.34	332,609,649.89
Long-term equity investment	(V) 10	262,754,150.41	154,568,943.00	Noncurrent liabilities due within one year	(V) 27	200,000,000.00	100,000,000.00
Investment real estate	(V) 11	8,550,910.89	8,810,232.45	Total current liabilities		2,710,854,541.95	2,768,457,754.66
Fixed assets	(V) 12	2,286,167,921.21	2,501,462,089.16	Noncurrent liabilities:			
Construction in process	(V) 13	203,626,585.32	69,221,381.57	Long-term loans	(V) 28	156,000,000.00	281,000,000.00
Disposal of fixed assets	(V) 14	5,875,631.20	-	Other noncurrent liabilities	(V) 29	3,850,000.00	600,000.00
Intangible assets	(V) 14	58,188,188.59	84,312,023.87	Total noncurrent liabilities		159,850,000.00	281,600,000.00
Long-term unamortized expenses	(V) 16	465,561.90	829,221.81	Total liabilities		2,870,704,541.95	3,050,057,754.66
Deferred income tax assets	(V) 17	20,609,842.25	19,026,595.56	Shareholder's equity:			
Total noncurrent assets		2,846,238,791.77	2,838,230,487.42	Stock capital	(V) 30	602,762,596.00	602,762,596.00
				Capital surplus	(V) 31	363,629,927.51	363,629,927.51
				Surplus reserve	(V) 32	332,908,397.60	332,908,397.60
				Undistributed profit	(V) 33	547,986,755.29	473,871,306.65
				Total shareholder's equity belonging to the parent company		1,847,287,676.40	1,773,172,227.76
				Minor shareholders' equity		208,604,106.24	162,709,543.29
				Total shareholders' equity		2,055,891,782.64	1,935,881,771.05
Total assets		4,926,596,324.59	4,985,939,525.71	Total liabilities and shareholders' equity		4,926,596,324.59	4,985,939,525.71

Annotations are part of financial statements.

Financial Statements in Pages 3 to 104 were signed by the principals as follows:

Legal Representative

Accountant in Charge

Accounting Principal

## Balance Sheet of Parent Company

Unit: RMB

Item	Annota tion	Ending balance	Beginning balance	Item	Annota tion	Ending balance	Beginning balance
Current assets:				Current liabilities:			
Monetary capital	(V) 1	35,564,935.05	29,272,846.21	Short-term loans	(V) 19	1,499,000,000.00	1,145,922,040.00
Accounts receivable	(V) 3	86,395,444.92	114,758,696.74	Notes payable	(V) 20	-	21,918,219.70
Advance payment	(V) 4	2,359,390.63	5,391,749.58	Account payable	(V) 21	8,379,394.63	175,244,357.18
Dividend receivable	(V) 5	597,875,904.41	597,875,904.41	Payroll payable	(V) 23	25,524,730.72	17,785,432.49
Other accounts receivable	(V) 6	871,865,434.98	1,092,405,738.66	Taxes payable	(V) 24	(358,913,337.70)	(286,213,117.57)
Inventory	(V) 7	195,072,444.79	200,016,725.06	Accrued interest payable	(V) 25	3,998,222.73	2,171,300.00
Other current assets	(V) 8	240,000,000.00	-	Other payables	(V) 26	363,707,613.87	196,718,008.59
Total current assets		2,029,133,554.78	2,039,721,660.66	Noncurrent liabilities due within one year	(V) 27	110,000,000.00	-
Noncurrent assets:				Total current liabilities		1,651,696,624.25	1,273,546,240.39
Long-term equity investment	(V) 10	753,277,000.17	645,091,792.76	Noncurrent liabilities:			
Fixed assets	(V) 12	355,995,467.10	398,151,919.32	Long-term loans	(V) 28	-	110,000,000.00
Construction in process	(V) 13	46,316,005.30	15,247,657.72	Total noncurrent liabilities		-	110,000,000.00
Intangible assets	(V) 15	1,368,935.26	3,809,711.87	Total liabilities		1,651,696,624.25	1,383,546,240.39
Long-term unamortized expenses	(V) 16	284,795.36	397,996.28	Shareholder's equity:			
Deferred income tax assets	(V) 17	16,949,151.06	14,756,122.84	Stock capital	(V) 30	602,762,596.00	602,762,596.00
Total noncurrent assets		1,174,191,354.25	1,077,455,200.79	Capital surplus	(V) 31	288,769,132.47	288,769,132.47
				Surplus reserve	(V) 32	332,908,397.60	332,908,397.60
				Undistributed profit	(V) 33	327,188,158.71	509,190,494.99
				Total shareholder's equity		1,551,628,284.78	1,733,630,621.06
Total assets		3,203,324,909.03	3,117,176,861.45	Total liabilities and shareholders' equity		3,203,324,909.03	3,117,176,861.45

**Consolidated Profit Statement**

Unit: RMB

Item	Annotation	Current amount	Previous amount
I. Total operating revenue	(V) 34	1,867,829,757.71	3,156,551,549.97
Minus: business expenditure	(V) 34	1,939,542,550.54	4,514,317,627.52
Business taxes and surcharges	(V) 35	10,466,095.29	8,985,989.00
Sales expense		945,157.22	2,179,835.99
Management expense		99,736,599.07	99,372,070.91
Financial expense	(X)1	124,982,945.84	156,740,252.87
Loss from depreciation of assets	(V) 37	22,617,515.60	74,648,595.18
Plus: profit from fair value changes		-	-
Investment yield or loss	(V) 36	(9,833,574.79)	-
Thereof, investment yield or loss from affiliated enterprises and joint ventures		(10,099,664.59)	-
II. Operating profit (loss)		(340,294,680.64)	(1,699,692,821.50)
Plus: non-operating income	(V) 38	472,393,279.52	1,769,137,635.18
Minus: non-operating expenditure	(V) 39	122,237.65	4,684,975.82
Thereof, loss on disposal of noncurrent assets		71,006.08	2,301,262.67
III. Total profits		131,976,361.23	64,759,837.86
Minus: income tax	(V) 40	11,966,349.64	49,926,080.06
IV. Net profits		120,010,011.59	14,833,757.80
Net profits belonging to the shareholders of the parent company		74,115,448.64	10,763,920.54
Minority interests		45,894,562.95	4,069,837.26
V. Earning per share			
(I) Basic earning per share	(V) 41	0.12	0.02
(II) Diluted earning per share		Inapplicable	Inapplicable
VI. Other comprehensive incomes		-	-
VII. Total comprehensive income		120,010,011.59	14,833,757.80
Comprehensive income belonging to the shareholders of the parent company		74,115,448.64	10,763,920.54
Comprehensive income belonging to minor shareholders		45,894,562.95	4,069,837.26

**Profit Statement of Parent Company**

Unit: RMB

Item	Annotation	Current amount	Previous amount
I. Total operating revenue	(V) 34	406,892,652.65	1,022,780,834.06
Minus: business expenditure	(V) 34	512,034,925.14	1,679,909,896.08
Business taxes and surcharges	(V) 35	4,139,158.16	4,843,603.12
Management expense		19,835,792.26	32,021,293.97
Financial expense	(X) 1	30,015,333.07	26,895,276.39
Loss from depreciation of assets	(V) 37	21,617,921.22	16,373,600.00
Plus: profit from fair value changes		-	-
Investment yield or loss	(V) 36	(9,833,574.79)	67,557,104.24
Thereof, investment yield or loss from affiliated enterprises and joint ventures		(10,099,664.59)	-
II. Operating profit (loss)		(190,584,051.99)	(669,705,731.26)
Plus: non-operating income	(V) 38	6,415,514.12	981,498,720.70
Minus: non-operating expenditure	(V) 39	26,826.63	198,650.00
Thereof, loss on disposal of noncurrent assets		11,248.63	88,650.00
III. Total profits (loss)		(184,195,364.50)	311,594,339.44
Minus: income tax	(V) 40	(2,193,028.22)	45,244,093.23
IV. Net profits (loss)		(182,002,336.28)	266,350,246.21
V. Earning per share			
(I) Basic earning per share		Inapplicable	Inapplicable
(II) Diluted earning per share		Inapplicable	Inapplicable
VI. Other comprehensive income		-	-
VII. Total comprehensive income		(182,002,336.28)	266,350,246.21



**Consolidated Cash Flow Statement**

Unit: RMB

Item	Annotation	Current amount	Previous amount
<b>I. Cash flow from operating activities</b>			
Cash from selling commodities or offering labor service		2,372,925,200.26	4,351,127,948.22
Other cash received relating to operating activities	(V) 42(1)	487,869,226.46	1,767,233,938.08
Subtotal of cash inflows from operating activities		2,860,794,426.72	6,118,361,886.30
Cash paid for goods and services		2,225,450,777.72	5,553,766,896.67
Cash paid to and for employees		90,420,801.23	116,197,337.72
Cash paid for taxes and surcharges		132,681,976.69	61,170,832.23
Cash paid for other operating activities	(V) 42(2)	63,887,168.17	55,726,299.21
Subtotal of cash outflows from operating activities		2,512,440,723.81	5,786,861,365.83
Net cash flow from operating activities		348,353,702.91	331,500,520.47
<b>II. Cash flows from investing activities</b>			
Cash received from return on investment		266,089.80	-
Net cash received from the disposal of fixed assets, intangible assets and other long-term assets		86,721,788.99	174,958,946.44
Subtotal of cash inflows from investing activities		86,987,878.79	174,958,946.44
Cash paid to acquire or construct fixed assets, intangible assets and other long-term assets		147,355,194.61	117,418,379.68
Cash paid for investment		121,228,572.00	57,857,143.00
Subtotal of cash outflows from investing activities		268,583,766.61	175,275,522.68
Net cash flows from investing activities		(181,595,887.82)	(316,576.24)
<b>III. Cash flows from financing activities</b>			
Cash received from borrowings		3,084,048,400.00	5,301,342,522.43
Subtotal of cash inflows from financing activities		3,084,048,400.00	5,301,342,522.43
Cash repayments of debts		3,151,772,318.77	5,252,475,835.36
Dividends paid, profit distributed or interest paid		115,020,719.21	293,791,280.67
Thereof, dividend and profit paid to minor shareholders		-	-
Subtotal of cash outflows from financing activities		3,266,793,037.98	5,546,267,116.03
Net cash flows from financing activities		(182,744,637.98)	(244,924,593.60)
<b>IV. Effect of changes in foreign exchange rate on cash and cash equivalents</b>		-	-
<b>V. Net increase of cash and cash equivalents</b>		(15,986,822.89)	86,259,350.63
Plus: beginning balance of cash and cash equivalents	(V) 43(2)	372,348,923.52	286,089,572.89
<b>VI. Ending balance of cash and cash equivalents</b>	(V) 43(2)	356,362,100.63	372,348,923.52

**Cash Flow Statement of Parent Company**

Unit: RMB

Item	Annotation	Current amount	Previous amount
<b>I. Cash flow from operating activities</b>			
Cash from selling commodities or offering labor service		789,966,824.25	1,442,119,045.62
Other cashes received relating to operating activities	(V) 42(1)	6,936,962.05	1,068,736,593.75
Subtotal of cash inflows from operating activities		796,903,786.30	2,510,855,639.37
Cash paid for goods and services		824,686,867.83	2,036,602,034.32
Cash paid to and for employees		50,737,046.07	69,564,681.63
Cash paid for taxes and surcharges		53,586,482.69	4,151,508.03
Cash paid for other operating activities	(V) 42(2)	21,382,578.43	14,257,770.56
Subtotal of cash outflows from operating activities		950,392,975.02	2,124,575,994.54
Net cash flow from operating activities		(153,489,188.72)	386,279,644.83
<b>II. Cash flows from investing activities</b>			
Cash received from return on investment		266,089.80	-
Net cash received from the disposal of fixed assets, intangible assets and other long-term assets		6,609,200.00	42,067,235.30
Other cash receipts relating to investing activities	(V) 42(3)	268,940,171.00	-
Subtotal of cash inflows from investing activities		275,815,460.80	42,067,235.30
Cash paid to acquire or construct fixed assets, intangible assets and other long-term assets		26,840,079.18	27,290,559.84
Cash paid for investment		121,228,572.00	104,197,143.00
Other cash payments relating to investing activities	(V) 42(4)	240,000,000.00	541,233,178.86
Subtotal of cash outflows from investing activities		388,068,651.18	672,720,881.70
Net cash flows from investing activities		(112,253,190.38)	(630,653,646.40)
<b>III. Cash flows from financing activities</b>			
Cash received from borrowings		1,827,048,400.00	2,317,938,480.00
Subtotal of cash inflows from financing activities		1,827,048,400.00	2,317,938,480.00
Cash repayments of debts		1,473,970,440.00	2,037,036,740.00
Dividends paid, profit distributed or interest paid		81,043,492.06	133,028,981.18
Subtotal of cash outflows from financing activities		1,555,013,932.06	2,170,065,721.18
Net cash flows from financing activities		272,034,467.94	147,872,758.82
<b>IV. Effect of changes in foreign exchange rate on cash and cash equivalents</b>		-	-
<b>V. Net increase of cash and cash equivalents</b>		6,292,088.84	(96,501,242.75)
Plus: beginning balance of cash and cash equivalents	(V) 43(2)	29,272,846.21	125,774,088.96
<b>VI. Ending balance of cash and cash equivalents</b>	(V) 43(2)	35,564,935.05	29,272,846.21

The Fiscal Year as of Dec. 31, 2009

## Consolidated Statement of Changes in Equity

Unit: RMB

Item	Current amount						Previous amount					
	Shareholders' equity belonging to the parent company				Minor shareholders' equity	Total shareholders' equity	Shareholders' equity belonging to the parent company				Minor shareholders' equity	Total shareholders' equity
	Stock capital	Capital surplus	Surplus reserve	Undistributed profit			Stock capital	Capital surplus	Surplus reserve	Undistributed profit		
I. Ending balance of previous year	602,762,596.00	363,629,927.51	332,908,397.60	473,871,306.65	162,709,543.29	1,935,881,771.05	547,965,998.00	363,629,927.51	332,908,397.60	532,861,747.03	158,639,706.03	1,936,005,776.17
Plus: Change of accounting policy	-	-	-	-	-	-	-	-	-	-	-	-
Previous error correction	-	-	-	-	-	-	-	-	-	-	-	-
II. Beginning balance of current year	602,762,596.00	363,629,927.51	332,908,397.60	473,871,306.65	162,709,543.29	1,935,881,771.05	547,965,998.00	363,629,927.51	332,908,397.60	532,861,747.03	158,639,706.03	1,936,005,776.17
III. Increase/decrease in current year	-	-	-	74,115,448.64	45,894,562.95	120,010,011.59	54,796,598.00	-	-	(58,990,440.38)	4,069,837.26	(124,005.12)
(I) Net profits	-	-	-	74,115,448.64	45,894,562.95	120,010,011.59	-	-	-	10,763,920.54	4,069,837.26	14,833,757.80
(II) Other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal of Items (I) and (II) above	-	-	-	74,115,448.64	45,894,562.95	120,010,011.59	-	-	-	10,763,920.54	4,069,837.26	14,833,757.80
Capital paid in and reduced by shareholders	-	-	-	-	-	-	-	-	-	1,481,216.08	-	1,481,216.08
1. Capital paid in by shareholders	-	-	-	-	-	-	-	-	-	-	-	-
2. Amounts of share-based payments recognized in shareholders' equity	-	-	-	-	-	-	-	-	-	-	-	-
3. Others	-	-	-	-	-	-	-	-	-	1,481,216.08	-	1,481,216.08
(IV) Profit distribution	-	-	-	-	-	-	54,796,598.00	-	-	(71,235,577.00)	-	(16,438,979.00)
1. Appropriations to surplus reserves	-	-	-	-	-	-	-	-	-	-	-	-
2. Distribution to shareholders	-	-	-	-	-	-	54,796,598.00	-	-	(71,235,577.00)	-	(16,438,979.00)
3. Others	-	-	-	-	-	-	-	-	-	-	-	-
(V) Internal carry-forward of shareholders' equity	-	-	-	-	-	-	-	-	-	-	-	-
1. Capital surplus turned to stock capital	-	-	-	-	-	-	-	-	-	-	-	-
2. Surplus reserve turned to stock capital	-	-	-	-	-	-	-	-	-	-	-	-
3. Surplus reserve used for making up losses	-	-	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-	-	-	-	-
IV. Ending balance of current period	602,762,596.00	363,629,927.51	332,908,397.60	547,986,755.29	208,604,106.24	2,055,891,782.64	602,762,596.00	363,629,927.51	332,908,397.60	473,871,306.65	162,709,543.29	1,935,881,771.05

The Fiscal Year as of Dec. 31, 2009

## Statement of Changes in Equity of Parent Company

Unit: RMB

Item	Current amount					Previous amount				
	Stock capital	Capital surplus	Surplus reserve	Undistributed profit	Total shareholders' equity	Stock capital	Capital surplus	Surplus reserve	Undistributed profit	Total shareholders' equity
I. Ending balance of previous year	602,762,596.00	288,769,132.47	332,908,397.60	509,190,494.99	1,733,630,621.06	547,965,998.00	288,769,132.47	332,908,397.60	314,075,825.78	1,483,719,353.85
Plus: Change of accounting policy	-	-	-	-	-	-	-	-	-	-
Previous error correction	-	-	-	-	-	-	-	-	-	-
II. Beginning balance of current year	602,762,596.00	288,769,132.47	332,908,397.60	509,190,494.99	1,733,630,621.06	547,965,998.00	288,769,132.47	332,908,397.60	314,075,825.78	1,483,719,353.85
III. Increase/decrease in current year	-	-	-	(182,002,336.28)	(182,002,336.28)	54,796,598.00	-	-	195,114,669.21	249,911,267.21
(I) Net profits	-	-	-	(182,002,336.28)	(182,002,336.28)	-	-	-	266,350,246.21	266,350,246.21
(II) Other comprehensive income	-	-	-	-	-	-	-	-	-	-
Subtotal of Items (I) and (II) above	-	-	-	(182,002,336.28)	(182,002,336.28)	-	-	-	266,350,246.21	266,350,246.21
(III) Capital paid in and reduced by shareholders	-	-	-	-	-	-	-	-	-	-
1. Capital paid in by shareholders	-	-	-	-	-	-	-	-	-	-
2. Amounts of share-based payments recognized in shareholders' equity	-	-	-	-	-	-	-	-	-	-
3. Others	-	-	-	-	-	-	-	-	-	-
(IV) Profit distribution	-	-	-	-	-	54,796,598.00	-	-	(71,235,577.00)	(16,438,979.00)
1. Appropriations to surplus reserves	-	-	-	-	-	-	-	-	-	-
2. Distribution to shareholders	-	-	-	-	-	54,796,598.00	-	-	(71,235,577.00)	(16,438,979.00)
3. Others	-	-	-	-	-	-	-	-	-	-
(V) Internal carry-forward of shareholders' equity	-	-	-	-	-	-	-	-	-	-
1. Capital surplus turned to stock capital	-	-	-	-	-	-	-	-	-	-
2. Surplus reserve turned to stock capital	-	-	-	-	-	-	-	-	-	-
3. Surplus reserve used for making up losses	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-	-	-
IV. Ending balance of current period	602,762,596.00	288,769,132.47	332,908,397.60	327,188,158.71	1,551,628,284.78	602,762,596.00	288,769,132.47	332,908,397.60	509,190,494.99	1,733,630,621.06

## (I) Company profile

Shenzhen Nanshan Power Co., Ltd. (hereinafter referred to as “the Company”) is a limited liability company founded through the reorganization of a foreign-funded enterprise upon the approval by Shen Fu Ban Fu [1993] No. 897 Document of General Office of Shenzhen Municipal People's Government. When founded, the company had total 103,000,000.00 shares in RMB.

In 1994, the Company issued 40,000,000 RMB denominated ordinary shares and 37,000,000 shares in foreign currencies to domestic investors and overseas investors respectively upon the approval by Shen Zheng Ban Fu [1993] No.179 Document of former Shenzhen Securities Management Office and listed the two kinds of shares at Shenzhen Stock Exchange on July 1, 1994 and Nov. 28, 1994 respectively, and then total shares of the Company increased to 180,000,000 shares in RMB. After stock dividends, total shares of the Company reached 602,762,596 shares in RMB on Dec. 31, 2009.

The Company is headquartered in Shenzhen City, Guangdong Province, China.

The Company and its subsidiaries (hereinafter jointly referred to as “the Group”) are mainly engaged in power and supply production, power plant construction, fuel oil trading, real estate development, consultative engineering, sludge drying, etc.

The Company doesn't have any controlling shareholder or actual controller, and Shenzhen Energy Group Co., Ltd. (hereinafter referred to as “Energy Group”) is the largest shareholder of the Company.

## (II) Significant accounting policies, accounting estimates and previous errors of the Company

### 1. Compilation basis of financial statements

#### Continuous operation

On Dec. 31, 2009, total current liabilities of the Group exceeded total current assets of RMB 630,497,009.13. Meanwhile, as stated in Annotation (VII) “Contingencies”, the company hadn't achieved a consensus with J. Aron (Singapore) Private Company yet in respect of liabilities and compensations after the termination of an option agreement by the date of approval of the financial statements, and both parties may solve the dispute between them in a judicial way. Because the unused bank credit amount of RMB 1,343,666,836.25 of the Group can meet the Group's need of fund, so the Company thinks that the matter stated in Annotation (VII) “Contingencies” can't cause major cash outflow to the Group in 2010 and the financial statements were compiled on the assumption of continuous operation.

#### Accounting basis and valuation principles

The Group takes accrual system as accounting basis. Except some financial instruments are measured by fair value, the financial statements take historical cost as

valuation basis. If any asset depreciates, relevant depreciation reserve shall be accrued according to related regulations.

**(II) Significant accounting policies, accounting estimates and previous errors of the Company - Continued**

**2. Statement for the conformance to Accounting Standards for Business Enterprises**

Financial statements compiled by the Company conform to the requirements of Accounting Standards for Business Enterprises issued by the Ministry of Finance on Feb. 15, 2006 and related regulations, meanwhile, authentically and integrally reflect parent company financial position and consolidated financial position as of December 31, 2009, parent company operating results and consolidated operating results, parent company cash flow and consolidated cash flow of the Company in the fiscal year 2009 then ended.

**3. Fiscal period**

A fiscal year of the Group is a calendar year from Jan. 1 to Dec. 31.

**4. Account standard currency**

The Group takes Renminbi (RMB), the currency in major economic environment of the Group, as account standard currency. The financial statements were compiled in RMB.

**5. Accounting processes of mergers under common control and mergers not under common control**

Merger means a transaction or matter that makes two or more separate enterprises into a reporting entity. A merger may be under common control or not.

The Group identifies assets and liabilities acquired upon a merger on the merger date or date of purchase, i.e. the date on which the Group actually acquires the right of control of the merged party or purchased party or the right of control of net assets or production and operation decision-making of the merged party or purchased party is transferred to the Group.

**5.1 Mergers under common control**

Merger under common control means a merger upon which both or all of the participants are under the non-temporary final control of the same party or the same parties before and after the merger. For a merger under common control, the party that obtains the right of control of other participants of the merger on the merger date is the merging party, while other participants are the merged parties.

Assets and liabilities that the merging party obtains upon the merger shall be measured

according to the merged party's book value of such assets and liabilities on the merger date. The balance between the book value of net assets the merging party obtains and the book value of consideration the merging party pays for the merger (or total face value of issued shares) shall be used for adjusting stock premium in capital surplus; if stock premium is not enough for write off, retained earnings shall be adjusted. All direct expenses the merging party spends for the merger shall be recorded in current profit and loss at the time of occurrence of such expenses.

(II) Significant accounting policies, accounting estimates and previous errors of the Company – Continued

5. Accounting processes of mergers under common control and mergers not under common control – Continued

5.2 Mergers not under common control and relevant business reputation

Merger not under common control means a merger upon which the participants are not under the final control of the same party or the same parties before and after the merger. For a merger not under common control, the party that obtains the right of control of other participants of the merger on the date of purchase is the purchasing party, while other participants are the purchased parties.

For a merger not under common control, the merger cost is the fair value of assets paid, liabilities generated or borne or the equity instruments issued by the purchasing party for the acquisition of right of control of the purchased party on the date of purchase, plus all the expenses directly related to the merger. For staged merger via multiple exchanges and transactions, the merger cost is the sum of the cost of every individual transaction. Where a future matter that may influence the merger cost is agreed in the merger contract, if it's estimated that the matter is likely to occur and the amount of merger cost influenced by the matter can be reliably measured on the date of purchase, such amount influenced shall be recorded in merger cost.

Identifiable assets, liabilities or contingent liabilities obtained from the purchased party upon a merger not under common control shall be measured by fair value on the date of purchase.

If the merger cost is larger than the fair value of all identifiable net assets obtained from the purchased party via the merger, the purchasing party shall identify the balance as business reputation; if the merger cost is smaller than the fair value of all identifiable net assets obtained from the purchased party via the merger, the purchasing party shall recheck the fair value of identifiable assets, liabilities or contingent liabilities obtained from the purchased party and the measurement of merger cost, and then record the after-recheck balance in current profit and loss.

Impairment test shall be conducted for business reputation formed upon a merger every year. Such test shall be combined with related asset groups or combination of asset groups. Namely the book value of business reputation shall be apportioned to related asset groups or related combination of asset groups (if necessary) in a reasonable way as of the date of purchase, if the recoverable amount of the asset groups or combination of asset groups containing the apportioned business reputation

is below relevant book value, loss from depreciation shall be identified. The amount of such loss from depreciation shall be used for writing off the book value of business reputation apportioned to the asset groups or combination of asset groups, and then offsetting the book value of other assets beyond the business reputation in the asset groups or combination of asset groups proportionally according to weight.

Recoverable amount shall be the higher between the balance of fair value of depreciated assets minus the disposal expense or the present value of estimated future cash flow of depreciated assets. Fair value of assets shall be determined according to the price fixed in sales agreement of fair transaction; where an asset is not under a sales agreement but on an active market, its fair value shall be determined according to the buyer's offer for such asset; Where an asset is neither under a sales agreement nor on an active market, its fair value shall be estimated on the basis of the optimal information available. Herein disposal expense covers legal fee, taxes and fees and handling charge related to asset proposal as well as direct expense for making the asset marketable; the present value of estimated future cash flow of depreciated asset shall be determined according to the discounted amount of estimated future cash flow that may be generated during continuous use and final disposal at a proper discount rate.

Once loss from depreciation of business reputation is withdrawn, it will not be written back in future fiscal periods.

(II) Significant accounting policies, accounting estimates and previous errors of the Company - Continued

6. Compilation methods of consolidated financial statements

The scope of consolidation of financial statements shall be determined on the basis of control. Herein control means a right upon which the Group can make decision on the financial and operation policies of another enterprise and gain profits from the operating activities of the enterprise herefrom.

The Group takes the date of acquiring or losing the right of control of a subsidiary as date of purchase or disposal date. The operating results and cash flows of a disposed subsidiary prior to the disposal date have been embodied in consolidated profit statement and consolidated cash flow statement; for a subsidiary disposed in current period, the Group doesn't adjust the beginning amount of the consolidated balance sheet. For a subsidiary added upon a merger not under common control, its operating results and cash flows as of the date of purchase have been properly contained in consolidated profit statement and consolidated cash flow statement, and the Group doesn't adjust the beginning amount and comparison amount of consolidated financial statements. For a subsidiary added upon a merger under common control, its operating results and cash flows from the beginning of current period to the merger date have been properly contained in consolidated profit statement and consolidated cash flow statement, meanwhile, the comparison amounts in consolidated financial statements are adjusted.

Significant accounting policies and fiscal periods of subsidiaries are determined according to the unified accounting policies and fiscal period of the Company.

All major accounts and transactions between the Company and a subsidiary or



subsidiaries are written off at the consolidation of financial statements.

Part of owners' equity of subsidiaries that doesn't belong to the parent company shall be taken as minor shareholders' equity and recorded under "minor shareholders' equity" of shareholders' equity in a consolidated balance sheet. Part of current profit and loss of subsidiaries as minor shareholders' equity shall be recorded in "minor shareholders' profits and losses" of net profits in a consolidated profit statement. Where a subsidiary's loss borne by minor shareholders exceeds the shares of the minor shareholders in the beginning owners' equity of the subsidiary, if minor shareholders are obliged to bear or able to make up such loss as specified in Articles of Association or an agreement, the loss shall offset minor shareholders' equity, otherwise, such loss shall offset the shareholders' equity of the parent company. Before making up the loss belonging to minor shareholders and borne by the parent company, all of the subsidiary's profits in future fiscal periods shall belong to the shareholders' equity of the parent company.

#### 7. Determination criteria of cash and cash equivalents

Cash means cash in treasury and bank deposits that may be used for payment at any moment. Cash equivalents mean short-term investments with strong liquidity, apt to converting into known amount of cash and bearing very small risk of value change.

#### 8. Foreign currency operations

For initial identification, foreign currency transactions are converted according to the spot exchange rate on the trading day.

On the balance sheet date, foreign currency monetary items are converted to RMB according to the spot exchange rate on the date, all the balance of exchange arising from the difference between the spot exchange rate on the balance sheet date and that of previous balance sheet date or at initial identification, except (1) the balance of exchange of special foreign currency borrowings that conforms to capitalization requirements is capitalized during the capitalization period and recorded in the cost of related assets; (2) the balance of exchange of hedging instruments for evading foreign exchange risks is treated in hedging accounting methods; (3) the balance of exchange arising from available-for-sale foreign currency nonmonetary items (e.g. stocks) and the balance of exchange arising from book balance variations of available-for-sale monetary items exclusive of post-amortization cost are identified as other comprehensive incomes and recorded in capital surplus, shall be recorded in current profit and loss.

### (II) Significant accounting policies, accounting estimates and previous errors of the Company - Continued

#### 8. Foreign currency operations - Continued

Foreign currency nonmonetary items measured by historical cost are measured according to the account standard currency amount converted according to the spot exchange rate on the trading day. Foreign currency nonmonetary items measured by fair value are converted according to the spot exchange rate on the date of

determination of fair value, and the balance between the converted account standard currency amount and original account standard currency amount is taken as fair value change (inclusive of change in exchange rate) and recorded in current profit and loss or identified as other comprehensive income and recorded in capital surplus.

## 9. Financial instruments

### 9.1 Determination criteria of fair values of financial assets and financial liabilities

Fair value means the amount of asset exchange or repayment of debt conducted between both parties familiar with related situations in a voluntary way during a fair transaction. Where an active market of a financial instrument exists, the Group determines the fair value of such financial instrument according to the quotations on the active market. Herein quotations on the active market mean the prices regularly acquired from exchanges, brokers, guild, pricing service institutions and others, and they represent the prices of actual fair market transactions. Where an active market of a financial instrument doesn't exist, the Group determines the fair value of such financial instrument by estimation techniques. Herein estimate techniques include referring to the prices of latest market transactions between voluntary parties familiar with related situations, referring to current fair values of other financial instruments the same as the financial instrument in essence, cash flow discount method, option pricing model, etc.

### 9.2 Classification, identification and measurement of financial assets

For financial assets traded in a conventional way, their identification and identification termination shall accord with the accounts of the trading day. At initial identification, financial assets are classified into financial assets that are measured by fair value and whose variation is recorded in current profit and loss; hold-to-maturity investment; loans and receivables; available-for-sale financial assets. Financial assets initially identified are measured by fair value. For financial assets that are measured by fair value and whose variation is recorded in current profit and loss, related transaction expenses are directly recorded in current profit and loss; for other financial assets, related transaction expenses are recorded in the initially identified amount.

The financial assets of the Group include loans and receivables.

#### Loans and receivables

Herein loans and receivables mean non-derivative financial assets that have fixed or definable recoverable amount and for which there are no quotations on relevant active market. The loans and receivables as financial assets of the Group include bills receivable, accounts receivable, other receivables, etc.

Subsequent measurement is made for such loans and receivables according to actual interest rate and post-amortization cost. Gain or loss from identification termination, depreciation or amortization is recorded in current profit and loss.

(II) Significant accounting policies, accounting estimates and previous errors of the Company - Continued

9. Financial instruments - Continued

9.3 Depreciation of financial assets

The Group examines the book value of financial assets on every balance sheet date, and accrue depreciation reserve if any objective evidence indicates a financial asset depreciates.

Objective evidences for depreciation of financial asset include the observable matters as follows:

- (1) The issuer or debtor is trapped in a serious financial trouble;
- (2) The debtor breaches any of the contract provisions, e.g. fails to pay or delays the payment of interests or the principal;
- (3) The Group makes any concession against the debtor trapped in a financial trouble in consideration of economic, legal or other factors;
- (4) The debtor is likely to go bankrupt or carry out other financial reorganizations;
- (5) A financial asset can't be traded on the active market anymore because the issuer is trapped in a major financial trouble;
- (6) It's impossible to identify whether the cash flow of certain asset in a combination of financial assets has decreased or not, but it's found that the estimated future cash flow of such combination of financial assets as of initial identification has decreased indeed and such decrease is measurable after overall appraisal according to public data, including:
  - The paying ability of the debtor of this combination of financial assets has been worsened gradually;
  - An event that may make a debtor fail to pay for the combination of financial assets occurs in the country or region where the debtor is;
- (7) Any major unfavorable change occurs to technical, market, economic or legal environment or others in which the debtor operates its business, as a result, the investor of the equity instrument may fail to recover its cost of investment;
- (8) The fair value of the equity instrument investment drops sharply or in a non-temporary way;
- (9) Other objective evidences that show the depreciation of financial asset.

The Group conducts impairment test for financial assets in a large individual amount; conduct separate impairment test for other financial assets or composite impairment test for a combination of financial assets with similar risk characteristics inclusive of other financial assets. For financial assets (no matter in a large individual amount or not) for which depreciation isn't found through separate test, impairment test is repeated for a combination of financial assets with similar risk characteristics. Financial assets for which loss from depreciation has been identified separately shall be excluded from a combination of financial assets with similar risk characteristics under impairment test.

- Depreciation of loans and receivables

The book value of a financial asset measured by post-amortization cost is recorded as decrease in the present value of estimated future cash flow, and such decrease is identified as loss from depreciation and recorded in current profit and loss. After the loss from depreciation of such financial asset has been identified, where any objective evidence indicates that the value of the financial asset has recovered and such recovery is objectively related to an event that occurs after the identification of loss, the originally identified loss from depreciation is written back, but the post-writeback book value shall not be larger than the post-amortization cost of the financial asset on the date of writeback on the assumption that no reserves are withdrawn for depreciation.

## **(II) Significant accounting policies, accounting estimates and previous errors of the Company - Continued**

### **9. Financial instruments - Continued**

#### **9.4 Identification basis and measuring methods of transfer of financial assets**

The identification of a financial asset will be terminated under any of the circumstances as follows: (1) the contract right to receive the cash flow upon this financial asset terminates; (2) the financial asset has been transferred, and almost all of risks and returns upon the ownership of the financial asset has been transferred to the transferee; (3) the financial asset has been transferred, and the enterprise gives up the control of the financial assets although it neither transfers nor reserves almost all of risks and returns upon the ownership of the financial asset.

Where the enterprise neither transfers or reserves almost all of risks and returns upon the ownership of a financial asset nor gives up the control of the financial asset, the financial asset is identified according to the extent of continuous involvement in the transferred financial asset, and related liabilities are identified. Herein the extent of continuous involvement in the transferred financial asset means the risk level on which the enterprise is upon the value change of the financial asset.

Where the integral transfer of a financial asset meets the identification termination requirements, the balance between book value of transferred financial asset plus the consideration received upon the transfer and accumulative fair value change originally recorded in other comprehensive incomes is recorded in current profit and loss.

Where the partial transfer of a financial asset meets the identification termination requirements, the book value of the transferred financial asset is apportioned to the part under identification termination and the rest, and the balance between consideration received upon the transfer plus accumulative fair value change apportioned to the identification termination part plus originally recorded in other comprehensive incomes and the apportioned book value above is recorded in current profit and loss.

#### **9.5 Classification and measurement of financial liabilities**

At initial identification, financial liabilities are classified into financial liabilities that are measured by fair value and whose variation is recorded in current profit and loss and other financial liabilities. Initially identified financial liabilities are measured by fair value. For financial liabilities that are measured by fair value and whose variation is recorded in current profit and loss, related transaction expenses are directly recorded in current profit and loss; for other financial liabilities, related transaction expenses are recorded in the initially identified amount.

Financial liabilities of the Group belong to other financial liabilities.

#### Other financial liabilities

Consequent measurement is conducted for derivative financial liabilities that are linked with an equity instrument for which there are no quotations on the active market and fair value can't be reliably measured and whose settlement is subject to the delivery of such equity instrument according to cost. Consequent measurement is conducted for other financial liabilities according to actual interest rate and post-amortization cost, gain or loss from identification termination or amortization is recorded in current profit and loss.

### (II) Significant accounting policies, accounting estimates and previous errors of the Company – Continued

#### 9. Financial instruments – Continued

##### 9.6 Identification termination of financial liabilities

The identification of a financial liability can't be fully or partially terminated until all or part of the current obligations upon the financial liability has been dissolved. The Group (the debtor) signs an agreement with the creditor in respect of substituting new financial liability for existing financial liability, moreover, where the provisions of new financial liability are different from those of existing financial liability, the identification of existing financial liability shall be terminated, meanwhile, the new financial liability shall be identified.

Where the identification of a financial liability is fully or partially terminated, the balance between the book value of the part under identification termination and the paid consideration (including noncash financial asset transferred out or new financial liability to be borne) is recorded in current profit and loss.

##### 9.7 Derivative Instruments and embedded derivative instruments

Derivative instruments are initially measured by fair value on the date of signing of related contract, and consequent measurement is conducted for them according to fair value, too. For a derivative instrument designated as hedging instrument and with high hedging effect, gain or loss from the its fair value change is recorded in the profit and loss period according to the nature of hedging relation and the requirements of hedging accounting; for other derivative instruments, fair value change is recorded in current profit and loss.

For a hybrid instrument inclusive of embedded derivative instrument, e.g. financial assets or financial liabilities for which it isn't designated that the measurement shall adopt fair value and fair value change shall be recorded in current profit and loss, if the embedded derivative instrument isn't closely related to the master contract in economic characteristics and risks and a separate instrument that have the same conditions with the embedded derivative instrument conforms to the definition of derivative instrument, the embedded derivative instrument shall be excluded from the hybrid instrument and viewed as separate derivative instrument. If separate measurement can't be made for an embedded derivative instrument at the time of acquisition or on the subsequent balance sheet date, the hybrid instrument shall be integrally designated as financial asset or financial liability that are measured by fair value and whose variation is recorded in current profit and loss.

#### 9.8 Offset between financial assets and financial liabilities

Where the Group has the legal right to offset identified financial asset and financial liability and can execute such legal right presently, meanwhile, plans to make net value settlement or encash the financial asset and pay off the financial liability, such financial asset and financial liability are recorded in the balance sheet according to the balance after offset. Under other circumstances, financial assets and financial liabilities shall be recorded respectively in a balance sheet rather than offset each other.

#### 9.9 Equity instruments

Equity instrument means a contract that can certify the Group's residual equity in assets after the deduction of all liabilities. The transaction expense spent by the merging party in issuing equity instrument during a merger is offset by the premium of equity instrument, if the premium is not enough for offset, retained earnings shall be adjusted. For other equity instruments, transaction expense shall be deducted from the consideration received at the issuance, and then the rest shall be recorded in shareholder's equity.

Various distributions (exclusive of stock dividend) of the Group to equity instrument holders bring in the decrease of shareholders' equity. The Group doesn't identify any fair value change of equity instrument.

### (II) Significant accounting policies, accounting estimates and previous errors of the Company – Continued

#### 10. Receivables

##### 10.1 Identification method and accrual method of bad debt reserve for receivables in a large individual amount

Identification method of bad debt reserve of receivable in a large individual amount	The Group identifies a receivable of RMB 2 million and above as receivable in a large individual amount.
Accrual method of bad debt reserve of receivable in a large individual amount	The Group conducts impairment test for receivables in a large individual amount, and composite impairment test for a combination of receivables with similar risk characteristics inclusive of any receivable for which depreciation isn't found through separate test. Receivables for which loss from depreciation has been identified separately shall be excluded from a combination of financial assets with similar risk characteristics under impairment test.

## 10.2 Identification method and accrual method of bad debt reserve for major receivables that are not in a large individual amount but may form a highly risky combination by credit risk characteristics

Determination basis of credit risk characteristic combination	The Group classifies receivables not in a large individual amount and receivables in a large individual amount and without depreciation after separate test according to the similarity and correlation of credit risk characteristics. Such credit risks usually reflect a debtor's ability to repay all due debts according to the contract provisions of such asset and are correlated to the measurement and calculation of future cash flow of examined receivable.
Accrual method based on credit risk characteristic combination	When impairment test is conducted for a combination, bad debt reserve is determined according to the structure of combination of receivables, similar credit risk characteristic (a debtor's solvency according to contract provisions), historical experiences in loss, current economic status and assessment for existing loss of a combination of estimated receivables. Where it's estimated that a receivable may bring in loss from depreciation, bad debt loss is identified according to the difference between book balance and estimated recoverable amount, and then bad debt reserve is accrued accordingly.

## 11 Inventory

### 11.1 Classification of inventory

The inventory of our group mainly covers the fuel, raw material, real estate development cost and products. The inventory is subject to initial measurement at cost. The cost of real estate development products includes land transferring fees, expenditure of supporting infrastructure, expenditure of building installation engineering, borrowings incurred before completion of development project, and other related expenses etc. The other cost of inventory contains procurement cost, processing cost and other expenditures incurred to have inventory get to the current place and status.

### 11.2 Valuation method of inventory

When the real estate development products are released, their actual cost is determined by the specific identification method; while when the other inventories are released, the actual cost is determined by weighted average method.

## (II) Significant accounting policy, accounting estimate and prior period errors of company - continued

### 11 Inventory - continued

#### 11.3 Basis to determine net realizable value and withdrawal method of Inventory depreciation reserve

On the balance sheet date, the inventories are measured by the less one of cost and net realizable value. When the net realizable value is less than cost, the Inventory depreciation reserve will be accrued. For the inventories with a large amount and lower unit price, the Inventory depreciation reserve is accrued as per the class of inventory. For the inventories that relate to the product series produced and sold in the same region, have the same or similar end use or purpose and that cannot be easily calculated individually from other items, the withdrawal of Inventory depreciation reserve will be combined. The Inventory depreciation reserve of other inventory is accrued according to the balance that the cost of individual inventory item exceeds the net realizable value.

After withdrawal of inventory depreciation reserve, if the previous influencing factor of inventory write-down has disappeared, which leads to the net realizable value going above its book value, the writeback shall fall in the original accrued inventory depreciation reserve; the amount of writeback will be counted in the current profit and loss.

The net realizable value refers to the amount got after the estimated selling price of inventory deducts the estimate cost in the wind, estimate marketing cost and related taxation. The net realizable value of inventory is determined on the basis of unambiguous evidence acquired. Meanwhile, the purpose of inventory and effect of items after balance sheet date will be taken into consideration.

#### 11.4 Inventory accounting system

The inventory accounting system is perpetual inventory system.

### 12 Long-term equity investment

#### 12.1 Determination of initial development cost

As to the long-term equity investment formed by business combination, such as long-term equity investment obtained by business combination under the same control,



the share of book value of stockholder's equity of the merged party obtained on the date of acquisition is regarded as the initial development cost. With respect to the long-term equity investment obtained by business combination not under the same control, the combined cost is regarded as the initial development cost of long-term equity development. The other equity investment other than the long-term equity investment formed by business combination is subject to initial measurement at cost.

(II) Significant accounting policy, accounting estimate and prior period errors of company – continued

12 Long-term equity investment – continued

12.2 Methods of subsequent measurement and recognition of gains and losses

The investee's long-term equity investment that is not under joint control or great influence, and is not quoted on active market, and that whose fair value cannot be measured reliably is calculated by cost method; while investee's long-term equity investment that is under joint control or has a great influence is calculated by equity method. Investee's long-term equity investment that is not under control or joint control, has no great influence and that whose fair value can be measured reliably is calculated as the financial assets available for use.

In addition, the long-term equity investment that enables investee to be under control is calculated by cost method in the financial statement of parent company.

12.2.1. Long-term equity investment calculated by cost method

By the cost method, the long-term equity investment is valued by the initial investment cost. In addition to the money actually paid or announced but not issued cash dividends or profit contained in the consideration, the current investment yield is recognized as per the cash dividends or profit issued according to investee's announcement.

12.2.2. Long-term equity investment calculated by equity method

By the equity method, when the initial investment cost of long-term equity investment is more than the reversionary share of fair value of investee's net identifiable assets at the time of investment, the initial investment cost of long-term equity investment will not be adjusted; while if the initial investment cost is less than the reversionary share of fair value of investee's net identifiable assets at the time of investment, their balance will be counted in the current profit and loss; and meanwhile the cost of long-term equity investment will be adjusted,

By the equity method, the current profit and loss on investments is investee's reversionary or contributory share of net income and loss realized the current year. investee's reversionary share of net income and loss is recognized on the basis of acquisition of investee's fair value of identifiable assets at the time of investment after investee's net profit is adjusted according to accounting policy and accounting period

of our group. The unrealized profit or loss on internal transactions happening between our group and joint ventures or cooperative enterprises is set off by the part of our group calculated as per the proportion of shareholding, on the basis of which the profit and loss on investments are recognized. But the unrealized profit and loss on internal transactions happening between our group and investee will not be set off if it belongs to transferrable assets impairment loss according to the provision of *Accounting Standards for Enterprises No. 8-Asset Impairment*. For the change of investee's other ownership interest except net income and loss, the book value of long-term equity investment is adjusted, recognized as other comprehensive income and counted in capital reserve.

The contributory net loss incurred by investee is recognized to the extent that the book value and other long-term equities that constitute net investment for investee are reduced to zero. In addition, if our group has the obligation of bearing extra loss for investee, the estimated liabilities will be recognized according to the estimated due obligation, and counted in the current profit and loss on investments. When the investee realizes net profit in the subsequent period, after we make up the unrecognized loss sharing amount with the gain sharing amount, our group will retrieve recognition of gain sharing amount.

(II) Significant accounting policy, accounting estimate and prior period errors of company - continued

12 Long-term equity investment - continued

12.2 Methods of subsequent measurement and recognition of gains and losses-continued

As to the long-term equity investment in the joint ventures and cooperative enterprises held by our group before our group's first implementation of *New Edition of Accounting Standard* on January 1, 2007, if there is balance between it and related equity investment debt side, straight line amortized amount will be counted in the current profit and loss according to the original remaining period.

12.2.3. Acquisition of minority stack

With respect to the compilation of financial statement, the capital reserve is adjusted according to the balance between the long-term equity investment newly increased due to acquisition of minority equity and reversionary share of continuously rated net assets that are calculated according to the newly increased proportion of shareholding as of the date of acquisition (or merger date) of sub company. If capital reserve is insufficient to be offset, retained earnings will be adjusted.

12.2.4. Disposal of long-term equity investment

In the consolidated financial statement, the parent company is entitled to dispose in part its long-term equity investment for sub companies on the premise of not losing

the control power. The balance between the disposal fee and the reversionary disposal net assets in sub company corresponding to long-term equity investment is counted in the shareholders' equity.

With respect to the disposal of long-term equity investment under the other circumstances, the balance between its book value and actually acquired money is counted in the current profit and loss. As to the long-term equity investment calculated by equity method, the part counted in the shareholders equity at the time of disposal will be transferred to current profit and loss according to the corresponding proportion.

### 12.3 Basis to determine the joint control and great influence on investee

The "control" refers to the power to decide on the financial and business policies of an enterprise, on the basis of which the benefits are gained from enterprise's business activities. The "joint control" denotes the control shared for some economic activity in terms of contract provisions; it merely exists under the circumstance of consensus of investors that share control power in the important financial and operating decisions concerning the economic activity. The "great influence" refers to the right to participate in the decision-making of financial and business policies of an enterprise, but the enterprise cannot control or jointly control with other parties the formulation of the policies. In terms of identification whether to impose control or great influence on investee, the potential voting rights, including currently convertible company bonds and current exercisable share warrants held by investing enterprise and other parties, have been taken into account.

### 12.4 Impairment test method & calculation method of depreciation reserve

We check, on every balance sheet date, whether the long-term equity investment shows evidence of possible depreciation. If any, we will estimate its recoverable amount. If the recoverable amount of assets is less than its book value, the depreciation reserve will be accrued as per their balance and counted in the current profit and loss.

Once the impairment loss of long-term equity investment is confirmed, it will not be reversed in the subsequent accounting period.

## (II) Significant accounting policy, accounting estimate and prior period errors of company – continued

### 13 Investment real estate

The investment real estate refers to the real estate held for the purpose of gaining rental or capital appreciation or for the both purposes. It includes rental land use right, land use right held but to be transferred after appreciation, and rental buildings etc. In addition, as to our group's non-occupation buildings for operating leases, if the board of directors has made a written resolution, expressing explicitly that the buildings are for operating leases and that the purpose of holding will not change within a short period of time, the buildings will also be presented as the investment real estate.

The investment real estate is subject to the initial measurement at cost. As to the subsequent expenditure related to investment real estate, if the economic interest related to the assets is likely to flow in and its cost can be calculated reliably, then it will be counted in the cost of investment real estate.

We shall conduct subsequent measurement of investment real estate by the cost model, as well as depreciation or amortization according to the policy in accordance with building construction or land use right.

We check, on every balance sheet date, whether investment real estate shows evidence of possible depreciation. If any, its recoverable amount will be estimated. The recoverable amount of assets is estimated on the basis of individual asset. If it is difficult to estimate the recoverable amount of individual asset, the recoverable amount of asset group will be determined on the basis of the belonging asset group of the asset. If the recoverable amount of the asset is less than its book value, the assets depreciation reserve will be accrued according to their balance and counted in the current profit and loss.

Once the asset impairment loss of investment real estate is confirmed, it will not be reversed in the subsequent accounting period.

When the real estate for self use or inventory is transformed to investment real estate or the investment is transformed to real estate for self use, the book value before transformation will be regarded as the entry value after transformation.

The balance that disposal consideration such as selling, transfer, scrapping or damage or investment real estate deducts their book value and related taxation is counted in the current profit and loss.

## 14 Fixed assets

### 14.1 Conditions to confirm fixed assets

The fixed assets refer to the tangible assets held for the purpose of commodity production, and provision of labor, rental or business management, with useful life exceeding a fiscal year.

### 14.2 Depreciation method of fixed assets

The fixed assets are subject to initial measurement at cost and in the consideration of the influence of estimated disposal cost etc. Since the follow-up month that intended serviceable condition is achieved, except that the depreciation of gas turbine generator units is *accrued by units-of-production method*, *the depreciation of other fixed assets will be accrued by straight-line method*.

- (II) Significant accounting policy, accounting estimate and prior period errors of our company – continued

## 14 Fixed assets – continued

14.2 Depreciation method of fixed assets - continued

The useful life, estimated net residual value and annual rate of depreciation are listed as below.

Category	Useful Life	Estimated Net Residual Value	Annual Rate of Depreciation
Building and structure	20 years	10%	4.5%
Machinery equipment (except gas turbine generator unit)	10 years	10%	9%
Machinery equipment – gas turbine generator unit (note)		10%	Straight-line method
Conveyance	5-10 years	10%	9%-18%
Other equipment	5 years	10%	18%

The estimated net residual value indicates that the fixed assets are assumed to be in the expected state that its useful life has run out. Currently, it is the amount obtained from the asset disposal of our group, from which the estimated disposal cost has been deducted.

Note: the depreciation of gas turbine generator units are accrued by straight-line method, that is, the hourly depreciation of unit power generation of gas turbine generator unit is determined according to equipment value, estimated net residual value, and estimated total hours of power generation. The breakdown is listed as below.

Company Name	Fixed Assets	Depreciation (RMB/hour)
Our company	#1 generator unit	4,225.09
	#3 generator unit	4,401.76
	#7 generator unit	4,407.11
Shenzhen New Electric Power Industry Co., Ltd (New Electric Power Corporation)	#10 generator unit	3,954.47
Shenzhen (Zhongshan) Nanshan Power Co., Ltd (Zhongshan Power Corporation)	#1 generator unit	1,911.87
	#2 generator unit	688.66
	#3 generator unit	1,902.68
	#4 generator unit	693.18
Shenzhen Nanshan Power Weimei (Dongguan) Co., Ltd. (Weimei Power Corporation)	#1 generator unit	2,009.43
	#2 generator unit	585.11
	#3 generator unit	1,980.18
	#4 generator unit	585.08

14.3 Impairment test method of fixed assets & calculation method of depreciation reserve

We check, on every balance sheet date, whether the fixed assets show evidence of possible depreciation. If any, its recoverable amount will be estimated. The recoverable amount of assets is estimated on the basis of individual asset. If it is difficult to estimate the recoverable amount of individual asset, the recoverable amount of asset group will be determined on the basis of the belonging asset group of the assets. If the recoverable amount of the assets is less than its book value, the assets

depreciation reserve will be accrued according to their balance and counted in the current profit and loss.

Once the fixed asset impairment loss is confirmed, it will not be reversed in the subsequent accounting period.

(II) Significant accounting policy, accounting estimate and prior period errors of our company – continued

14 Fixed assets – continued

14.4 Other specifications

As to the subsequent expenditure concerning fixed asset, if the economic interest related to the fixed asset is likely to flow in and its cost can be calculated reliably, then it will be counted in the fixed asset cost. And the recognition of book value of the replaced part will be terminated. The other subsequent expenditures besides this will be counted in the current profit and loss as it happens.

We recheck, at least at the end of each year, the useful life, estimated net residual value, and total hours of power generation of gas turbine generator units and depreciation method of fixed assets. In case of any change to the above said items, it will be treated as change of accounting estimate.

**15 Project under construction**

The cost of project under construction is determined according to the actual engineering expenditure, including the expenditure of all works occurring in the construction period, capital borrowing cost before project is up to the intended serviceable condition, and other related fees. It will be carried over to the fixed asset after the project is up to the intended serviceable condition.

We check, on every balance sheet date, whether the project under construction shows evidence of possible depreciation. If any, its recoverable amount will be estimated. The recoverable amount of assets is estimated on the basis of individual asset. If it is difficult to estimate the recoverable amount of individual asset, the recoverable amount of asset group will be determined on the basis of the belonging asset group of the assets. If the recoverable amount of the assets is less than its book value, the assets depreciation reserve will be accrued according to their balance and counted in the current profit and loss.

Once the impairment loss of project under construction is confirmed, it will not be reversed in the subsequent accounting period.

**16 Borrowing cost**

The borrowing cost covers interest on borrowing, amortization of discount or premium, auxiliary expenses and balance of exchange incurred by foreign currency loans. It can be directly classed under the borrowing cost for asset acquisition and construction or for production that accords with capitalization conditions. The capitalization will

begin when both the asset expenditure and borrowing cost have been incurred, and the acquisition, construction or production activities necessary for asset reaching the intended serviceable condition or marketable state have begun. The capitalization will stop when the constructed or produced intended asset is up to serviceable condition or marketable state. The other borrowing cost will be recognized as expense as it happens in the current period.

The amount obtained after the interest expenses of special borrowing actually incurred in the current period deducts the interest income of not yet used borrow money gained when it is saved in bank, or the amount of return on investment gained from temporary investment is capitalized. Generally, the amount of capitalization of borrowing is confirmed to be the result of the weighed average of assets expenditure (i.e. the part of special borrowing in excess of cumulative assets expenditure) being multiplied by capitalization rate of used general borrowing. The capitalization rate is determined according to the weighted average interest rate of general borrowing.

In the period of capitalization, the balance of exchange of special foreign currency loans will be totally capitalized. The balance of exchange of general foreign currency loans is counted in the current profit and loss.

The assets in accordance with capitalization condition refer to the fixed assets, investment real estate and inventories etc whose intended serviceable condition or marketable state is achieved by a rather long time of acquisition, construction or production activities.

## **(II) Significant accounting policy, accounting estimate and prior period errors of our company – continued**

### **16 Borrowing cost – continued**

If the asset acquisition, construction or production in accordance with capitalization conditions is interrupted abnormally and the interruption lasts for more than three years, the capitalization of borrowing cost will be suspended, until the asset acquisition, construction or production activities resume.

### **17 Intangible assets**

#### 17.1 Intangible assets

The intangible assets refer to the identifiable nonmonetary assets owned or held by our group that has no physical form.

The intangible assets are subject to initial measurement at cost. As to the expenditures related to intangible assets, if the relevant economic interest is likely to flow in our group and it can be calculated reliably, it will be counted in the cost of intangible assets. The other expenditures of intangible items other than this will be counted in the current profit and loss when incurred.

The land use right acquired is generally calculated as intangible assets. As to the factory buildings independently developed, the expenditure related to land use right and building construction cost are calculated as intangible assets and fixed assets. In

the case of purchased buildings and structures, the relevant amount will be allocated to the land use right and structures. In the event of difficulty in rational allocation, they will be totally treated as fixed assets.

Since the intangible asset of with limited useful life is operational, the balance that its original value deducts estimated net residual value and cumulative amount of accrued depreciation reserve is averagely amortized by stages by the straight-line method within the estimated useful life. In the case of uncertainty of useful life, the intangible asset will not be amortized.

The useful life and amortization method of intangible asset with limited useful life is rechecked at the end of the period. In addition, the useful life of intangible asset with uncertain useful life is also rechecked. If there is evidence proving that the intangible asset is able to bring economic interest for enterprise in the foreseeable period, its useful life will be estimated and it will be amortized according to the amortization policy on the intangible asset with limited useful life.

#### 17.2 Impairment test method of intangible assets & calculation method of depreciation reserve

We check, on every balance sheet date, whether the intangible asset with certain useful life shows evidence of possible depreciation. If any, its recoverable amount will be estimated. The recoverable amount of assets is estimated on the basis of individual asset. If it is difficult to estimate the recoverable amount of individual asset, the recoverable amount of asset group will be determined on the basis of the belonging asset group of the assets. If the recoverable amount of the assets is less than its book value, the assets depreciation reserve will be accrued according to their balance and counted in the current profit and loss.

The intangible assets with uncertain useful life and those not yet up to the serviceable condition are subject to impairment test annually whether there is evidence of depreciation.

Once the intangible asset impairment loss is confirmed, it will not be reversed in the subsequent accounting period.

- (II) Significant accounting policy, accounting estimate and prior period errors of our company – continued

#### **18 Long-term deferred expenses**

The long-term deferred expenses are those that have been incurred but should be amortized in the current period and subsequent periods for more than a year. The long-term deferred expenses are averagely amortized by stages in the estimated benefit period.

#### **19 Estimated liabilities**



When the obligation related to contingencies meets the following conditions simultaneously, (1) it is the current obligation of our group; (2) the performance of the obligation may lead to outflow of economic interest; (3) the amount of the obligation can be calculated reliably, it will be confirmed to be the estimated liabilities.

On the balance sheet date, in the consideration of the risk concerning contingencies, uncertainty, and time value of money etc, the estimated liabilities is calculated according to the optimal estimation that needs to be paid for the performance of current obligation.

In the event that the total or partly expectations that need to be paid for the settlement of estimated liabilities are compensated by a third party, the amount of compensation will be confirmed singly as an asset when it is confirmed basically that it can be received. Moreover, the amount of compensation confirmed must not exceed the book value of estimated liabilities.

## **20. Recognition of income**

### 20.1 Goods sales revenue

When significant risks and rewards of ownership of goods have been transferred to buyer, no continuous management right regularly related to ownership is retained, no effective control is conducted on goods sold, moreover, amount of income may be measured in a reliable way, relevant economic profit may have flown into enterprise and relevant incurred cost or to be incurred may be measured in a reliable way , implementation of goods sales revenue will be confirmed.

### 20.2 Revenue from Providing Labor Service

Under situation that result of service providing business can be estimated in a reliable way, relevant service revenue may be confirmed as percentage-of-completion method on balance sheet date. Completion degree of service business will be determined as share of incurred service cost in estimated general cost.

Situation that result of service providing business can be estimated in a reliable way means all the following two conditions are satisfied: (1) amount of income may be estimated in a reliable way (2) relevant economic benefit is likely to flow into enterprise (3) completion degree of business may be estimated in a reliable way (4) Relevant incurred cost and to be incurred may be measured in a reliable way.

If result of service providing business can't be estimated in a reliable way, service revenue should be confirmed as amount of incurred service cost expected to be compensated, where incurred service cost is taken as period charge. If no compensation is expected for incurred service cost, income won't be confirmed.

For contract or agreement signed with other enterprises covering goods sales and service providing, if the two parts can be distinguished and separately measured, goods sales and labor service will be disposed respectively. On the contrary, if the two parts can't be separately measured (can be distinguished or not), the whole contract will be disposed as goods sales.

**(II) Significant accounting policy, accounting estimate and prior period error-continued**

**20. Recognition of income-continued**

20.3 Royalty revenue

Royalty revenue should be confirmed as accrual system as contract or agreement involved.

20.4 Interest revenue

Interest revenue should be measured and confirmed as length of time for which our group's monetary capital is used by others and actual interest rate.

**21 Government grant**

Government grant means monetary and nonmonetary asset acquired from government for free except capital contributed by government as owner. Government grant may be divided into government grant related to asset and government grant related to income.

Monetary asset as government grant will be measured as amount received or receivable. Nonmonetary asset as government grant will be measured as fair value. If fair value can't be acquired in a reliable way, it will be measured as notional sum. Government grant measured as notional sum will be included in the current profits and loss.

Government grant related to asset will be confirmed as deferred income and equally distributed in service life of relevant asset to be included in current profit and loss. Government grant related to income used to compensate relevant expense and loss in future period will be confirmed as deferred income and included in current profit and loss in the period of confirming relevant cost. Government grant related to income used to compensate incurred relevant expense and loss will be directly included in current profit and loss.

If confirmed government grant needs to be surrendered, for government grant with relevant balance of deferred income, book balance of relevant deferred income will be offset while remnant will be included in current profit and loss. On the contrary, for government grant without relevant deferred income, it will be directly in current profit and loss.

**22 Deferred income tax asset/ deferred income tax liability**

**22.1 Current income tax**

On balance sheet date, current income tax liability (or asset) formed during and before current period will be measured as amount of income tax payable (or repayable) as specified by tax law. Taxable income, based on which current income tax expense is calculated, will be calculated as adjustment of pre-tax accounting profit of current year

as specified relevant tax law.

## 22.2 Deferred income tax asset & deferred income tax liability

For balance of book value of some asset/liability item and its tax base, or temporary difference derived from balance of book value and tax base of the item, which is not confirmed as asset or liability but tax base can be fixed as specified by tax law, deferred income tax asset & deferred income tax liability will be confirmed in balance sheet liability approach.

## (II) Significant accounting policy, accounting estimate and prior period error-continued

### 22. Deferred income tax asset/ deferred income tax liability

#### 22.2 Deferred income tax asset & deferred income tax liability-continued

For taxable temporary difference, which is related to initial recognition for goodwill and asset or liability produced by transaction which neither is business combination nor affects accounting profit and taxable income (or deductible loss), relevant deferred income tax liability won't be confirmed. Besides, for taxable temporary difference related to investment of subsidiary, affiliated business or cooperative enterprise, if we are able to control time of reverse of temporary difference and the difference is likely to not reverse in foreseeable future, relevant deferred income tax liability won't be confirmed, either. Beyond that, deferred income tax liabilities derived from other taxable temporary differences will be confirmed by us.

Deductible temporary difference, which is related to initial recognition of asset or liability produced by transaction which neither is business combination nor affects accounting profit and taxable income, relevant deferred income tax asset won't be confirmed. For deductible temporary difference related to investment of subsidiary, affiliated business or cooperative enterprise, if we are able to control time of the reverse of temporary difference and the difference is likely to not reverse in foreseeable future, relevant deferred income tax liability won't be confirmed, either. Beyond that, we're likely to confirm deferred income tax asset derived from other deductible temporary differences subject to amount of taxable income acquired to deduct deductible temporary difference.

For deductible loss and taxation decrease which can be carried over to following fiscal year, relevant deferred income tax asset may be confirmed subject to amount of taxable income which is likely to be acquired to deduct deductible loss and taxation decrease in the future.

On balance sheet date, deferred income tax asset/ liability will be measured as applicable tax rate during period of recovering relevant asset or paying relevant liability. On balance sheet date, book value of deferred income tax asset will be reviewed. If it is likely to fail to acquire sufficient taxable income to deduct profit of deferred income tax asset, book value of deferred income tax asset will be written down. If it is likely to acquire sufficient taxable income to deduct profit of deferred income tax asset, such

write-down amount shall be subsequently reversed.

### 22.3 Income tax expense

Income tax expense includes current income tax and deferred income tax.

Except other comprehensive income and current and deferred income tax related to business and affairs directly recorded into the shareholder's equities as well as book value of goodwill impairment of deferred income tax produced by business combination, other current and deferred income tax expense or income will be included in current profit and loss.

## **(II) Significant accounting policy, accounting estimate and prior period error-continued**

### **22. Deferred income tax asset/ deferred income tax liability-continued**

#### 22.4 Offset of income tax

When possessing legal right to settle with net amount and intending to settle with net amount or acquire asset and pay for liability synchronously, we will present current income tax asset and current income tax liability as net amount following deduction.

When possessing legal right to settle current income tax asset and current income tax liability with net amount, deferred income tax asset and deferred income tax liability are related to income tax collected from identical taxpaying body by identical tax revenue collection and management department or related to different taxpaying bodies, but in reverse period for every significant deferred income tax asset and deferred income tax liability, relevant taxpaying body intends to settle current income tax asset and current income tax liability with net amount or synchronously acquire asset and satisfy liability, we will present deferred income tax asset and deferred income tax liability as net amount following deduction.

### **23. Operating lease, finance lease**

Finance lease is to virtually transfer all risks and rewards related to ownership of asset, which may be finally transferred or not. Leases other than finance lease are operating leases.

#### 23.1 Recording operating lease service as lessee

Rental expense in every stage of lease term will be included in relevant cost of asset and current profit and loss as straight-line method. Initial direct cost will be included in current profit and loss. Perhaps some rent may be included in current profit and loss when actually incurred.

#### 23.2 Recording operating lease service as lessor

Rental expense in every stage of lease term will be confirmed as current profit and loss as straight-line method. Large amount of initial direct cost to be capitalized when

actually incurred will be included in current profit and loss as basic stages identical to that of recognition of rental income. Small amount of initial direct cost will be included in current profit and loss when actually incurred. Perhaps some rent may be included in current profit and loss when actually incurred.

## **24. Employee compensation**

During accounting period for employee providing service, employee compensation payable will be confirmed as liability.

We will participate in social security system for employee set up by government department as specified, including basic pension insurance, medical insurance, housing fund and other systems. Expenses involved will be included in relevant cost of asset and current profit and loss when actually incurred.

We will sever labor relation with employee prior to expiration of labor contract, or encourage employee to voluntarily accept layoff and put forward suggestion on compensation. If we have formulated formal plan for severing labor relation or put forward voluntary layoff suggestion and plan to put into effect meanwhile the plan and suggestion can't be withdrawn unilaterally, estimated liability produced by compensation for severing labor relation with employee will be confirmed and included in current profit and loss.

## **(II) Significant accounting policy, accounting estimate and prior period error-continued**

### **24. Employee compensation-continued**

Principle of internal retirement scheme for employee will be identical to that of welfare for retirement above. Wages and social security fee to be paid for early-retirement personnel from end date of their service to normal retirement date will be included in current profit and loss (welfare for retirement) when conforming to conditions for recognition of estimated liability.

## **25. Debt restructuring**

Debt restructuring means when debtor encounters financial difficulty, loaner makes concession as agreement with debtor or judgment of court.

### 25.1 Obligation of recording debt restructuring as debtor

For debt liquidated with cash, balance between book value of debt to be restructured and amount of actual payment will be included in current profit and loss. On the contrary, for debt liquidated with non-cash asset, balance between book value of debt to be restructured and fair value of non-cash asset transferred will be included in current profit and loss. Balance between fair value of non-cash asset transferred and book value of debt to be restructured will be included in current profit and loss. When debt is transferred to capital, balance between book value of debt to be restructured and fair value of loaner's share derived from disclaim will be included in current profit and loss. When other terms of debt are modified, fair value

of debt after modification will be taken as entry value of restructured debt. Balance between book value of debt prior to restructuring and debt restructured will be included in current profit and loss. When combination of multiple modes is applied, book value of debt to be restructured will be offset by cash for payment, fair value of non-cash asset transferred and fair value of loaner's share successively, then applicable method under modification mentioned above will be applied.

### 2.5.2 Obligation of recording debt restructuring as loaner

For debt liquidated with cash, balance between book balance of credit to be restructured and cash received will be included in current profit and loss. On the contrary, for debt liquidated with non-cash asset, balance between book balance of credit to be restructured and fair value of non-cash asset received will be included in current profit and loss. When debt is transferred to capital, balance between fair value of loaner's share and book balance of credit to be restructured will be included in current profit and loss. When other terms of debt are modified, fair value of credit after modification will be taken as book value of credit to be restructured. Balance between book balance of debt prior to restructuring and book value of credit restructured will be included in current profit and loss. When combination of multiple modes is applied, book balance of credit to be restructured will be offset by cash received, fair value of] non-cash asset received and fair value of loaner's share successively, applicable method under modification mentioned above will be applied.

When depreciation reserve has been accrued in credit to be restructured, accrual depreciation reserve will be offset by balances above. Remnant after offset will be included in current profit and loss.

## **(II) Significant accounting policy, accounting estimate and prior period error-continued**

### **26. Changes of significant accounting policy**

Unit: RMB

Content and causes of changes	Name of influenced report item	Influenced amount
Before Jan.1, 2009, in our group, long-term equity investment was accounted by cost method, where investment profit was subject to allotment of accumulative net profit acquired after invested unit accepted investment. If profit or cash dividend declared to be distributed by invested unit exceeded amount above, the extra amount would be recalled as initial investment cost to offset book value of long-term equity investment. As specified by <i>Accounting Standard for Business Enterprises No.3</i> , after Jan.1,2009, we adopted accounting policy for long-term equity investment by cost method. Specifics are as Annotation (II). We adopted prospective approach for changes of accounting policy.	Prospective approach  Long-term equity investment on Dec.31, 2009 and investment profit in 2009	0

## (III) Tax

## 1. Main categories and tax rate

Tax	Tax base	Tax rate
Value added tax (VAT)	Balance from deducting current input with current VAT of sales	VAT on sales is calculated as 13% or 17% of calculated value of business as specified as tax law.
Sales tax	Operation revenue	3% or 5%
Urban maintenance and construction tax	Amount of actual VAT and sales tax	1%
Building tax	70% of original value of housing estate; rental income from property	For tax calculated as residual value of real estate, 1.2%; for tax calculated as rental income, 12%
Corporate income tax (note)	Taxable income	16.5% to 25%
Increment tax on land value	Added value from transferring land-use right to the stated-owned land, above-ground building and attached structure	Four level progressive rate
City and town land use tax	Actual occupation of land area	RMB 4yuan/m <sup>2</sup>

Note: The income tax rates of this company and its subsidiary companies are listed as follows:

## (III)Tax - continued

## 1. Main taxes and tax rates - continued

The name of the company and its subsidiary companies	The income tax rate	
	2009	2008
The company	20%	18%
New Power Company	20%	18%
ShenNan Electric Gas Turbine Engineering Technology Co., Ltd. ("Engineering Company")	20%	18%
ShenZhen XieFu Oil Supply Co., Ltd. ("XieFu Oil Supply Company")	20%	18%
ShenZhen ShenNan Environmental Protection Electricity Co., Ltd. ("Environmental Protection Company")	20%	18%
ZhongShan Power Company	20%	18%
WeiMei Power Company	20%	18%
ShenNan Energy(Singapore) Co., Ltd.(ShenNan Singapore Company)	20%	20%
ShenZhong Real Estate Development Co., Ltd. in ZhongShan City ("ShenZhong Development Company")	25%	25%
ShenZhong Real Estate Investment and Purchase Co., Ltd. in ZhongShan City ("ShenZhong Real Estate Purchase Company")	25%	25%
HuiDong XieFu Port Comprehensive Development Co., Ltd. ("HuiDong XieFu Company")	25%	25%
HuiDong Harbour Development Co., Ltd. ("HuiDong Harbour Company")	25%	25%
HongKong Syndisome Co., Ltd. ("Syndisome Company")	16.5%	16.5%

This Company, New Power Company, Engineering Company, XieFu Oil Supply Company and Environmental Protection Company are the enterprises set up in special economic zones, and ZhongShan Power Company and WeiMei Power Company are

foreign-invested enterprises engaged in energy production. Before January 1, 2008, the Company and the subsidiary companies above applied income tax rate of 15%, and since January 1, 2008, they would have a gradual transition to the statutory tax rate of 25% in five years. The applicable tax rate of the Company and its subsidiary companies in this year is 20%.

## (III) Tax - continued

## 1. Main taxes and tax rates - continued

## 2. Tax Preferences and Approval

Tax Categories	Company's Name	Relevant Regulations and Policies	Approval Authority	Approval Number	Remission Range	Valid Period
Enterprise Income Tax	WeiMei Power Company	<i>Enterprise Income Tax Law of People's Republic of China. The Notice of The State Council on the Implementation of Transitional Preferential Policy for Enterprise Income Tax (issued by the State Council [2007]No.39)</i>	Inapplicable	Inapplicable	Since 2008, the income tax can be exempted for two years and half-paid for three years.	2008.1.1~2012.12.31
		<i>Enterprise Income Tax Law of People's Republic of China, The Notice On Print And Distribute Of "Taxation Management Method Of Business Income Tax On Power Company (State Tax [1998] JNo.134), Guangdong People's Government's Notice On Temporary Collection Of Gas&amp; Fuel Oil Processing Charges (yue Government Letter [2008] JNo. 31)</i>	Inapplicable	Inapplicable	free of income tax for processing charges on gas & fuel oil	Since 2008 March 1st
Enterprise Income Tax	ZhongShan Power Company	<i>Enterprise Income Tax Law of People's Republic of China. The Notice of The State Council on the Implementation of Transitional Preferential Policy for Enterprise Income Tax (issued by the State Council [2007]No.39)</i>	Inapplicable	Inapplicable	Since 2008, the income tax can be exempted for two years and half-paid for three years.	2008.1.1~2012.12.31
		<i>Enterprise Income Tax Law of People's Republic of China, The Notice On Print And Distribute Of "Taxation Management Method Of Business Income Tax On Power Company (State Tax [1998] JNo.134),</i>	Inapplicable	Inapplicable	free of income tax for processing charges on gas & fuel oil	Since 2008 March 1st



Annotations of Financial Statements

The Fiscal Year as of Dec. 31, 2009

		<i>Guangdong People's Government's Notice On Temporary Collection Of Gas&amp; Fuel Oil Processing Charges (yue Government Letter [ 2008] ]No. 31)</i>				
Land-use Tax of City and Town	ShenZhong Real Estate Purchase Company	<i>The Provisional Regulations of Land-use tax of City and Town of People's Republic of China</i>	The urban tax sub bureau of the local tax bureau in Zhongshan City	The remission tax approval of the urban tax sub bureau of the local tax bureau in Zhongshan City	100% remission	2009
Land-use Tax of City and Town	ShenZhong Development Company	<i>The Provisional Regulations of Land-use tax of City and Town of People's Republic of China</i>	The urban tax sub bureau of the local tax bureau in Zhongshan City	The remission urban area of the land-use tax in Zhongshan City. [2009]No.99	100% remission	2009
Housing Property Tax	ShenZhong Real Estate Purchase Company	<i>The Provisional Regulations of Housing Property Tax of People's Republic of China</i>	The urban tax sub bureau of the local tax bureau in Zhongshan City	The remission urban housing area of the land-use tax in Zhongshan City. [2009]No.15	100% remission	2009
Housing Property Tax	ShenZhong Development Company	<i>The Provisional Regulations of Housing Property Tax of People's Republic of China</i>	The urban tax sub bureau of the local tax bureau in Zhongshan City	The remission urban housing area of the land-use tax in Zhongshan City. [2009]No.14	100% remission	2009

## (IV) The Consolidation of enterprises and Consolidation financial statements

## 1. The subsidiary companies obtained by the means of establishment of investment, etc.

Unit: RMB

The Full Name of Subsidiary Company	The type of Subsidiary Company	Registra tion Place	Nature of Business	Regis rated Capital	Business Scope	Actual invested capital at the end of the year	Other project balance which essentially constitutes the net investment in the subsidiary companies	Shareh olding Ratio (%)	Votin g rights perce ntage (%)	Whet her amal gama te finan cial state ment s	Minority equity	The sum of money in the minority equity which is used to write down the minority interests	If the losses in the current period of which the minority shareholders of the subsidiary company share responsibility exceed the shares which the minority shareholders have at the beginning period of this subsidiary company, write off this losses from the opener's equity of the parent company, then get the balance.
Xiefu Oil Supply Company (registries)	Co.,Ltd	Shen Zhen	Trade	53,300,000.00	Fuel self-support, import agent	26,650,000.00	-	50	50	Yes	40,671,502.24	None	None
New Power Company	Joint Venture(Hong Kong funds)	Shen Zhen	Power Producti on	113,850,000.00	Technology development of waste heat utilization, power production using waste heat and power production of electric gas turbine	113,850,000.00	-	100	100	Yes	-	None	None
ZhongShan Power Company	Joint Venture(Hong Kong funds)	Zhong Shan	Power Producti on	396,800,000.00	power production of electric gas turbine and power production using waste heat	317,440,000.00	-	80	80	Yes	1,843,221.02	77,516,778.98	None
Engineering Company	Joint Venture(Hong Kong funds)	Shen Zhen	Enginee ring Consulti ng	10,000,000.00	The technology consulting the construction project of gas and steam combined cycle power plant and the maintenance and check and repairs of the relevant operating equipments	13,520,000.00	-	100	100	Yes	-	None	None
WeiMei Power Company	Joint Venture(Hong Kong funds)	Dong Wan	Power Producti on	\$35,040,000	The construction and operation of natural gas power plant	208,102,049.76	-	70	70	Yes	130,930,511.83	None	None
Environmental Protection Company	Joint Venture(Hong Kong funds)	Shen Zhen	Enginee ring	79,000,000.00	Sludge drying	79,000,000.00	-	100	100	Yes	-	None	None
HuiDong XieFu Company	Co.,Ltd	Shen Zhen	Pier Operatio n	8,620,000.00	The construction and operation of the comprehensive pier as well as supporting facilities	6,465,001.00	-	84	84	Yes	-	1,379,200.00	None
HuiDong Harbour Company	Co.,Ltd	Shen Zhen	Pier Operatio n	10,000,000.00	The construction and operation of miscellaneous pier, petroleum products pier, oil deport and supporting facilities	5,500,000.00	-	55	55	Yes	-	4,500,000.00	None

Note: The Company holds 50% of the stock ownership of XieFu Oil Supply Company, meanwhile composing the majority of the voting rights of its board of directors, therefore the Company possesses the actual control rights of XieFu Oil Supply Company and put it into the Consolidation scope of the Consolidation financial statements.

## (IV) The Consolidation of enterprises and Consolidation financial statements-continued

## 2. The subsidiary companies obtained by enterprise Consolidation which are not under common control

Unit: RMB

The Full Name of Subsidiary Company	The type of Subsidiary Company	Registration Place	Nature of Business	Registries Capital	Business Scope	Actual invested capital at the end of the year	Other project balance which essentially constitutes the net investment in the subsidiary companies	Shareholding Ratio (%)	Voting rights percentage (%)	Whether amalgamate financial statements	Minority equity	The sum of money in the minority equity which is used to write down the minority interests	If the losses in the current period of which the minority shareholders of the subsidiary company share responsibility exceed the shares which the minority shareholders have at the beginning period of this subsidiary company, write off this losses from the owner's equity of the parent company, then get the balance.
ShenNan Singapore Company	Co.,Ltd	Singapore	Trade	1,500,000.00 Singapore Dollar	Gas turbine and its spare parts and fuel agent	1,500,000.00 Singapore Dollar	-	100	100	Yes	-	None	None
ShenZhong Development Company	Co.,Ltd	Zhong Shan	Real Estate Development	177,800,000.00	Real estate development, property management, the sales and rents of free commercial housing, real estate investment	-	-	75	75	Yes	16,823,900.55	27,626,099.45	None
ShenZhong Real Estate Purchase Company	Co.,Ltd	Zhong Shan	Real Estate Development	60,000,000.00	Real estate development, property management, the sales and rents of free commercial housing, real estate investment	-	-	75	75	Yes	18,334,970.60	None	None
Syndisome Company (registered)	Co.,Ltd	Hong Kong	Import and Export Trade	200,000.00 Hong Kong Dollar	Input and Export Trade	200,000.00 Hong Kong Dollar	-	100	100	Yes	-	None	None

Note: On December 5, 2008, ShenNan Singapore Company and ShenYe Investment and Management Co., Ltd signed the Share Transfer Agreement on the Purchase and Selling 2000 Shares of the Common Stock of HONGKONGSYNDISOME CO., LIMITED, (Hein after referred to as ShenYe Investment Company), ShenNan Singapore Company is to transfer 100% stock right which it has of Syndisome Company to ShenYe Investment Company at the consideration of 393,885,100.00 Hong Kong dollar. According to this Transfer Agreement, ShenYe Investment Company should pay 1,000,000.00 Hong Kong dollars on the date of transfer agreement, and pay the remaining transfer money within the six months after the date. Up to the approval day of this financial statements, ShenYe Investment Company hasn't yet paid 392,885,100.00 Hong Kong dollar of the remaining transfer money, so the Company still possess the actual control right over Syndisome Company, therefore will include it into the Consolidation scope of the Consolidation financial statements.

Annotations of Financial Statements  
The Fiscal Year as of Dec. 31, 2009

## (V) Financial Statements item notes

## 1. Monetary Funds

## Consolidation

Unit: RMB

Item	Annual Closing Amount			Annual Beginning Amount		
	Foreign Currency Amount	Conversion Rate	RMB Amount	Foreign Currency Amount	Conversion Rate	RMB Amount
Currency:						
RMB	266,797.65	1.0000	266,797.65	146,302.25	1.0000	146,302.25
Hong Kong Dollar	92,656.91	0.8805	81,584.41	82,664.91	0.8819	72,901.36
US Dollar	11,719.87	6.8282	80,025.97	1,545.22	6.8346	10,560.96
Euro	1,017.87	9.7971	9,972.18	980.83	9.6590	9,473.80
Bank Deposit:						
RMB	339,472,309.32	1.0000	339,472,309.32	352,490,988.57	1.0000	352,490,988.57
Hong Kong Dollar	5,402,075.35	0.8805	4,756,578.07	5,407,557.39	0.8819	4,768,870.82
US Dollar	1,593,047.44	6.8282	10,877,646.51	2,044,904.85	6.8346	13,976,296.53
Singapore Dollar	50,660.87	4.8605	246,237.16	9,255.87	4.7530	43,993.15
Other Monetary Funds						
RMB(registered)	23,366,056.75	1.0000	23,366,056.75	57,983,430.73	1.0000	57,983,430.73
US Dollar	716.53	6.8282	4,892.61	716.52	6.8346	4,897.12
Total			379,162,100.63			429,507,715.29

Note: The data refer to guarantee deposit and credit cards deposit. The limited deposits on December 31, 2009 is 22,800,000.00 RMB (On the date of December 31, 2008: 57,158,791.77 RMB).

## Parent Company

Unit: RMB

Item	Annual Closing Amount			Annual Beginning Amount		
	Foreign Currency Amount	Conversion Rate	RMB Amount	Foreign Currency Amount	Conversion Rate	RMB Amount
Currency						
RMB	79,890.13	1.0000	79,890.13	13,854.66	1.0000	13,854.66
Hong Kong Dollar	10,109.87	0.8805	8,901.74	117.87	0.8819	103.95
US Dollar	995.22	6.8282	6,795.56	995.22	6.8346	6,801.93
Euro	976.71	9.7971	9,568.93	976.71	9.6590	9,434.04
Bank Deposit:						
RMB	35,201,187.16	1.0000	35,201,187.16	28,614,376.32	1.0000	28,614,376.32
Hong Kong Dollar	402.26	0.8805	354.19	402.20	0.8819	354.70
US Dollar	6,951.49	6.8282	47,466.16	19,811.25	6.8346	135,401.95
Other Monetary Funds						
RMB(registered)	205,878.57	1.0000	205,878.57	487,621.54	1.0000	487,621.54
US Dollar	716.53	6.8282	4,892.61	716.52	6.8346	4,897.12
Total			35,564,935.05			29,272,846.21

Note: The data refer to credit cards deposit.

## (V) Financial Statements item notes-continued

## 2. Bill Receivable

## Consolidation

The categories of bill receivable:

Unit: RMB		
Category	Annual Closing Amount	Annual Beginning Amount
Bank Acceptance	-	2,626,222.50
Trade Acceptance	200,000.00	-
Total	200,000.00	2,626,222.50

This corporate doesn't have the bills which have been discounted but not yet become due or the bills which have been endorsed but not yet become due at the end of the year.

## 3. Accounts Receivable

## Consolidation

(1) The accounts receivable is shown by category:

Unit: RMB								
Category	Annual Closing Amount				Annual Beginning Amount			
	Book Balance		Bad Debt Reserves		Book Balance		Bad Debt Reserves	
	Sum of Money	Rate (%)	Sum of Money	Rate (%)	Sum of Money	Rate (%)	Sum of Money	Rate (%)
Individual payment of significant sum of money	341,562,735.75	98.69	5,877,682.84	92.21	343,493,633.13	99.29	5,786,846.84	95.35
Individual payment of insignificant sum of money but with a larger risk after credit risk portfolio	946,915.10	0.27	306,915.10	4.82	955,123.90	0.28	282,520.40	4.65
Other insignificant payments	3,599,190.11	1.04	189,164.00	2.97	1,513,735.77	0.43	-	-
Total	346,108,840.96	100.00	6,373,761.94	100.00	345,962,492.80	100.00	6,069,367.24	100.00

This corporate will identify the account receivable which is more than 2,000,000.00RMB (2,000,000.00RMB included) as account receivable with significant individual payments.

The accounts receivable ages are analyzed as follows:

Unit: RMB								
Accounts Receivable Age	Annual Closing Amount				Annual Beginning Amount			
	Sum of Money	Rate (%)	Bad Debt Reserves	Book Value	Sum of Money	Rate (%)	Bad Debt Reserves	Book Value
Within One Year	322,237,306.76	93.10	-	322,237,306.76	323,441,067.56	93.49	-	323,441,067.56
One to Two Years	7,358,317.76	2.13	363,021.50	6,995,296.26	2,791,640.00	0.81	139,582.00	2,652,058.00
Two to Three Years	1,891,640.00	0.55	189,164.00	1,702,476.00	14,700,000.00	4.25	1,540,000.00	13,160,000.00
More Than	14,621,576.44	4.22	5,821,576.44	8,800,000.00	5,029,785.24	1.45	4,389,785.24	640,000.00

Annotations of Financial Statements  
The Fiscal Year as of Dec. 31, 2009

Three Years								
Total	346,108,840.96	100.00	6,373,761.94	339,735,079.02	345,962,492.80	100.00	6,069,367.24	339,893,125.56

## (V) Financial Statements item notes-continued

## 3. Accounts Receivable-continued

## Consolidation-continued

(2) The end-of-period individual amount is significant or although it is not significant, yet the account receivable bad debts which would have impairment tests are to have accounting and drawing:

Unit: RMB

The contents of accounts receivable	Book Balance	The amount of bad debts reserves for accounting and drawing.	The rate of accounting and daring. (%)	Reason
Finance Bureau of DongWan City	116,267,817.80	-	-	
GuangDong Province Power Grid Company	111,577,495.50	-	-	
Finance Bureau of ZhongShan City	85,050,965.60	-	-	
China National Electric Equipment Corporation	7,260,430.00	-	-	
DongGuan Dongcheng Dongxing Thermoelectric Co.,Ltd	7,200,000.00	1,440,000.00	20.00	The auucounts receivable age is long and has difficulty to recovery.
Shenzhen Petrochemical Bonded Oil Trading CO., LTD. ("Petrochemical Bonded CO.,LTD")	3,474,661.34	3,474,661.34	100.00	The auucounts receivable age is long and has difficulty to recovery.
Others	15,277,470.72	1,459,100.60	9.55	
Total	346,108,840.96	6,373,761.94	1.84	

The accounts receivable with insignificant individual payment but with a larger risk after combined by credit risk characteristics.

Unit: RMB

Accounts Receivable Age	Annual Closing Amount			Annual Beginning Amount		
	Book Balance		Bad Debt Reserves	Book Balance		Bad Debt Reserves
	Sum of Money	Rate (%)		Sum of Money	Rate (%)	
More Than Three Years	946,915.10	100.00	306,915.10	955,123.90	100.00	282,520.40
Total	946,915.10	100.00	306,915.10	955,123.90	100.00	282,520.40

This corporate identifies the accounts receivable which has insignificant individual payment but whose account receivable age is more than three years as the accounts receivable which has insignificant individual payment but has a larger risk portfolio according to credit risk characteristics.

(3) The accounts receivable balance in this report period doesn't have the payments of the shareholders who possess 5% (including 5%) of the voting shares of the Company.

(4) The situations of the top five units in respect of the amount of accounts receivable.

Annotations of Financial Statements  
The Fiscal Year as of Dec. 31, 2009

Unit: RMB

The Name of the Units	The Relationship with the Company	Sum of Money	Fixed Number of Years	The proportion to the total sum of the accounts receivable (%)
Finance Bureau of DongWan City	Government Department	116,267,817.80	Within One Year	33.59
GuangDong Province Power Grid Company	Unassociated Clients	111,577,495.50	Within One Year	32.24
Finance Bureau of ZhongShan City	Government Department	85,050,965.60	Within One Year	24.57
China National Electric Equipment Corporation	Unassociated Clients	7,260,430.00	One to Two Years	2.10
DongGuan Dongcheng Dongxing Thermoelectric Co.,Ltd	Unassociated Clients	7,200,000.00	More Than Three Years	2.08
Total		327,356,708.90		94.58

(5) About the accounts receivable of the associated party see the appending notes (Six) No.5.

## (V) Financial Statements item notes-continued

## 3. Accounts Receivable-continued

## Parent Company

(1) The accounts receivable is shown by category:

Unit: RMB

Category	Annual Closing Amount				Annual Beginning Amount			
	Book Value		Bad Debt Reserves		Book Value		Bad Debt Reserves	
	Sum of Money	Rate (%)	Sum of Money	Rate (%)	Sum of Money	Rate (%)	Sum of Money	Rate (%)
Individual payment of significant sum of money	86,128,794.42	99.69	-	-	114,404,113.74	99.69	-	-
Individual payment of insignificant sum of money but with a larger risk after credit risk portfolio	-	-	-	-	-	-	-	-
Other insignificant payments	266,650.50	0.31	-	-	354,583.00	0.31	-	-
Total	86,395,444.92	100.00	-	-	114,758,696.74	100.00	-	-

The accounts receivable ages are analyzed as follows:

Unit: RMB

Accounts Receivable Age	Annual Closing Amount				Annual Beginning Amount			
	Sum of Money	Rate (%)	Bad Debt Reserves	Book Value	Sum of Money	Rate (%)	Bad Debt Reserves	Book Value

Annotations of Financial Statements  
The Fiscal Year as of Dec. 31, 2009

Within One Year	86,392,555.92	100.00	-	86,392,555.92	114,758,696.74	100.00	-	114,758,696.74
One to Two Years	2,889.00	-	-	2,889.00	-	-	-	-
Two to Three Years	-	-	-	-	-	-	-	-
More Than Three Years	-	-	-	-	-	-	-	-
Total	86,395,444.92	100.00	-	86,395,444.92	114,758,696.74	100.00	-	114,758,696.74

(2) The accounts receivable balance in this report period doesn't have the payments of the shareholders who possess 5% (including 5%) of the voting shares of the Company.

(3) The situations of the top five units in respect of the amount of accounts receivable

Unit: RMB

The Name of the Units	The Relationship with the Company	Sum of Money	Fixed Number of Years	The proportion to the total sum of the accounts receivable
ShenZhen Power Supply Bureau, GuangDong Province Power Grid Company	Unassociated Clients	86,128,794.42	Within One Year	99.69
ShenZhen City NanShan Meat Processing Plant	Unassociated Clients	80,014.50	Within One Year	0.09
ShenZhen University	Unassociated Clients	59,605.00	Within One Year	0.07
ShenZhen Hengfeng Haiyue International Hotel	Unassociated Clients	45,696.00	Within One Year	0.05
ZhongCai Energy Management Services Co.,Ltd	Unassociated Clients	33,300.00	Within One Year	0.04
Total		86,347,409.92		99.94

(4) About the accounts receivable of the associated party see the appending notes (Six) No.5.

## (V) Financial Statements item notes-continued

### 4. Advance Payment

#### Consolidation

(1) The advance payments are shown by accounts receivable age.

Unit: RMB

Accounts Receivable Age	Annual Closing Amount		Annual Beginning Amount	
	Sum of Money	Rate (%)	Sum of Money	Rate (%)
Within One Year	3,942,652.31	89.20	66,698,094.04	99.53
One to Two Years	177,124.71	4.01	7,335.00	0.01
Two to Three Years	7,335.00	0.17	38,609.00	0.06
More Than Three Years	292,758.00	6.62	267,758.00	0.40
Total	4,419,870.02	100.00	67,011,796.04	100.00



(2) The situations of the top five units in respect of the amount of advance payment.

Unit: RMB

The Name of the Units	The Relationship with the Company	Sum of Money	Time	Reasons for no settlement
Wuxi Shijia Heat Energy Equipment Co. Ltd.	Unassociated Supplier	1,349,637.60	Within One Year	Advance Purchase Payment
GE-ENERGY(SINGAPORE)CO.,LTD	Unassociated Supplier	1,216,491.63	Within One Year	Advance Purchase Payment
GE-Harbin Electric Corporation-Nanqi Energy Qinhuangdao Co., Ltd	Unassociated Supplier	370,418.50	Within One Year	Advance Purchase Payment
Zhongshan Transformer Co., Ltd	Unassociated Supplier	279,972.00	Within One Year	Advance Purchase Payment
ALSTOM Technical Services (Shanghai) Co., Ltd.	Unassociated Supplier	168,000.00	Within One Year	Advance Purchase Payment
Total		3,384,519.73		

(3) The advance payments balance in this report period doesn't have the payments of the shareholders who possess 5% (including 5%) of the voting shares of the Company.

(4)The advance payment is shown by the category of clients:

Unit: RMB

Category	Annual Closing Amount	Annual Beginning Amount
Individual advance payment of significant sum of money	-	64,501,617.94
Individual advance payment of insignificant sum of money but with a larger risk after credit risk portfolio	292,758.00	267,758.00
Other insignificant advance payments	4,127,112.02	2,242,420.10
Total	4,419,870.02	67,011,796.04

This corporate identifies the account receivable which is more than 2,000,000.00RMB (2,000,000.00RMB included) as advance payment with significant individual payments.

**(V) Financial Statements item notes-continued****4. Advance Payment-continued****Parent Company**

(1) The advance payments are shown by accounts receivable age.

Unit: RMB

Accounts Receivable Age	Annual Closing Amount		Annual Beginning Amount	
	Sum of Money	Rate (%)	Sum of Money	Rate (%)
Within One Year	1,966,452.92	83.35	5,165,656.58	95.81
One to Two Years	166,844.71	7.07	7,335.00	0.14
Two to Three Years	7,335.00	0.31	25,000.00	0.46
More Than Three Years	218,758.00	9.27	193,758.00	3.59

Annotations of Financial Statements  
The Fiscal Year as of Dec. 31, 2009

Total	2,359,390.63	100.00	5,391,749.58	100.00
-------	--------------	--------	--------------	--------

(2) The situations of the top five units in respect of the amount of advance payment.

Unit: RMB

The Name of the Units	The Relationship with the Company	Sum of Money	Time	Reasons for no settlement
GE-ENERGY(SINGAPORE)CO.,LTD	Unassociated Supplier	1,216,491.63	Within One Year	Advance Purchase Payment
GE-Harbin Electric Corporation-Nanqi Energy Qinhuangdao Co., Ltd	Unassociated Supplier	370,418.50	Within One Year	Advance Purchase Payment
ALSTOM Technical Services (Shanghai) Co., Ltd.	Unassociated Supplier	168,000.00	Within One Year	Advance Purchase Payment
Shenzhen Luyuan Automobile Trading Co.,Ltd	Unassociated Supplier	144,600.00	Within One Year	Advance Purchase Payment
Wuhan Steel and Electronic Co., Ltd	Unassociated Supplier	142,000.00	One to Two Year	Advance Purchase Payment
Total		2,041,510.13		

(3) The advance payments balance in this report period doesn't have the payments of the shareholders who possess 5% (including 5%) of the voting shares of the Company.

(4) The advance payments are shown by the category of clients:

Unit: RMB

Category	Annual Closing Amount	Annual Beginning Amount
Individual advance payment of significant sum of money	-	3,264,000.00
Individual advance payment of insignificant sum of money but with a larger risk after credit risk portfolio	218,758.00	193,758.00
Other insignificant advance payments	2,140,632.63	1,933,991.58
Total	2,359,390.63	5,391,749.58

(V) Financial Statements item notes-continued

5. Dividend Receivable  
Parent Company

Unit: RMB

Item	Annual Closing Amount	Increase in this year	Reduction in this year	Annual Beginning Amount	Reasons for no settlement	The relevant items are impaired or not.
Dividend receivable with the account receivable age of one year	67,557,104.24	-	67,557,104.24	-		
Among: the amounts which should charge New Power Company	67,557,104.24	-	67,557,104.24	-		
Dividend receivable with the account receivable age of one year	530,318,800.17	67,557,104.24	-	597,875,904.41		
Among: the amounts which should charge	530,318,800.17	67,557,104.24	-	597,875,904.41	Registered	No

Annotations of Financial Statements  
The Fiscal Year as of Dec. 31, 2009

New Power Company						
Total	597,875,904.41	67,557,104.24	67,557,104.24	597,875,904.41		

Note: The Company should charge New Power Company 597,875,904.41 RMB dividend receivable of more than one year, and the decision of the Board of Directors of New Power Company haven't agreed on the exact paid time.

## 6. Other Accounts Receivable

### Consolidation

(1) Other accounts receivable are shown by category:

Unit: RMB

Category	Annual Closing Amount				Annual Beginning Amount			
	Book Balance		Bad Debt Reserves		Book Balance		Bad Debt Reserves	
	Sum of Money	Rate (%)	Sum of Money	Rate (%)	Sum of Money	Rate (%)	Sum of Money	Rate (%)
Individual payment of significant sum of money	33,778,789.92	80.31	26,237,404.46	87.68	34,183,804.49	71.04	26,237,404.46	82.14
Individual payment of insignificant sum of money but with a larger risk after credit risk portfolio	3,198,034.65	7.61	2,927,761.85	9.78	5,926,931.00	12.32	4,909,573.38	15.37
Other insignificant payments	5,082,783.33	12.08	759,148.63	2.54	8,008,939.60	16.64	795,033.75	2.49
Total	42,059,607.90	100.00	29,924,314.94	100.00	48,119,675.09	100.00	31,942,011.59	100.00

This corporate identifies the account receivable which is more than 2,000,000.00RMB (2,000,000.00RMB included) as advance payment with significant individual payments.

Other accounts receivable are shown by category-continued:

The accounts receivable age of other accounts receivable are analyzed as follows:

Unit: RMB

Accounts receivable age	Annual Closing Amount				Annual Beginning Amount			
	Sum of Money	Rate (%)	Bad debt reserves	Book Value	Sum of Money	Rate (%)	Bad debt reserves	Book Value
Within One Year	9,423,168.75	22.40	-	9,423,168.75	10,805,312.41	22.46	-	10,805,312.41
One to Two Years	81,091.50	0.20	-	81,091.50	2,442,315.15	5.08	759,148.63	1,683,166.52
Two to Three Years	1,919,785.41	4.56	759,148.63	1,160,636.78	206,278.51	0.43	35,885.12	170,393.39
More Than Three Years	30,635,562.24	72.84	29,165,166.31	1,470,395.93	34,665,769.02	72.03	31,146,977.84	3,518,791.18
Total	42,059,607.90	100.00	29,924,314.94	12,135,292.96	48,119,675.09	100.00	31,942,011.59	16,177,663.50

## (V) Financial Statements item notes-continued

## 6. Other Accounts Receivable-continued

## Consolidation-continued

(1) The end-of-period individual amount is significant or although it is not significant, yet the other account receivable bad debts which would have impairment tests are to have accounting and drawing:

Unit: RMB

Contents of other accounts receivable	Book Balance	The amount of bad debts reserves for accounting and drawing.	Rate of accounting and drawing	Reasons
HuiYang County KangTai Industrial Corporation	14,311,626.70	14,311,626.70	100.00	The auucounts receivable age is long and has difficulty to recover.
NanShan District Investment Management Company(NanShan Investment Company)	5,895,738.00	5,895,738.00	100.00	It could not be recovered when exceeding the time limit.
JPEF Shandong Jinan Power Equipment Factory	3,560,000.00	3,560,000.00	100.00	It could not be recovered when exceeding the time limit.
Personal Income Tax Advanced for another	2,470,039.76	2,470,039.76	100.00	It could not be recovered when exceeding the time limit.
The payable fund unpaid	2,083,698.16	-	-	
others	13,738,505.28	3,686,910.48	26.84	
Total	42,059,607.90	29,924,314.94	71.15	

The other accounts receivable with insignificant individual payment but with a larger risk after combined by credit risk characteristics

Unit: RMB

Accounts receivable age	Annual Closing Amount			Annual Beginning Amount		
	Book Balance		Bad debt reserves	Book Balance		Bad debt reserves
	Sum of Money	Rate (%)		Sum of Money	Rate (%)	
More than three years	3,198,034.65	100.00	2,927,761.85	5,926,931.00	100.00	4,909,573.38
Total	3,198,034.65	100.00	2,927,761.85	5,926,931.00	100.00	4,909,573.38

This corporate identifies the other accounts receivable which has insignificant individual payment but whose account receivable age is more than three years as the other accounts receivable which has insignificant individual payment but has a larger risk portfolio according to credit risk characteristics.

(3) The accounts receivable balance in this report period doesn't have the payments of the shareholders who possess 5% (including 5%) of the voting shares of the Company.

(4) The situations of the top five units in respect of the amount of other accounts receivable.

Unit: RMB

The Name of the Units	The Relationship with the Company	Sum of Money	Fixed Number of Years	The proportion to the total sum of other accounts receivable
HuiYang County KangTai Industrial Corporation	Project Partner	14,311,626.70	More than three years	34.03
NanShan Investment Company	Registered 2	5,895,738.00	More than three years	14.02
Shandong Jinan Power Equipment Factory	Unassociated Client	3,560,000.00	More than three years	8.46
Personal Income Tax Advanced for another	Inapplicable	2,470,039.76	More than three years	5.87
The payable fund unpaid	Inapplicable	2,083,698.16	More than three years	4.95
Total		28,321,102.62		67.33

Note 1: This table refers to the project development amounts for the DaShi Lake project in HeNan Bank of HuiZhou City which is developed by the Company and HuiYang County KangTai Industrial Corporation in 1993.

Note 2: According to the requirements of Notice of Adjusting the Ownership Issue of State-owned Shares of NanShan Thermoelectric Co., Ltd issued ShenZhen Government Bureau([1994]32), since 1994, NanShan Electronics Industry Development Company transferred 23.47% shares of the Company to NanShan Investment Company. According to the requirements of Notice of Adjusting the Ownership Issue of State-owned Shares of NanShan Thermoelectric Co., Ltd of NanShan Investment Company ([1995]19), since 1995, NanShan Investment Company retransferred the those shares to NanShan Electronics Industry Development Company.

## (V) Financial Statements item notes-continued

## 6. Other Accounts Receivable-continued

## Parent Company

(1) Other accounts receivable are shown by category:

Unit: RMB

Category	Annual Closing Amount				Annual Beginning Amount			
	Book Balance		Bad Debt Reserves		Book Balance		Bad Debt Reserves	
	Sum of Money	Rate (%)	Sum of Money	Rate (%)	Sum of Money	Rate (%)	Sum of Money	Rate (%)
Individual payment of significant sum of money	890,601,905.59	99.41	22,677,404.46	94.17	1,111,959,872.09	99.59	22,677,404.46	94.16
Individual payment of insignificant sum of money but with a larger risk after	645,804.46	0.07	645,804.46	2.68	632,643.97	0.06	632,643.97	2.63

Annotations of Financial Statements  
The Fiscal Year as of Dec. 31, 2009

---

credit risk portfolio								
Other insignificant payments	4,700,082.48	0.52	759,148.63	3.15	3,895,580.15	0.35	772,309.12	3.21
Total	895,947,792.53	100.00	24,082,357.55	100.00	1,116,488,096.21	100.00	24,082,357.55	100.00

Annotations of Financial Statements  
The Fiscal Year as of Dec. 31, 2009

The accounts receivable age of other accounts receivable are analyzed as follows:

Unit: RMB

Accounts receivable age	Annual Closing Amount				Annual Beginning Amount			
	Sum of Money	Rate (%)	Bad Debt Reserves	Book Value	Sum of Money	Rate (%)	Bad Debt Reserves	Book Value
Within One Year	287,787,493.60	32.12	-	287,787,493.60	516,085,489.02	46.22	-	516,085,489.02
One to Two Years	107,930,246.12	12.05	-	107,930,246.12	572,077,073.42	51.24	759,148.63	571,317,924.79
Two to Three Years	474,823,145.73	53.00	759,148.63	474,063,997.10	2,456,496.09	0.22	13,160.49	2,443,335.60
More Than Three Years	25,406,907.08	2.83	23,323,208.92	2,083,698.16	25,869,037.68	2.32	23,310,048.43	2,558,989.25
Total	895,947,792.53	100.00	24,082,357.55	871,865,434.98	1,116,488,096.21	100.00	24,082,357.55	1,092,405,738.66

(2) The end-of-period individual amount is significant or although it is not significant, yet the other account receivable bad debts which would have impairment tests are to have accounting and drawing:

Unit: RMB

Contents of other accounts receivable	Book Balance	The amount of bad debts reserves for accounting and drawing.	Rate of accounting and drawing	Reasons
HuiYang County KangTai Industrial Corporation	14,311,626.70	14,311,626.70	100.00	It could not be recovered when exceeding the time limit.
NanShan Investment Company	5,895,738.00	5,895,738.00	100.00	It could not be recovered when exceeding the time limit.
Personal Income Tax Advanced for another	2,470,039.76	2,470,039.76	100.00	It could not be recovered when exceeding the time limit.
Others	873,270,388.07	1,404,953.09	0.16	
Total	895,947,792.53	24,082,357.55	2.69	

The other accounts receivable with insignificant individual payment but with a larger risk after combined by credit risk characteristics

Unit: RMB

Accounts receivable age	Annual Closing Amount			Annual Beginning Amount		
	Book Balance		Bad Debt Reserves	Book Balance		Bad Debt Reserves
	Sum of Money	Rate (%)		Sum of Money	Rate (%)	
More Than Three Years	645,804.46	0.06	645,804.46	632,643.97	0.06	632,643.97
Total	645,804.46	0.06	645,804.46	632,643.97	0.06	632,643.97

(3) The accounts receivable balance doesn't have the payments of the shareholders who possess 5% (including 5%) of the voting shares of the Company.

(V) Financial Statements item notes-continued

6. Other Accounts Receivable-continued

**Parent Company-continued**

(4) The situations of the top five units in respect of the amount of accounts receivable.

Unit: RMB

The Name of the Units	The Relationship with the Company	Sum of Money	Fixed Number of Years	The proportion to the total sum of the accounts receivable
ShenZhong Development Company	The subsidiary company of the Company	666,085,773.42	One to three years	74.34
ZhongShan Power Company	The subsidiary company of the Company	169,415,458.71	Within one year	18.91
WeiMei Power Company	The subsidiary company of the Company	24,060,195.84	One to two years	2.69
HuiYang County KangTai Industrial Corporation	Project partner	14,311,626.70	More than three years	1.60
XieFu Oil Supply Company	The subsidiary company of the Company	6,279,664.17	One to two years	0.70
Total		880,152,718.84		98.24

(5) About the accounts receivable of the associated party see the appending notes (Six) No.



## 7. Inventory

### Consolidation

#### (1) The category of inventories

Unit: RMB

Item	Annual Closing Amount			Annual Beginning Amount		
	Book Balance	Falling price reserves	Book Value	Book Balance	Falling price reserves	Book Value
Fuels	181,757,093.38	4,745,614.13	177,011,479.25	183,327,747.23	6,600,000.00	176,727,747.23
Raw materials	155,641,091.81	11,481,059.43	144,160,032.38	138,820,083.10	6,843,694.00	131,976,389.10
The cost of real estate development(registered)	1,069,137,310.41	45,603,631.85	1,023,533,678.56	1,029,392,010.92	45,603,631.85	983,788,379.07
Total	1,406,535,495.60	61,830,305.41	1,344,705,190.19	1,351,539,841.25	59,047,325.85	1,292,492,515.40

The amounts of the inventory balance at the end of the year which is used as mortgage is 852,032,606.80RMB(December 31, 2008: 851,548,000.00 元 RMB)

The capitalization amount of borrowing cost included in the inventory balance at the end of the year is 84,943,517.90RMB (December 31, 2008: 46,221,257.93RMB). The capitalization amount of borrowing cost accumulated in this year is 38,722,259.97RMB; the rate of capitalization is 5.31%.

Note: This refers to land-use rights, until December 1, 2009 the relocation has not been finished and the development scheme has not been clearly worked out.

#### (2) Inventory falling price reserves

Unit: RMB

Type of Inventory	Book balance at the beginning of the year	The amounts of accounting and drawing of this year	Reduction of this year		Book balance at the end of the year
			Carry-back	Write-off	
Fuels	6,600,000.00	2,712,896.33	-	4,567,282.20	4,745,614.13

Annotations of Financial Statements  
The Fiscal Year as of Dec. 31, 2009

Raw materials	6,843,694.00	4,637,365.43	-	-	11,481,059.43
The cost of real estate development	45,603,631.85	-	-	-	45,603,631.85
Total	59,047,325.85	7,350,261.76	-	4,567,282.20	61,830,305.41

(V) Financial Statements item notes-continued

7. Inventory-continued

**Parent Company-continued**

(3) Inventory falling price reserves

Item	Basis of accounting and drawing inventory falling price reserves	The reasons for carrying back inventory falling price reserves in 2009	The proportion of the carry-back amounts to this inventory closing balance in 2009 (%)
Fuels	Cost is higher than net realizable value.	Inapplicable	Inapplicable
Raw materials	Cost is higher than net realizable value.	Inapplicable	Inapplicable
The cost of real estate development	Cost is higher than net realizable value.	Inapplicable	Inapplicable

**Parent Company**

(1) The category of inventories

Unit: RMB

Item	Annual Closing Amount			Annual Beginning Amount		
	Book Balance	Falling price reserves	Book Value	Book Balance	Falling price reserves	Book Value

Annotations of Financial Statements  
The Fiscal Year as of Dec. 31, 2009

Raw materials	139,554,802.80	11,481,059.43	128,073,743.37	127,354,656.49	6,843,694.00	120,510,962.49
Fuels	66,998,701.42	-	66,998,701.42	79,505,762.57	-	79,505,762.57
Total	206,553,504.22	11,481,059.43	195,072,444.79	206,860,419.06	6,843,694.00	200,016,725.06

(2) Inventory falling price reserves

Unit: RMB

Type of Inventory	Book balance at the beginning of the year	The amounts of accounting and drawing of this year	Reduction of this year		Book balance at the end of the year
			Carry-back	Write-off	
Raw materials	6,843,694.00	4,637,365.43	-	-	11,481,059.43
Total	6,843,694.00	4,637,365.43	-	-	11,481,059.43

(3) Inventory falling price reserves

Item	Basis of accounting and drawing inventory falling price reserves	The reasons for carrying back inventory falling price reserves in 2009	The proportion of the carry-back amounts to this inventory closing balance in 2009(%)
Raw materials	Cost is higher than net realizable value.	Inapplicable	Inapplicable

8. Other current assists

Parent Company

Unit: RMB

Item	Annual Closing Amount	Annual Beginning Amount
Entrust Loans	240,000,000.00	-

This refers to the commission loans which the Company commissions ShenZhen Branch, PingAn Bank Co., Ltd to issue to WeiMei Power Company and ZhongShan Power Company.

**(V) Financial Statements Item Notes - Continued****9. Investment to Joint Venture**

Unit: RMB

invested unit name	Enterprise category	Registered Place	legal person	business nature	registered capital	Rate of Share Held by the enterprise (%)	Rate of voting held by the enterprise (%)	year-end total assets	year-end total liabilities	year-end total net assets	total operation revenue for the year	net profit for the year
joint venture												
Jiang Xi CPI Power Engineering Co., Ltd.(Abbr.Jiang Xi xinchang company)	Limited Liability Company	Nan Chang	Ren Deqing	Thermal power, Energy Management and cascade use, Electric technology training service	604,285,715.00	30.00	30.00	3,635,813,942.39	3,065,193,776.03	570,620,166.36	28,392,598.29	(33,665,548.64)

**10. Long-term equity investment****Consolidation**

The statement of Long-term equity investment follows:

Unit: RMB

invested unit	Accounting method	Initial investment cost	Beginning balance	Changes	Year-end balance	Rate of Share Held by the enterprise (%)	Rate of voting held by the enterprise (%)	explanation for inconsistency of share and voting held	impairment provision	Provision for impairment losses of the year	Cash Dividend for the year
Jiangxi Xinchang Company	Equity method	196,285,715.00	78,857,143.00	107,328,907.41	186,186,050.41	30.00	30.00	-	-	-	-
Bonded Petrochemical Company	cost method	2,500,000.00	2,500,000.00	-	2,500,000.00	4.00	4.00	-	2,500,000.00	-	-
Anhui Tongling power generation Co., Ltd.(Tongling Wenergy Company)	cost method	54,095,400.00	50,295,400.00	3,800,000.00	54,095,400.00	2.83	2.83	-	19,317,300.00	2,943,700.00	266,089.80
Shenzhen Energy Environmental Protection Co., Ltd.(energy environment company)	cost method	41,790,000.00	41,790,000.00	-	41,790,000.00	10.00	10.00	-	-	-	-
total		294,671,115.00	173,442,543.00	111,128,907.41	284,571,450.41				21,817,300.00	2,943,700.00	266,089.80

## (V) Financial Statements Item Notes - Continued

## 10. Long-term Equity Investment - Continued

## Parent company

The statement of Long-term equity investment follows:

Unit: RMB

Invested Unit	Accounting method	Initial investment cost	Beginning balance	Changes	Year-end balance	Rate of Share Held by the enterprise (%)	Rate of voting held by the enterprise (%)	explanation for inconsistency of share and voting held	Provision for impairment	Provision for impairment losses of the year	Cash Dividend for the year
Hiep Phuoc oil company	cost method	26,650,000.00	26,650,000.00	-	26,650,000.00	50.00	50.00	-	-	-	-
New Power Company	cost method	71,270,000.00	71,270,000.00	-	71,270,000.00	75.00	75.00	-	-	-	-
Zhongshan Power Company	cost method	218,240,000.00	218,240,000.00	-	218,240,000.00	55.00	55.00	-	-	-	-
engineering division	cost method	6,000,000.00	6,000,000.00	-	6,000,000.00	60.00	60.00	-	-	-	-
Aesthetic power company	cost method	115,319,049.76	115,319,049.76	-	115,319,049.76	40.00	40.00	-	-	-	-
Shennan Singapore company	cost method	6,703,800.00	6,703,800.00	-	6,703,800.00	100.00	100.00	-	-	-	-
Environmental Company	cost method	46,340,000.00	46,340,000.00	-	46,340,000.00	70.00	70.00	-	-	-	-
Shenzhong development company	cost method	-	-	-	-	75.00	75.00	-	-	-	-
Shenzhong home company	cost method	-	-	-	-	75.00	75.00	-	-	-	-
Anhui Tongling wengergy company	cost method	54,095,400.00	50,295,400.00	3,800,000.00	54,095,400.00	2.83	2.83	-	19,317,300.00	2,943,700.00	266,089.80
Energy Environmental Corporation	cost method	41,790,000.00	41,790,000.00	-	41,790,000.00	10.00	10.00	-	-	-	-
Jiangxi Xinchang company	Equity method	196,285,715.00	78,857,143.00	107,328,907.41	186,186,050.41	30.00	30.00	-	-	-	-
total		782,693,964.76	661,465,392.76	111,128,907.41	772,594,300.17				19,317,300.00	2,943,700.00	266,089.80

## (V) Financial Statements Item Notes - Continued

**11. Investment Property****Consolidation**

Unit: RMB

Items	Book Balance at beginning year	Increase this year	deductions this year	book balance at the year-end
A. Total gross Book value	14,354,637.09	600,000.00	-	14,954,637.09
1. house, building	14,354,637.09	600,000.00	-	14,954,637.09
2. land occupancy right	-	-	-	-
B. Total accumulated depreciation and amortization	5,544,404.64	859,321.56	-	6,403,726.20
1. house, building	5,544,404.64	859,321.56	-	6,403,726.20
2. land occupancy right	-	-	-	-
C. Total net book value of investment property	8,810,232.45			8,550,910.89
1. house, building	8,810,232.45			8,550,910.89
2. land occupancy right	-			-
D. Total impairment provision for investment property	-	-	-	-
1. house, building	-	-	-	-
2. land occupancy right	-	-	-	-
E. Total carrying amount of investment property	8,810,232.45			8,550,910.89
1. house, building	8,810,232.45			8,550,910.89
2. land occupancy right	-			-

Depreciable amount for the year calculated 859,321.56 RMB.

Impairment provision of the investment property for the year accrued zero RMB.

## (V) Financial Statements Item Notes - Continued

## 12. Fixed Assets

## Consolidation

## (1) Fixed Assets Changes

Unit: RMB

items	Book Balance at beginning year	increase this year	deductions this year	book balance at the year-end
A. Total gross Book value	4,188,844,969.01	20,860,141.77(注 1)	52,539,290.21(注 2)	4,157,165,820.57
include: building & structure	454,983,917.17	830,006.50	10,661,439.03	445,152,484.64
machinery equipment	3,639,311,587.30	16,609,433.69	40,130,753.84	3,615,790,267.15
means of transport	33,813,456.14	1,034,042.00	1,732,777.34	33,114,720.80
other equipment	60,736,008.40	2,386,659.58	14,320.00	63,108,347.98
B. Total accumulated depreciation	1,656,428,646.95	189,764,506.83(注 3)	3,523,387.42(注 4)	1,842,669,766.36
include: building & structure	148,245,015.35	19,118,330.94	902,093.44	166,461,252.85
machinery equipment	1,434,935,687.47	165,889,153.91	1,053,374.80	1,599,771,466.58
means of transport	25,860,587.44	2,250,556.51	1,555,031.18	26,556,112.77
other equipment	47,387,356.69	2,506,465.47	12,888.00	49,880,934.16
C. total book value of fixed assets	2,532,416,322.06			2,314,496,054.21(注 5)
include: building & structure	306,738,901.82			278,691,231.79
machinery equipment	2,204,375,899.83			2,016,018,800.57
means of transport	7,952,868.70			6,558,608.03
other equipment	13,348,651.71			13,227,413.82
D. Total provision for impairment	30,954,232.90	-	2,626,099.90	28,328,133.00
include: building & structure	27,160,241.70	-	542,863.25	26,617,378.45
machinery equipment	3,529,628.47	-	2,083,127.65	1,446,500.82
means of transport	85,255.84	-	109.00	85,146.84
other equipment	179,106.89	-	-	179,106.89
V. total carrying amount of fixed assets	2,501,462,089.16			2,286,167,921.21
include: building & structure	279,578,660.12			252,073,853.34
machinery equipment	2,200,846,271.36			2,014,572,299.75
means of transport	7,867,612.86			6,473,461.19
other equipment	13,169,544.82			13,048,306.93

Note 1: include, due to acquisition, the increase is RMB 7,199,497.70 RMB, due to construction in progress transferred, the increase is RMB 13,660,644.07 RMB.

Note 2: include, due to liquidation, the deductions are RMB 26,243,583.71 RMB, due to adjustment of original value projection by actual cost, the deductions are RMB 26,295,706.50 RMB.

Note 3: Current year accrued depreciation calculated 189,764,506.83 RMB.

Note 4: due to liquidation, the deductions are RMB 3,523,387.42 RMB.

**(V) Financial Statements Item Notes - Continued****12. Fixed Assets - Continued****Consolidation - Continued****(1) Fixed assets changes - Continued**

Note 5: Include: mortgage loan accounts for RMB 325,228,233.40 RMB (December 31, 2008: RMB 348,945,330.17 RMB)

**(2) Provisional idle fixed assets**

Unit: RMB

Item	gross book value	Accumulated depreciation	Provision for Impairment	net book value	remark
Opening balance	23,164,363.99	1,582,234.99	3,529,628.47	18,052,500.53	
Include: machinery equipment	23,164,363.99	1,582,234.99	3,529,628.47	18,052,500.53	generator set, dock tank
Ending balance	8,395,863.99	1,292,090.22	1,446,500.39	5,657,273.38	
Include: machinery equipment	8,395,863.99	1,292,090.22	1,446,500.39	5,657,273.38	generator set

**(3) Fixed assets with title document uncompleted**

Unit: RMB

Item	Gross book value	net book value	reasons for uncompleted title document	scheduled time for title document completion
Booster Station	11,416,072.09	8,911,023.96	final project acceptance is in hand	medium term of 2011
turbine plant	4,221,136.27	3,362,197.96		
house of water	7,050,395.16	5,578,151.86		
Heavy oil processing plant	1,357,924.60	1,083,573.17		
fire water pump house	709,475.99	565,839.21		
circulating water pump house	4,487,508.99	3,567,005.42		
general building	7,076,356.29	5,854,628.19		
production maintenance building	9,860,653.25	8,892,829.17		
administration building	10,138,618.59	9,143,331.49		
Booster Station	11,416,072.09	8,911,023.96		
total	56,318,141.23	46,958,580.43		



## (V) Financial Statements Item Notes - Continued

## 12. Fixed Assets – continued

## Parent company

(1) Fixed assets changes are as follows:

Unit: RMB

Items	book balance at beginning of year	increase this year	deductions this year	book balance at the Year-end
A. Total gross Book value	1,374,585,547.46	4,929,602.31(Note 1)	112,486.37(Note 2)	1,379,402,663.40
Include: building & structure	84,679,768.35	90,000.00	-	84,769,768.35
machinery equipment	1,223,146,034.05	3,776,314.02	112,486.37	1,226,809,861.70
means of transport	16,536,869.89	-	-	16,536,869.89
other equipment	50,222,875.17	1,063,288.29	-	51,286,163.46
B. Total accumulated depreciation	976,433,628.14	47,074,805.90(Note 3)	101,237.74(Note 4)	1,023,407,196.30
Include: building& structure	49,162,055.66	3,897,902.16	-	53,059,957.82
machinery equipment	872,542,705.36	40,965,453.55	101,237.74	913,406,921.17
means of transport	13,737,868.07	826,756.74	-	14,564,624.81
other equipment	40,990,999.05	1,384,693.45	-	42,375,692.50
C. total book value of fixed assets	398,151,919.32			355,995,467.10
Include: building & structure	35,517,712.69			31,709,810.53
machinery equipment	350,603,328.69			313,402,940.53
means of transport	2,799,001.82			1,972,245.08
other equipment	9,231,876.12			8,910,470.96
D. Total provision for impairment	-	-	-	-
Include: building & structure	-	-	-	-
machinery equipment	-	-	-	-
means of transport	-	-	-	-
other equipment	-	-	-	-
V. total carrying amount of fixed assets	398,151,919.32			355,995,467.10
Include: building & structure	35,517,712.69			31,709,810.53
machinery equipment	350,603,328.69			313,402,940.53
means of transport	2,799,001.82			1,972,245.08
other equipment	9,231,876.12			8,910,470.96

Note 1: include, due to acquisition, the increase in this year is RMB 2,129,225.01 RMB, due to construction in progress transferred, the increase in this year is RMB 2,800,377.30 RMB.

Note 2: due to liquidation, the deductions in this year are RMB 112,486.37 RMB.

Note 3: Current year accrued depreciation calculated 47,074,805.90 RMB.

Note 4: due to liquidation, the deductions in this year are RMB 101,237.74 RMB.

(V) Financial Statements Item Notes - Continued

**13. Construction in progress**

**Consolidation**

(1) The statement of construction in progress follows:

unit: RMB

Items	Number at the Year-end			Amount at beginning of year		
	Book Balance	Provision for Impairment	Net Book Value	Book Balance	Provision for Impairment	Net Book Value
Oil alter gas project	69,715,999.71	14,036,855.79	55,679,143.92	47,152,370.28	-	47,152,370.28
Circular Economy Multi-Building project	8,421,748.20	-	8,421,748.20	499,656.00	-	499,656.00
Circular Economy Cooling-heating-power project	5,688,919.20	-	5,688,919.20	488,700.00	-	488,700.00
Equipment improvement project	9,367,913.34	-	9,367,913.34	3,330,776.57	-	3,330,776.57
combined heat and power project	8,133,187.26	-	8,133,187.26	6,264,498.24	-	6,264,498.24
Technical innovation project	2,022,211.25	-	2,022,211.25	1,861,417.77	-	1,861,417.77
sludge drying project	111,423,167.31	-	111,423,167.31	6,269,428.86	-	6,269,428.86
Others	2,890,294.84	-	2,890,294.84	3,354,533.85	-	3,354,533.85
Total	217,663,441.11	14,036,855.79	203,626,585.32	69,221,381.57	-	69,221,381.57

## (V) Financial Statements Item Notes - Continued

## 13. Construction in progress- Continued

## Consolidation - Continued

## (2) Changes of major construction in progress

Unit: RMB

Item Name	Budget Amount	Amount at beginning of year	increase this year	convert to fixed assets	other deductions	Project input accounting for the budget (%)	works program	accrued balance of capitalization of interests	include: sum of capitalization of interests this year	capitalization rate of interests this year(%)	Financial Sourcing	Number at the Year-end
oil alter gas project	153,200,000.00	47,152,370.28	34,292,087.32	11,728,457.89	-	53.16	53.16	311,059.50	311,059.50	5.75	Self-raising and loans	69,715,999.71
Circular Economy Multi-Building project	35,000,000.00	499,656.00	7,922,092.20	-	-	24.06	24.06	-	-	-	Self-raising	8,421,748.20
Circular Economy Cooling-heating-power project	30,000,000.00	488,700.00	5,200,219.20	-	-	18.96	18.96	-	-	-	Self-raising	5,688,919.20
equipment improvement project	-	3,330,776.57	6,675,433.85	638,297.08	-	-	-	-	-	-	Self-raising	9,367,913.34
combined heat and power project	45,700,000.00	6,264,498.24	2,003,196.03	-	134,507.01	18.09	18.09	395,111.00	395,111.00	5.75	Self-raising and loans	8,133,187.26
Technical innovation project	6,648,000.00	1,861,417.77	160,793.48	-	-	30.42	30.42	111,343.58	111,343.58	5.75	Self-raising and loans	2,022,211.25
sludge drying project	346,337,000.00	6,269,428.86	105,153,738.45	-	-	32.17	32.17	6,355,196.86	4,073,024.92	5.65	Self-raising and loans	111,423,167.31
Other major projects	-	1,309,130.00	773,250.09	1,293,889.10	-			-	-	-	Self-raising	788,490.99
Total		67,175,977.72	162,180,810.62	13,660,644.07	134,507.01			7,172,710.94	4,890,539.00			215,561,637.26

## (3) Provision for impairment of construction in progress

Unit: RMB

Annotations of Financial Statements  
The Fiscal Year as of Dec. 31, 2009

---

Item	Amount at beginning of year	increase this year	deductions this year	Number at the Year-end	Allotted Reasons
oil alter gas project	-	14,036,855.79	-	14,036,855.79	Note
Total	-	14,036,855.79	-	14,036,855.79	

Note: Approved at the twenty-sixth meeting, the fifth Board of Directors of the Company, the Company intends to shut down No.7, No.9 combined cycle unit, and in accordance to the result of fair value assessment given by independent, professional evaluation authority, seven, the oil alter gas project of No.7, No.9 combined cycle unit allocated provision for impairment is RMB 14,036,855.79 RMB.

(V) Financial Statements Item Notes - Continued

**13. Construction in progress- Continued**

**Parent Company**

(1) The statement of construction in progress follows:

Unit: RMB

Items	Number at the Year-end			Amount at beginning of year		
	Book Balance	Provision for Impairment	Net Book Value	Book Balance	Provision for Impairment	Net Book Value
oil alter gas project	43,983,478.39	14,036,855.79	29,946,622.60	13,605,016.35	-	13,605,016.35
Circular Economy Multi-Building project	8,421,748.20	-	8,421,748.20	499,656.00	-	499,656.00
Circular Economy Cooling-heating-power project	5,688,919.20	-	5,688,919.20	488,700.00	-	488,700.00
sludge drying project	1,472,973.94	-	1,472,973.94	-	-	-
Others	785,741.36	-	785,741.36	654,285.37	-	654,285.37
Total	60,352,861.09	14,036,855.79	46,316,005.30	15,247,657.72	-	15,247,657.72

**(V) Financial Statements Item Notes - Continued****13. Construction in progress- Continued**

Parent Company- Continued

**(2) Changes of major construction in progress**

Unit: RMB

Items	Budget Amount	2009.01.01	increase this year	transfer to Fixed Assets	other deductions	Project input accounting for the budget (%)	works program	accrued balance of capitalization of interests	include: sum of capitalization of interests this year	Capitalization rate of interests this year(%)	Financial Sourcing	2009.12.31
oil alter gas project	74,400,000.00	13,605,016.35	32,553,630.24	2,175,168.20	-	62.04	62.04	-	-	-	Self-raising	43,983,478.39
Circular Economy Multi-Building project	35,000,000.00	499,656.00	7,922,092.20	-	-	24.06	24.06	-	-	-	Self-raising	8,421,748.20
Circular Economy Cooling-heating-power project	30,000,000.00	488,700.00	5,200,219.20	-	-	18.96	18.96	-	-	-	Self-raising	5,688,919.20
sludge drying project	160,000,000.00	-	1,472,973.94	-	-	0.92	0.92	-	-	-	Self-raising	1,472,973.94
Informatization Construction project	-	640,450.00	756,665.09	625,209.10	-	-	-	-	-	-	Self-raising	771,905.99
Total		15,233,822.35	47,905,580.67	2,800,377.30	-			-	-	-		60,339,025.72

**(3) Provision for impairment of construction in progress**

monetary unit: RMB

Item	2009.01.01	increase this year	deductions this year	2009.12.31	Allotted Reasons
oil alter gas project	-	14,036,855.79	-	14,036,855.79	See notes of consolidation construction in progress
Total	-	14,036,855.79	-	14,036,855.79	

#### **14. Liquidation of fixed assets**

##### **Consolidation**

Unit: RMB

Item	book value at beginning of year	book value at the Year-end	reasons of liquidation
Waste Heat Power Generation equipment	-	5,875,631.20	Waste Heat Power Generation equipment has been discontinued this year, keeping in the clean-up stage, not yet complete disposal

(V) Financial Statements Item Notes - Continued

**15. Intangible Assets**

**Consolidation**

Unit: RMB

Items	book balance at beginning of year	increase this year	deductions this year	book balance at the Year-end
<b>A. Total gross Book value</b>	123,933,344.62	576,713.72(Note 1)	37,986,081.05(Note 2)	86,523,977.29
Include: land occupancy right	123,697,437.21	576,713.72	37,986,081.05	86,288,069.88
software	235,907.41	-	-	235,907.41
<b>B. Total accumulated amortization</b>	31,379,992.85	3,976,732.12(Note 3)	12,135,999.98(Note 4)	23,220,724.99
Include: land occupancy right	31,268,346.37	3,926,012.49	12,135,999.98	23,058,358.88
software	111,646.48	50,719.63	-	162,366.11
<b>C. Total net book value of intangible assets</b>	92,553,351.77			63,303,252.30
Include: land occupancy right(Note 5)	92,429,090.84			63,229,711.00
software	124,260.93			73,541.30
<b>D. Total provision for impairment</b>	8,241,327.90	-	3,126,264.19	5,115,063.71
Include: land occupancy right	8,241,327.90	-	3,126,264.19	5,115,063.71
software	-	-	-	-
<b>E. Total book value of intangible assets</b>	84,312,023.87			58,188,188.59
Include: land occupancy right	84,187,762.94			58,114,647.29
software	124,260.93			73,541.30

Note 1: Due to acquisition, the increase in this year is RMB 576,713.72RMB.

Note 2: Due to liquidation, the deductions in this year are RMB 37,986,081.05 RMB.

Note 3: Amortization amount of intangible assets in this year is RMB 3,976,732.12 RMB.

Note 4: Due to liquidation, the deductions in this year are RMB 12,135,999.98 RMB.

Note 5: Up to December 31, 2009, the title document of land occupancy right counting for RMB 669,337.54 RMB of our company is still in transaction.



**(V) Financial Statements Item Notes - Continued****15. Intangible Assets- Continued****Parent Company**

Unit: RMB

Items	book balance at beginning of year	increase this year	deductions this year	book balance at the Year-end
I. Total gross Book value	20,650,603.00	-	13,686,081.00(Note 1)	6,964,522.00
Include: land occupancy right	20,452,972.00	-	13,686,081.00	6,766,891.00
software	197,631.00	-	-	197,631.00
II. Total accumulated amortization	15,188,118.68	2,056,859.73(Note 2)	11,649,391.67(Note 3)	5,595,586.74
Include: land occupancy right	15,088,018.18	2,032,701.85	11,649,391.67	5,471,328.36
software	100,100.50	24,157.88	-	124,258.38
III. Total net book value of intangible assets	5,462,484.32			1,368,935.26
Include: land occupancy right	5,364,953.82			1,295,562.64
software	97,530.50			73,372.62
IV. Total provision for impairment	1,652,772.45	-	1,652,772.45	-
Include: land occupancy right	1,652,772.45	-	1,652,772.45	-
software	-	-	-	-
V. Total book value of intangible assets	3,809,711.87			1,368,935.26
Include: land occupancy right	3,712,181.37			1,295,562.64
software	97,530.50			73,372.62

Note 1: Due to liquidation, the deductions in this year are RMB 37,986,081.05 RMB.

Note 2: Amortization amount of intangible assets in this year is RMB 3,976,732.12 RMB.

Note 3: Due to liquidation, the deductions in this year are RMB 11,649,391.67 RMB.

**16. Long-term deferred expense****Consolidation**

Unit: RMB

Item	Amount at beginning of year	increase this year	amortization amount this year	other deductions	Number at the Year-end	reasons of other deductions
management of Expenditures incurred on major repair and improvement of the rented fixed assets	829,221.81	-	363,659.91	-	465,561.90	Inapplicable

**Parent Company**

Unit: RMB

Item	Amount at beginning of year	increase this year	amortization amount this year	other deductions	Number at the Year-end	reasons of other deductions
management of Expenditures incurred on major repair and improvement of the rented fixed assets	397,996.28	-	113,200.92	-	284,795.36	Inapplicable

**(V) Financial Statements Item Notes - Continued****17. Deferred Income Tax Assets****Consolidation****(1) Realized deferred income tax assets**

Unit: RMB

Items	Number at the Year-end	Amount at beginning of year
deferred income tax assets		
Bad debt provision for Account receivable	1,265,274.86	1,425,362.83
Bad debt provision for Other receivable	5,660,976.83	5,572,134.12
Provision for Inventory	2,754,958.61	3,030,923.51
payable employees' wages and salaries	6,615,681.71	4,685,257.08
Impairment for intangible assets	-	413,193.11
Impairment for long-term equity investment	4,227,197.41	3,899,724.91
Other	85,752.83	-
Total	20,609,842.25	19,026,595.56

**(2) The statement of unrealized deferred income tax assets**

Unit: RMB

Items	Number at the Year-end	Amount at beginning of year
deductible losses	608,544,241.93	568,652,516.68
deductible temporary difference	102,455,898.74	86,733,596.61
Total	711,000,140.67	655,386,113.29

Due to the Group's future availability of sufficient taxable income is uncertain, so the above mentioned deductible temporary differences and deductible losses are not recognized as deferred income tax assets.

**(3) The deductible losses of unrealized deferred income tax assets will expire in the following year**

Unit: RMB

Year	Number at the Year-end	Amount at beginning of year	Remark
2009	-	19,738,497.06	-
2010	189,977,850.96	189,977,850.96	-
2011	77,662,096.83	77,662,096.83	-
2012	37,464,387.00	37,464,387.00	-
2013	97,206,825.85	243,809,684.83	-
2014	206,233,081.29	-	-
合计	608,544,241.93	568,652,516.68	-

**(V) Financial Statements Item Notes - Continued**

**17. Deferred income tax assets - Continued**

**Consolidation - Continued**

(4) The assets resulting in temporary difference or liability corresponding to temporary difference

unit: RMB

Items	temporary difference amount
<b>Number at the Year-end</b>	
deductible temporary difference and deductible losses	
Bad debt provision for Account receivable	6,373,761.94
Bad debt provision for Other receivable	28,133,165.98
Provision for Inventory	11,589,308.13
payable employees' wages and salaries	30,071,281.86
Impairment for long-term equity investment	18,873,600.00
Others	389,785.60
Total	95,430,903.51
<b>Amount at beginning of year</b>	
deductible temporary difference and deductible losses	
Bad debt provision for Account receivable	6,069,367.24
Bad debt provision for Other receivable	28,354,835.13
Provision for Inventory	13,443,694.05
payable employees' wages and salaries	22,704,985.39
Impairment for intangible assets	1,652,772.45
Impairment for long-term equity investment	18,873,600.00
Total	91,099,254.26

**Parent Company**

(1) Realized deferred income tax assets

unit: RMB

Items	Number at the Year-end	Amount at beginning of year
deferred income tax assets		
Bad debt provision for Other receivable	6,020,589.39	6,020,589.39
Provision for Inventory	1,710,923.51	1,710,923.51
payable employees' wages and salaries	5,615,440.75	3,336,691.92
Impairment for intangible assets	-	413,193.11
Impairment for long-term equity investment	3,602,197.41	3,274,724.91
Total	16,949,151.06	14,756,122.84

**(V) Financial Statements Item Notes - Continued****17. Deferred Income Tax Assets - Continued****Parent Company - Continued****(2) The statement of unrealized deferred income tax assets**

unit: RMB

Items	Number at the Year-end	Amount at beginning of year
deductible losses	184,195,364.50	-
deductible temporary difference	21,617,921.22	-
Total	205,813,285.72	-

Due to the Group's future availability of sufficient taxable income is uncertain, so the above mentioned deductible temporary differences and deductible losses are not recognized as deferred income tax assets.

**(3) The deductible losses of unrealized deferred income tax assets will expire in the following year**

unit: RMB

Year	Number at the Year-end	Amount at beginning of year	Remarks
2009	-	-	-
2010	-	-	-
2011	-	-	-
2012	-	-	-
2013	-	-	-
2014	184,195,364.50	-	-
合计	184,195,364.50	-	-

**(4) The assets resulting in temporary difference or liability corresponding to temporary difference**

unit: RMB

Items	Temporary difference amount
<b>Number at the Year-end</b>	
Bad debt provision for Other receivable	24,082,357.55
Provision for Inventory	6,843,694.05
payable employees' wages and salaries	25,524,730.72
Impairment for long-term equity investment	16,373,600.00
Total	72,824,382.32
<b>Amount at beginning of year</b>	
deductible temporary difference and deductible losses	
Bad debt provision for Other receivable	24,082,357.55
Provision for Inventory	6,843,694.05
payable employees' wages and salaries	16,683,459.61
Impairment for long-term equity investment	16,373,600.00
Impairment for intangible assets	1,652,772.45
Total	65,635,883.66

## V Financial Statements Item Notes-Continued

## 18 Details for Asset Impairment

## Consolidation

Unit: RMB

Item	Book Balance Early This Year	Increase of This Year	Reduction of This Year		Book Balance at the End of the Year
			Back	Resell	
1. Provision for bad debts	38,011,378.83	912,603.50	2,625,905.45	-	36,298,076.88
2. Stock decline preparation in value	59,047,325.85	7,350,261.76	-	4,567,282.20	61,830,305.41
3. Long-term equity investment impairment preparation	18,873,600.00	2,943,700.00	-	-	21,817,300.00
4. Fixed assets impairment preparation	30,954,232.90	-	-	2,626,099.90	28,328,133.00
5. Impairment preparation of construction being built	-	14,036,855.79	-	-	14,036,855.79
6. Intangible assets impairment preparation	8,241,327.90	-	-	3,126,264.19	5,115,063.71
Total	155,127,865.48	25,243,421.05	2,625,905.45	10,319,646.29	167,425,734.79

## Parent Company

Unit: RMB

Item	Book Balance Early This Year	Increase of This Year	Reduction of This Year		Book Balance at the End of the Year
			Back	Resell	
1. Provision for bad debts	24,082,357.55	-	-	-	24,082,357.55
2. Stock decline preparation in value	6,843,694.00	4,637,365.43	-	-	11,481,059.43
3. Long-term equity investment impairment preparation	16,373,600.00	2,943,700.00	-	-	19,317,300.00
4. Impairment preparation of construction being built	-	14,036,855.79	-	-	14,036,855.79
5. Intangible assets impairment preparation	1,652,772.45	-	-	1,652,772.45	-
Total	48,952,424.00	21,617,921.22	-	1,652,772.45	68,917,572.77

## 19. Short-term Loans

## Consolidation

## 1. Short-term Borrowing Categories

Unit: RMB

Item	Number at Year-end	Number at the Beginning of the Year
Guaranteed loans (note)	770,000,000.00	1,193,018,180.77
Credit loans	1,649,120,000.00	1,268,825,738.00
Total	2,419,120,000.00	2,461,843,918.77

Note: The new electric power company provides Zhongshan electric power company with the loan guarantee of total RMB 50,000,000.00 yuan, and provides the subsidiaries with loan guarantee of total RMB 720,000,000.00 yuan.

V Financial Statements Item Notes-Continued

19. Short-term Borrowings-Continued

**Parent Company**

1. Short-term loan classification

Unit: RMB

Item	Number at Year-end	Number at the Beginning of the Year
Credit loan	1,499,000,000.00	1,145,922,040.00

20. Notes Payable

**Consolidation**

Unit: RMB

Category	Number at Year-end	Number at Year-beginning
Commercial acceptance	45,960,000.00	47,131,171.65
Bank acceptance	22,250,216.75	21,918,219.70
Total	68,210,216.75	69,049,391.35

The amount due for the next accounting period is RMB 68,210,216.75 Yuan in total.

**Parent Company**

Unit: RMB

Category	Number at Year-end	Number at Year-beginning
Bank acceptance	-	21,918,219.70

21. Account Payable

**Consolidation**

1. The accounts payable details are as follows:

Unit: RMB

Item	Number at Year-end	Number at Year-beginning
Shenzhen South Harbor Power Engineering Co., Ltd.	16,862,051.29	-
Foshan Shakou Power Plant	-	71,409,030.91
Shenyang Lifa Hear Burning Machine Equipment Parts Co., Ltd.	1,775,717.00	-
Wuhan Steel Enterprise Electric Co., Ltd.	1,420,000.00	-
Nanjing Jinyan Xin Technology Co., Ltd.	403,200.00	-
Huasheng Filter (Shenzhen) Co., Ltd.	374,800.00	919,249.23
Haichang Transportation Co., Ltd., Panyu	-	751,388.58

Shenzhen Nanshan Power Station Co., Ltd

Notes to financial statements

At Dec. 31, 2009

---

district, Guangzhou		
Suihe Petrochemical Co., Ltd., Heshan	-	1,133,815.25
Other	110,174.26	30,493,514.27
Total	20,945,942.55	104,706,998.24

V Financial Statements Item Notes-Continued

21. Account payable-Continued

**Consolidation** -Continued

(2)There are no fund of shareholders with 5%(including 5%) or more of the voting shares in the company in the balances of accounts payable in the report period.

(3)There is no large accounts payable of more than one year in the group.

**Parent Company**

(1)The details of accounts payable are as follows:

Unit: RMB

Item	Number at Year-end	Number at Year-beginning
Xiefu Oil Company	3,802,647.30	172,576,291.09
Shenzhen South Harbor Power Engineering Co., Ltd.	1,461,538.47	-
Shenyang Lifa Hear Burnning Machine Equipment Parts Co., Ltd.	1,050,025.64	-
Wuhan Steel Enterprise Electric Co., Ltd.	1,213,675.21	-
Moon Bay Oil Port Co., Ltd.(Moon Bay Oil Company)	-	1,404,537.97
Other	851,508.01	1,263,528.12
Total	8,379,394.63	175,244,357.18

(2) There is no fund of shareholders with 5%(including 5%) or more of the voting shares in the company in the balances of accounts payable in the report period.

22. Advance Payment

**Consolidation**

(1)The details of advance payment are as follows:

Unit: RMB

Item	Number at Year-end	Number at Year-beginning
Advance construction amount	524,000.00	1,554,990.00
Advance fuel amount	65,000.00	643,648.40
Total	589,000.00	2,198,638.40

(2) There is no advance fund of shareholders with 5% (including 5%) or more of the voting shares in the company in the balances of advance payment in the report period.



## V Financial Statements Item Notes-Continued

## 23. Salaries Payable to Staff

## Consolidation

Unit: RMB

Item	Book balance at the beginning of the year	Increase this year	Decrease this year	Book balance
1. wages, bonuses, allowances and subsidies	21,592,623.78	81,016,224.03	72,636,413.83	29,972,433.98
2. employee benefits	3,000.00	2,395,141.46	2,398,141.46	-
3. Social insurance	447,153.76	7,833,755.84	7,494,151.23	786,758.37
Including: Medical insurance	128,743.81	1,529,788.75	1,522,483.23	136,049.33
Endowment insurance	253,480.67	6,076,480.66	5,737,970.33	591,991.00
Unemployment insurance	24,751.21	100,135.54	104,707.56	20,179.19
Work injury insurance	40,178.07	112,529.25	114,168.47	38,538.85
Maternity insurance	-	14,821.64	14,821.64	-
4. Housing provident fund	2,049,907.02	6,012,463.84	6,314,603.00	1,747,767.86
5. Union funds and staff education expenses	1,811,810.72	1,257,804.29	1,482,662.69	1,586,952.32
6. Enterprise annuities	6,013,700.00	5,186,307.40	86,907.40	11,113,100.00
7. others	3,000.00	11,567.33	7,921.62	6,645.71
Total	31,921,195.28	103,713,264.19	90,420,801.23	45,213,658.24

There is no fund in arrears in salaries payable to staff.

## Parent Company

Unit: RMB

Item	Book balance at the beginning of the year	Increase this year	Decrease this year	Book balance
1. wages, bonuses, allowances and subsidies	11,595,886.61	36,062,505.99	33,395,679.00	14,262,713.60
2. employee benefits	-	2,189,166.00	2,189,166.00	-
3. Social insurance	(857,176.84)	6,545,192.23	5,688,015.39	-
Including: Medical insurance	(42,135.22)	1,542,810.05	1,500,674.83	-
Endowment insurance	(815,041.62)	4,785,307.97	3,970,266.35	-
Unemployment insurance	-	-	-	-
Work injury insurance	-	157,095.95	157,095.95	-
Maternity insurance	-	59,978.26	59,978.26	-
4. Housing provident fund	1,404,108.52	4,437,759.00	4,742,137.00	1,099,730.52
5. Union funds and staff education expenses	417,914.20	1,092,334.00	717,861.60	792,386.60
6. Enterprise annuities	5,224,700.00	4,145,200.00	-	9,369,900.00
7. Others	-	54,907.40	54,907.40	-
Total	17,785,432.49	54,527,064.62	46,787,766.39	25,524,730.72

## V Financial Statements Item Notes-Continued

## 24. Tax Payable

## Consolidation

Unit: RMB

Item	Number at Year-end	Number at Year-beginning
Value added tax	(423,426,673.59)	(397,639,549.59)
Sales tax	4,841,923.21	4,238,994.53
Enterprise income tax	13,865,574.77	51,655,687.60
Individual income tax	1,389,494.34	764,290.41
Land use fee	-	554,964.57
Value-added tax of land	1,156,140.00	-
House property tax	1,474,480.07	218,944.25
others	557,566.77	341,510.17
Total	(400,141,494.43)	(339,865,158.06)

## Parent Company

Unit: RMB

Item	Number at Year-end	Number at Year-beginning
Value added tax	(359,972,821.02)	(336,564,821.39)
Sales tax	334,831.96	3,142,275.05
Enterprise income tax	-	46,983,852.88
Individual income tax	721,302.99	16,917.70
Urban maintenance and construction tax	3,348.37	29,496.25
House property tax	-	179,161.94
Total	(358,913,337.70)	(286,213,117.57)

## 25. Interest Payable

## Consolidation

Unit: RMB

Item	Number at Year-end	Number at Year-beginning
Long-term loan interest of installment and interest	292,387.50	689,607.50
Interest payable of short-term loan	2,829,177.00	5,303,513.29
Total	3,121,564.50	5,993,120.79

## Parent Company

Unit: RMB

Item	Number at Year-end	Number at Year-beginning
Long-term loan interest of installment and interest	292,387.50	168,800.00
Interest payable of short-term loan	3,837,595.23	2,002,500.00
Total	3,998,222.73	2,171,300.00

## V Financial Statements Item Notes-Continued

## 26. Other Account Payable

**Consolidation**

(1) The details of other account payable are as follows:

Unit: RMB

Item	Number at Year-end	Number at Year-beginning
Zhongshan Xingzhong Group Limited ("Xingzhong Group") (Note 1)	204,351,945.66	194,545,331.50
Zhongshan Finance Bureau (Note 2)	76,959,519.80	73,747,278.36
Item sum	24,247,488.14	26,149,133.72
Quality guarantee deposit	10,681,774.93	4,088,884.61
Board allowance	3,998,889.25	-
Guanzhong Investment Limited, Zhongshan ("Guanzhong Investment Company")	1,567,958.00	1,567,958.00
Electric Power Development Company, Zhongshan city	-	1,237,529.42
Temporary option contract amount	14,329,299.79	14,352,083.46
Others	17,658,778.77	16,921,450.82
Total	353,795,654.34	332,609,649.89

Note 1: It is the fund and interest borrowed by Shenzhong Development Company from Xingzhong Group by using its own land use right as loan guaranty

Note 2: It is the money and interest borrowed by Shenzhong Development Company from Zhongshan Finance Department.

Note 3: See note (7) "or matter" for more details.

(1) There are the unit conditions of shareholders with 5% (including 5%) or more of the voting shares in the company in the balances of other account payable in the report period.

Unit: RMB

Unit Name	Number at Year-end	Number at Year-beginning
Energy Group	1,176,443.10	1,176,443.10
Total	1,176,443.10	1,176,443.10

(3) Other account payable of more than one year is of RMB 310,632,262.81 Yuan (December 31, 2008: RMB 238,702,183.79 Yuan), which is mainly the money borrowed by Shenzhong Development Company from Xingzhong Group and Zhongshan Financial Department.

## V Financial Statements Item Notes-Continued

## 26. Other Account Payable-Continued

## Parent Company

(1)The details of other account payable are as follows:

Unit: RMB

Item	Number at Year-end	Number at Year-beginning
New Power Company	334,269,727.50	155,071,903.17
Shenzhen South Harbor Power Engineering Co., Ltd.	4,972,295.00	-
Shijia Energy Equipment Co., Ltd., Wuxi	4,352,000.00	-
Hangzhou Boiler Works Engineering Materials Co., Ltd.	5,610,000.00	-
Engineering Company	124,000.00	20,775,929.37
Xingde Sheng Company	1,822,054.03	1,884,620.04
Xiefu Oil Company	1,062,898.35	11,059,041.41
Quality guarantee amount	2,695,412.77	3,069,136.90
Board allowance	1,913,600.00	-
Others	6,885,626.22	4,857,377.70
Total	363,707,613.87	196,718,008.59

(2) (2) There are the amounts conditions of shareholders with 5% (including 5%) or more of the voting shares in the company in the balances of other account payable in the report period.

Unit: RMB

Unit Name	Number at Year-end	Number at Year-beginning
Energy Group	511,408.69	511,408.69

## 27. Non-current Liabilities Due within One Year

## Consolidation

(1)The details of non-current liabilities due within one year are as follows:

Unit: RMB

Item	Number at Year-end	Number at Year-beginning
Long-term loan due within one year	200,000,000.00	100,000,000.00
Total	200,000,000.00	100,000,000.00

(2) The details of long-term debt due within one year are as follows:

Unit: RMB

Item	Number at Year-end	Number at Year-beginning
Mortgage loan	90,000,000.00	60,000,000.00
Guarantee loan	-	40,000,000.00
Credit loan	110,000,000.00	-
Total	200,000,000.00	100,000,000.00

See Note (5)12 for more details about the mortgage asset classes and amount of mortgage loan.

## V Financial Statements Item Notes-Continued

## 27. Non-current Liabilities Due within One Year-Continued

**Consolidation**

(3)The top five long-term loans due within one year

Unit: RMB

Credit Unit	Loan start date	Loan termination date	currency	rate(%)	Number at Year-end	
					Foreign currency amount	Amount of local currency
Shenzhen Branch of Huaxia Bank Co., Ltd. ("Huaxia Bank, Shenzhen Branch")	2008.6.30	2010.6.30	RMB	4.78	-	110,000,000.00
China Minsheng Bank Co., Ltd. Shenzhen Branch	2005.8.29	2010.8.29	RMB	5.18	-	90,000,000.00
Total						200,000,000.00

**Parent Company**

(1)The details of non-current liabilities due within one year are as follows:

Unit: RMB

Item	Number at Year-end	Number at Year-beginning
Long-term loan due within one year	110,000,000.00	-
Total	110,000,000.00	-

(2)The details of long-term loan due within one year are as follows:

Unit: RMB

Item	Number at Year-end	Number at Year-beginning
Credit loan	110,000,000.00	-

(3)The top five long-term loans due within one year in amount

Unit: RMB

Credit unit	Loan start date	Loan termination date	currency	Rate (%)	Number at Year-end	
					Foreign currency amount	Amount of local currency
Huaxia Bank, Shenzhen Branch	2008.6.30	2010.6.30	RMB	4.78	-	110,000,000.00

## V Financial Statements Item Notes-Continued

## 28. Long-term Loan

**Consolidation**

## (1) Long-term loan classification

Unit: RMB

Item	Number at Year-end	Number at Year-beginning
Mortgage loan	-	90,000,000.00
Guarantee loan (note)	156,000,000.00	81,000,000.00
Credit loan	-	110,000,000.00
Total	156,000,000.00	281,000,000.00

The annual interest of the above loan is from 4.86% to 5.99% (in 2008: from 4.78% to 6.80%).

Note: our company provides guarantee for subsidiary loan.

## (2) The top five long-term borrowing in amount

Unit: RMB

Credit Unit	Loan Start date	Loan Termination date	currency	Rate (%)	Number at Year-end	
					Foreign currency amount	Amount of local currency
Huaxia Bank, Shenzhen Branch	2009.09.01	2011.09.01	RMB	4.86	-	100,000,000.00
China Merchants Bank Co., Ltd. Shenzhen Jingtian Branch	2009.11.06	2017.09.20	RMB	5.35	-	46,000,000.00
Industrial Bank Co., Ltd. Shenzhen Branch	2008.10.27	2013.10.27	RMB	6.18	-	10,000,000.00
Total						156,000,000.00

**Parent Company**

## (1) Long-term loan classification

Unit: RMB

Item	Number at Year-end	Number at Year-beginning
Credit loan	-	110,000,000.00

## 29. Other Non-current Liabilities

**Consolidation**

Unit: RMB

Item	Book Balance at Year-end	Book Balance at Year beginning
National debt subsidies		600,000.00
Cycle economic support fund	250,000.00	-
Total	3,850,000.00	600,000.00

## V Financial Statements Item Notes-Continued

## 30. Capital Stock

## Consolidation and Parent Company

Unit: RMB

Item	Number at Year-beginning	Change of this year			Number at Year-end
		Sent shares(Note 1)	Others(Note 2)	Subtotal	
In 2009:					
I. shares with selling restrictions					
1.state-owned shares	-	-	-	-	-
2. shares held by state-owned companies	105,372,440.00	-	(105,372,440.00)	(105,372,440.00)	-
3. shares held by other domestic investors	12,993.00	-	-	-	12,993.00
4. shares held by foreign investors	-	-	-	-	-
Shares with selling restrictions in total	105,385,433.00	-	(105,372,440.00)	(105,372,440.00)	12,993.00
II. shares without selling restrictions					
1.RMB denominated ordinary shares	233,522,717.00	-	105,372,440.00	105,372,440.00	338,895,157.00
2.shares traded in non-RMB currencies and listed domestically	263,854,446.00	-	-	-	263,854,446.00
3.shares listed overseas	-	-	-	-	-
4.others	-	-	-	-	-
Shares without selling restrictions in total	497,377,163.00	-	105,372,440.00	105,372,440.00	602,749,603.00
III. Total shares	602,762,596.00	-	-	-	602,762,596.00
In 2008:					
I. shares with selling restrictions					
1 state-owned shares	-	-	-	-	-
2. shares held by state-owned companies	145,835,310.00	14,583,531.00	(55,046,401.00)	(40,462,870.00)	105,372,440.00
3. shares held by other domestic investors	11,812.00	1,181.00	-	1,181.00	12,993.00
4. shares held by foreign investors	83,748,408.00	8,374,840.00	(92,123,248.00)	(83,748,408.00)	-
Shares with selling restrictions in total	229,595,530.00	22,959,552.00	(147,169,649.00)	(124,210,097.00)	105,385,433.00
II. shares without selling restrictions					
1. RMB denominated ordinary shares	162,251,197.00	16,225,119.00	55,046,401.00	71,271,520.00	233,522,717.00
2. shares traded in non-RMB currencies and listed domestically	156,119,271.00	15,611,927.00	92,123,248.00	107,735,175.00	263,854,446.00
3. shares listed overseas	-	-	-	-	-
4. Others	-	-	-	-	-
Shares without selling restrictions in total	318,370,468.00	31,837,046.00	147,169,649.00	179,006,695.00	497,377,163.00
III. Total Shares	547,965,998.00	54,796,598.00	-	54,796,598.00	602,762,596.00

## Notes to financial statements

At Dec. 31, 2009

Note 1: According to the decision of shareholder convention in 2007, the company took total share of 547,965,998 as the base and sent one share (including tax) of share dividend every 10 shares on the basis of undistributed interest to all shareholders in July, 2008. After this distribution, the capital stock of the company is changed to RMB 602,762,596.00 Yuan.

The actual receiving condition of the above newly-added capital stock is examined by Beijing Yongtuo Accountant Office Limited Liability Company who also provides the examination report numbered as Jing Yong Zi (2008) No.21014.

Note2: On May 27, 2009, 105,372,440 shares held by domestic companies with selling restrictions of the company are traded on the market.

**(V). Financial Statements Item Notes - continued****31. Capital surplus****Consolidation**

Unit: RMB

Item	balance at beginning of year	increase in current year	reduction in current year	balance at end of year
<b>year of 2009</b>				
capital premium	233,998,444.00	-	-	233,998,444.00
including: investors' capital	215,487,650.42	-	-	215,487,650.42
balance caused by the acquisition of minority interests	18,510,793.58	-	-	18,510,793.58
other capital surplus	129,631,483.51	-	-	129,631,483.51
including: capital surplus transferred from original system	129,631,483.51	-	-	129,631,483.51
total	363,629,927.51	-	-	363,629,927.51
<b>year of 2008:</b>				
capital premium	233,998,444.00	-	-	233,998,444.00
including: investors' capital	215,487,650.42	-	-	215,487,650.42
balance caused by the acquisition of minority interests	18,510,793.58	-	-	18,510,793.58
other capital surplus	129,631,483.51	-	-	129,631,483.51
including: capital surplus transferred from original system	129,631,483.51	-	-	129,631,483.51
total	363,629,927.51	-	-	363,629,927.51

**Parent Company**

Unit: RMB

Item	balance at beginning of year	increase in current year	reduction in current year	balance at end of year
<b>Year of 2009:</b>				
capital premium	215,487,650.42	-	-	215,487,650.42
including: investors' capital	215,487,650.42	-	-	215,487,650.42
other capital surplus	73,281,482.05	-	-	73,281,482.05
including: capital surplus transferred from original system	73,281,482.05	-	-	73,281,482.05
total	288,769,132.47	-	-	288,769,132.47



## Notes to financial statements

At Dec. 31, 2009

Year of 2008:				
capital premium	215,487,650.42	-	-	215,487,650.42
including: investors' capital	215,487,650.42	-	-	215,487,650.42
other capital surplus	73,281,482.05	-	-	73,281,482.05
including: capital surplus transferred from original system	73,281,482.05	-	-	73,281,482.05
total	288,769,132.47	-	-	288,769,132.47

## (V). Financial Statements Item Notes- continued

## 32. Surplus reserve

## Consolidation and Parent Company

Unit: RMB

Item	balance at beginning of year	Increase in current year	reduction in current year	balance at end of year
Year of 2009:				
legal surplus reserve	310,158,957.87	-	-	310,158,957.87
Discretionary surplus reserve	22,749,439.73	-	-	22,749,439.73
total	332,908,397.60	-	-	332,908,397.60
Year of 2008:				
legal surplus reserve	310,158,957.87	-	-	310,158,957.87
Discretionary surplus reserve	22,749,439.73	-	-	22,749,439.73
total	332,908,397.60	-	-	332,908,397.60

## 33. Undistributed profit

## Consolidation

Unit: RMB

Item	amount	extraction or distribution ratio
Year of 2009:		
undistributed profit at beginning of year	473,871,306.65	
plus: current year's net profit attributable to stockholders of the parent company	74,115,448.64	
minus: extraction of the legal surplus reserve (Note 1)	-	
common stock dividend payable (Note 2)	-	
undistributed profit at the end of year (Note 3)	547,986,755.29	
Year of 2008:		
undistributed profit at beginning of year	534,342,963.11	
plus: this year's net profit attributable to stockholders of the parent company	10,763,920.54	
minus: extraction of the legal surplus reserve	-	
common stock dividend payable	16,438,979.00	0.03 Yuan /share
stock capital transferred from common stock dividend	54,796,598.00	Send 1 share every 10 shares
undistributed profit at the end of year (Note 3)	473,871,306.65	

Note 1: According to the company rules, the legal surplus reserve is extracted by 10% of the parent company's net profit. It is unnecessary to extract if the accumulated amount of

this company's legal surplus reserve accounts for more than 50% of the registered capital.

Note 2: According to the proposal of the Board, this company will not distribute profit and will not transfer capital surplus into stock capital in 2009.

Note 3: As of December 31, 2009, the balance amount of this group's undistributed profit including the surplus reserve extracted by subsidiary company is RMB125, 750, 852.14 (it is RMB79, 073, 482.43 on December 31, 2009).

## (V). Financial Statements Item Notes- continued

## 34. Operating Income, Operating Cost

**Consolidation**

## (1) Operating income

Unit: RMB

item	amount in current year	amount in last year
main business income	1,866,489,083.65	3,154,693,479.47
other business income	1,340,674.06	1,858,070.50
operating cost	1,939,542,550.54	4,514,317,627.52

## (2) Main business (by types of business)

Unit: RMB

Types of business	amount in current year		amount in last year	
	operating income	operating cost	operating income	operating cost
energy industry	1,843,414,312.79	1,932,047,007.90	3,133,048,350.31	4,496,126,206.19
engineering service	23,074,770.86	6,286,174.50	19,576,794.00	6,068,405.72
other income	-	-	2,068,335.16	11,297,568.26
total	1,866,489,083.65	1,938,333,182.40	3,154,693,479.47	4,513,492,180.17

## (3) Main business (by types of products)

Unit: RMB

types of business	amount in current year		amount in last year	
	operating income	operating cost	operating income	operating cost
sales of electricity	1,833,716,261.24	1,918,545,971.58	2,911,862,212.85	4,282,667,350.61
sales of heating power	9,698,051.55	13,501,036.32	190,250,157.21	174,417,138.40
sales of fuel oil	-	-	30,935,980.25	39,041,717.18
engineering service	23,074,770.86	6,286,174.50	19,576,794.00	6,068,405.72
other income	-	-	2,068,335.16	11,297,568.26
total	1,866,489,083.65	1,938,333,182.40	3,154,693,479.47	4,513,492,180.17

## (4) Main business (by area)

Unit: RMB

Types of area	Amount in current year		Amount in last year	
	operating income	operating cost	operating income	operating cost
domestic	1,849,951,884.43	1,931,263,951.61	3,136,897,695.47	4,504,516,321.04
abroad	16,537,199.22	7,069,230.79	17,795,784.00	8,975,859.13
total	1,866,489,083.65	1,938,333,182.40	3,154,693,479.47	4,513,492,180.17

(V). Financial Statements Item Notes- continued

34. Operating income, operating cost- continued

**Consolidation-- continued**

(5) The operating income of the Top 5 customers of this group

Unit: RMB

customer name	operating income	The proportion to the total income (%)
Guangdong Power Grid Corporation	1,832,321,353.46	98.10
Azerbaijan Energy Corporation	6,807,199.22	0.36
China National Electric Equipment Corporation	5,500,000.00	0.29
Dongguan Tongming (Zhongming) Power Plant Co., Ltd	3,008,100.00	0.16
Tianchen Engineering Co., Ltd, China	2,880,000.00	0.15
total	1,850,516,652.68	99.06

**Parent company**

(1) Operating income

Unit: RMB

item	amount in current year	amount in last year
main business income	377,520,239.49	985,596,854.44
other business income	29,372,413.16	37,183,979.62
operating cost	512,034,925.14	1,679,909,896.08

(2) Main business (by types of business)

Unit: RMB

types of business	amount in current year		amount in last year	
	operating income	operating cost	operating income	operating cost
energy industry	377,520,239.49	511,763,163.92	985,596,854.44	1,679,789,376.48

(3) Main business (by types of products)

Unit: RMB

types of business	amount in current year		amount in last year	
	operating income	operating cost	operating income	operating cost
sales of electricity	375,459,120.23	509,174,043.16	972,465,283.60	1,666,563,511.65
sales of heating power	2,061,119.26	2,589,120.76	13,131,570.84	13,225,864.83
total	377,520,239.49	511,763,163.92	985,596,854.44	1,679,789,376.48

(4) Main business (by area)

Unit: RMB

types of area	amount in current year		amount in last year	
	operating income	operating cost	operating income	operating cost
Domestic	377,520,239.49	511,763,163.92	985,596,854.44	1,679,789,376.48

**(V). Financial Statements Item Notes- continued****34. Operating income, operating cost- continued****Parent company- continued**

(5) The operating income of the Top 5 customers of this group

Unit: RMB

customer name	operating income	The proportion to the total income (%)
Guangdong Power Grid Corporation	375,459,120.23	92.27
New Power Company	28,397,948.16	6.98
Shenzhen Hengfeng Haiyue International Hotel	595,308.00	0.15
Shenzhen Nanshan Meat Processing	447,422.50	0.11
Zhongcai Energy Management Service Ltd	359,820.00	0.09
total	405,259,618.89	99.60

**35. Business tax and surcharges****Consolidation**

Unit: RMB

item	amount in current year	amount in last year	Calculation and payment standard
business tax	9,511,956.52	7,896,062.14	3% or 5% of Taxable income
Tax on City Maintenance and Construction	795,384.52	537,970.11	1%
others	158,754.25	551,956.75	
total	10,466,095.29	8,985,989.00	

**Parent company**

Unit: RMB

item	amount in current year	amount in last year	Calculation and payment standard
business tax	4,107,975.75	4,797,388.80	3% or 5% of Taxable income
Tax on City Maintenance and Construction	31,182.41	46,214.32	1%
total	4,139,158.16	4,843,603.12	

**36. Return on Investment****Consolidation**

(1) Details of return on Investment

Unit: RMB

item	amount in current year	amount in last year
long-term equity return on Investment calculated by cost based methods	266,089.80	-
long-term equity return on Investment calculated by equity method	(10,099,664.59)	-
total	(9,833,574.79)	-

**(V). Financial Statements Item Notes- continued****36. Return on Investment- continued****Consolidation- continued**

(2) Long-term equity return on Investment calculated by cost based methods

Unit: RMB

investee	amount in current year	amount in last year	causes of this year's changes over last year
Anhui Wenergy Company Limited, Tongling	266,089.80	-	no profits distribution last year

(3) Long-term equity return on Investment calculated by equity method

Unit: RMB

investee	amount in current year	amount in last year	causes of this year's changes over last year
Jiangxi Xinchang Company	(10,099,664.59)	-	It's under construction last year

Repatriation of investment income has no significant restrictions.

**Parent company**

(1) Details of return on Investment

Unit: RMB

Item	Amount in current year	Amount in last year
long-term equity return on Investment calculated by cost based methods	266,089.80	67,557,104.24
long-term equity return on Investment calculated by equity method	(10,099,664.59)	-
total	(9,833,574.79)	67,557,104.24

(2) Long-term equity return on Investment calculated by cost based methods

Unit: RMB

Investee	Amount in current year	Amount in last year	causes of this year's changes over last year
New Power Company	-	67,557,104.24	no profits distribution this year
Anhui Wenergy Company Limited, Tongling	266,089.80	-	no profits distribution last year
total	266,089.80	67,557,104.24	

(3) Long-term equity return on Investment calculated by equity method

Unit: RMB

Investee	amount in current year	amount in last year	causes of this year's changes over last year
Jiangxi Xinchang Company	(10,099,664.59)	-	It's under construction last year.

**(V). Financial Statements Item Notes- continued****37. Assets Impairment Loss****Consolidation**

## Notes to financial statements

At Dec. 31, 2009

Unit: RMB

item	amount in current year	amount in last year
1. loss on bad debts	(1,713,301.95)	(3,584,373.37)
2. loss of inventory valuation	7,350,261.76	52,203,631.85
3. impairment loss of long-term equity investment	2,943,700.00	16,373,600.00
4. impairment loss of fixed assets	-	8,182,244.96
5. impairment loss of the Item under construction	14,036,855.79	-
6. impairment loss of intangible assets	-	1,473,491.74
total	22,617,515.60	74,648,595.18

**Parent company**

Unit: RMB

Item	amount in current year	amount in last year
1. loss of inventory valuation	4,637,365.43	-
2. impairment loss of long-term equity investment	2,943,700.00	16,373,600.00
3. impairment loss of the Item under construction	14,036,855.79	-
total	21,617,921.22	16,373,600.00

## 38. Non-operating income

**Consolidation**

(1) Details of non-operating income as follow:

Unit: RMB

Item	amount in current year	amount in last year
total profits of the non-current assets disposed of	34,359,867.16	43,432,334.52
including: profits of the fixed assets disposed of	8,177,536.34	43,432,334.52
profits of the intangible assets disposed of	26,182,330.82	-
profits on debts restructuring	223,000.00	46,697,732.93
government subsidy	437,522,414.32	1,677,860,121.45
others	287,998.04	1,147,446.28
total	472,393,279.52	1,769,137,635.18

(2) Details on government subsidy

Unit: RMB

item	amount in current year	amount in last year	instructions
income of fuel subsidies	-	969,713,669.81	Note 1
income of fuel processing fee subsidies	437,352,183.32	708,146,451.64	Note 2
support funds from the Nanshan District, Shenzhen Financial Bureau	170,231.00	-	
total	437,522,414.32	1,677,860,121.45	

**(V). Financial Statements Item Notes- continued****38. Non-operating income****Consolidation- continued****(2) Details on government subsidy-replenishment**

Note 1: According to the “Notice on the Issuance of the Interim Measures for the Management of the Shenzhen Local Fuel Generating Units Subsidies” (Shenzhen Government Office [2007] File NO. 72) issued by Shenzhen Municipal Government, and the provisions of relevant documents of the Shenzhen Bureau of Trade & Industry, the company’s fuel subsidies received in 2008 was RMB969,713,669.81. According to the “Letter on Allocation of Subsidies for the Oil and Gas Units of Shenzhen Local Electric Plants from January to September in 2009” (Shenzhen Science, Technology, Trade, Industry and Information Commission [2010] File NO.23) issued by Shenzhen Science, Technology, Trade, Industry and Information Commission, this year the Shenzhen Municipal Government will not subsidize the company.

Note 2: According to the “Notice on Interim Charging Gas & Fuel Processing Fee” (Guangdong Provincial People's Government Letter [2008] File NO.31) issued by Guangdong Provincial People's Government, Zhongshan Electric Power Company and Weimei Electric Power Company received a sum of subsidy RMB437,352,183.32 for the fuel processing fee (it’s RMB708,146,451.64 in year of 2008).

**Parent company****(1) Details of non-operating income as follow:**

Unit: RMB

Item	Amount in current year	amount in last year
total profits of the non-current assets disposed of	6,225,283.12	11,672,795.36
including: profits of the fixed assets disposed of	-	11,672,795.36
profits of the intangible assets	6,225,283.12	-
government subsidy	170,231.00	969,713,669.81
others	20,000.00	112,255.53
total	6,415,514.12	981,498,720.70

**(2) Details on government subsidy**

Unit: RMB

Item	Amount in current year	Amount in last year	instructions
income of fuel subsidies	-	969,713,669.81	see notes to consolidated non-operating income
support funds from the Nanshan District, Shenzhen Financial Bureau	170,231.00	-	bureau’s supporting funds for the financial crisis
total	170,231.00	969,713,669.81	



**(V). Financial Statements Item Notes- continued****39. Non-operating expense****Consolidation**

Unit: RMB

Item	amount in current year	amount in last year
loss of the fixed assets disposed of	71,006.08	2,301,262.67
loss on disposal of inventories	-	2,058,688.43
others	51,231.57	325,024.72
total	122,237.65	4,684,975.82

**Parent company**

Unit: RMB

Item	amount in current year	amount in last year
loss of the fixed assets disposed of	11,248.63	88,650.00
others	15,578.00	110,000.00
total	26,826.63	198,650.00

**40. Income Tax Expense****Consolidation**

Unit: RMB

Item	amount in current year	amount in last year
current income tax calculated in accordance with the tax law and relevant provisions	13,549,596.33	52,468,507.55
deferred tax adjustment	(1,583,246.69)	(2,542,427.49)
total	11,966,349.64	49,926,080.06

Income Tax Expense and Reconciliation of Accounting Profit are as follow:

Unit: RMB

Item	amount in current year	amount in last year
accounting profit	131,976,361.23	64,759,837.86
Income tax expense calculated by tax rate of 20 % ( last year: 18%)	26,395,272.25	11,656,770.81
the tax impact on non-deductible expense	6,313,561.05	1,723,322.73
tax impact on tax-free income	(27,930,137.02)	(1,381,820.07)
tax impact on unrecognized deductible tax losses and deductible temporary differences	37,776,656.40	48,994,692.17
use previous tax impact on unrecognized deductible tax losses and deductible temporary differences	(29,320,571.79)	(1,102,602.72)
the changes of opening deferred tax/debt balance caused by tax rate adjustment	(701,110.15)	-
the impact of inconsistent tax rates in the subsidiary companies of other areas	(567,321.10)	(9,964,282.86)
income tax expense	11,966,349.64	49,926,080.06

**(V). Financial Statements Item Notes- continued****40 Income Tax Expense – continued****Parent company**

## Notes to financial statements

At Dec. 31, 2009

Unit: RMB

Item	amount in current year	amount in last year
current income tax calculated in accordance with the tax law and relevant provisions	-	47,280,502.91
deferred tax adjustment	(2,193,028.22)	(2,036,409.68)
total	(2,193,028.22)	45,244,093.23

Income Tax Expense and Reconciliation of Accounting Profit are as follow:

Unit: RMB

Item	amount in current year	amount in last year
accounting profit (deficit)	(184,195,364.50)	311,594,339.44
Income tax expense calculated by tax rate of 20% (last year: 18%)	(36,839,072.90)	56,086,981.10
the tax impact on non-deductible expense	156,243.84	1,317,390.89
tax impact on tax-free income	1,966,714.96	(12,160,278.76)
tax impact on unrecognized deductible tax losses and deductible temporary differences	33,184,227.56	-
the changes of opening deferred tax / debt balance caused by tax rate adjustment	(661,141.68)	-
Income Tax Expense	(2,193,028.22)	45,244,093.23

## 41. Calculation process of Basic earnings per share and diluted earnings per share

When calculating basic earnings per share, the current net profit belonging to the stockholders of the parent company is:

Unit: RMB

Item	amount in current year	amount in last year
current net profit attributable to the stockholders of the parent company	74,115,448.64	10,763,920.54
including: net profits attributable to continuing operations	74,115,448.64	10,763,920.54
net profits attributable to discontinued operations	-	-

When calculating basic earnings per share, the denominator is the weighted average of common shares outstanding. The calculation process is as follow:

Unit: per share

Item	amount in current year	amount in last year
numbers of common shares outstanding at the beginning of year	602,762,596	602,762,596
plus: weighted average of common shares outstanding this year	-	-
minus: the weighted number of common shares repurchased this year	-	-
weighted average of common shares outstanding at the end of year	602,762,596	602,762,596

**V. Financial Statements Item Notes - continued**

41. Calculation process of Basic earnings per share and diluted earnings per share  
– continued

Basic earnings per share

Unit: RMB

Item	amount in current year	amount in last year
calculated according to the net profits attributable to shareholders of the parent company		
Basic earnings per share	0.12	0.02
diluted earnings per share	Not applicable	Not applicable
calculated according to the net profits of continuing operations attributable to shareholders of the parent company		
Basic earnings per share	0.12	0.02
diluted earnings per share	Not applicable	Not applicable
calculated according to the net profits of discontinued operations attributable to the shareholders of the parent company		
Basic earnings per share	Not applicable	Not applicable
diluted earnings per share	Not applicable	Not applicable

This company has no diluted earnings per share, as this company has no potential common shares with dilution.

42. Item notes to Statement of Cash Flow

**Consolidation**

(1) Receiving cash concerning with other operating activities

Unit: RMB

Item	amount in current year	amount in last year
income of fuel processing fee subsidies	437,352,183.32	708,146,451.64
margin recovery	34,358,791.77	-
received government subsidies	3,250,000.00	-
interest income	2,952,034.68	13,506,192.83
received repayment of the Hehe Investment Development Co., Ltd	2,682,024.00	2,800,000.00
income of fuel subsidies	-	1,016,480,269.81
temporary receipts of option contracts	-	14,352,083.46
others	7,274,192.69	11,948,940.34
total	487,869,226.46	1,767,233,938.08

**(V). Financial Statements Item Notes - continued**

42 Item notes to Statement of Cash Flow – continued

**Consolidation - continued**

(2) Paying cash concerning with other operating activities

Unit: RMB

Notes to financial statements

At Dec. 31, 2009

item	amount in current year	amount in last year
intermediary organs	9,445,199.69	9,582,477.22
Board of directors' expenses	6,805,916.69	3,820,150.47
Rental expenses	5,705,489.52	5,335,423.30
Entertainment fees	4,735,064.86	6,056,852.70
fleet cost	3,578,926.38	5,879,597.56
property management fee	1,749,829.38	349,082.26
bank charges	1,161,256.29	2,673,130.39
corporate culture cost	997,623.70	2,296,820.98
Traveling fees	883,243.04	1,143,888.07
Communication Expenses	991,734.78	1,820,363.90
securities charges	658,892.60	670,566.84
Office expenses	638,125.13	1,279,636.19
others	26,535,866.11	14,818,309.33
total	63,887,168.17	55,726,299.21

**Parent company**

(1) Receiving cash concerning with other operating activities

Unit: RMB

Item	amount in current year	amount in last year
interest income	6,115,046.41	6,680,354.23
income of fuel subsidies	-	1,016,480,269.81
received government subsidies and bounty	170,231.00	-
others	651,684.64	45,575,969.71
total	6,936,962.05	1,068,736,593.75

**(V). Financial Statements Item Notes - continued**

**42 Item notes to Statement of Cash Flow - continued**

**Parent company- continued**

**(2) Paying cash concerning with other operating activities**

Unit: RMB

Item	amount in current year	amount in last year
intermediary organs	6,535,861.99	4,480,105.41
Rental expenses	4,004,702.00	1,945,794.38
Entertainment fees	1,885,981.39	1,173,276.71
fleet cost	1,541,267.65	903,576.89
property management fee	1,024,176.00	568,967.18
corporate culture cost	909,759.00	784,152.32
securities charges	658,892.60	670,566.84
Communication Expenses	398,731.84	139,632.06
others	4,423,205.96	3,591,698.77
total	21,382,578.43	14,257,770.56

**(3) Receiving cash concerning with other investment activities**

Unit: RMB

Item	amount in current year	amount in last year
Group lending funds	268,940,171.00	-

**(4) Paying cash concerning with other investment activities**

Unit: RMB

Item	amount in current year	amount in last year
Group lending funds	240,000,000.00	541,233,178.86

**(V)Notes to financial statements - Cont'd**

**43. Additional information of the cash flow statement**

**Consolidate**

**(1) Additional information of the cash flow statement**

Unit: RMB

Additional information	Current year Amount	Last year Amount
<b>1. Regulate the net profit into the cash flow of operating activities:</b>		
Net profit	120,010,011.59	14,833,757.80
Add: Asset impairment preparation	22,617,515.60	74,648,595.18
Fixed asset depreciation	190,623,828.39	239,405,320.34
Amortization of intangible assets	3,976,732.12	4,425,412.38
Amortization of long-term deferred expenses	363,659.91	2,498,172.94
Loss from disposing fixed assets, intangible assets and other long-term assets(return)	(34,288,861.08)	(41,689,388.07)
Loss from fixed asset retirement	-	-
Financial expenses(return)	125,168,018.52	225,834,885.49
Investment loss (return)	9,833,574.79	-
Decrease of deffered income tax assets(increase)	(1,583,246.69)	(2,542,427.49)

Notes to financial statements

At Dec. 31, 2009

Decrease of inventory(increase)	(59,562,936.55)	51,321,363.32
Decrease of receivable operating items(increase)	102,764,639.88	268,281,576.92
Increase of payable operating items(decrease)	(131,346,233.57)	(458,819,015.41)
Other	(223,000.00)	(46,697,732.93)
Net amount of cash flow produced by operating activities	348,353,702.91	331,500,520.47
<b>2. Major investment and financing activities not involving cash income and expenditure:</b>		
Dept converted into capital	-	-
Convertible company bond which become due within one year	-	-
Financed and leased fixed assets	-	-
<b>3. Net change of cash and cash equivalents:</b>		
Year-end balance of cash and cash equivalents	356,362,100.63	372,348,923.52
Less: Year-beginning balance of cash and cash equivalents	372,348,923.52	286,089,572.89
Net increase of cash and cash equivalents	(15,986,822.89)	86,259,350.63

(2) Composition of cash and cash equivalents

Unit: RMB

Items	Year-end number	Year-beginning
I . Cash	356,362,100.63	372,348,923.52
Wherein: Cash on hand	438,380.21	239,238.37
Bank deposit which can be paid at any time	355,352,771.06	371,280,149.07
Other currency capital which can be paid at any time	570,949.36	829,536.08
II . Year-end balance of cash and cash equivalents	356,362,100.63	372,348,923.52

## (V)Notes to financial statements – Cont'd

## 43. Additional information of the cash flow statement–Cont'd

## Parent company

## (1)Additional information of the cash flow statement

Unit: RMB

Additional information	Current year Amount	Last year Amount
<b>1. Regulate the net profit into the cash flow of operating activities:</b>		
Net profit	(182,002,336.28)	266,350,246.21
Add: Asset impairment preparation	21,617,921.22	16,373,600.00
Fixed asset depreciation	47,074,805.90	69,311,043.79
Amortization of intangible assets	2,056,859.73	2,127,843.18
Amortization of long-term deferred expenses	113,200.92	2,095,855.06
Loss from disposing fixed assets, intangible assets and other long-term assets(return)	(6,214,034.49)	(11,672,795.36)
Loss from fixed asset retirement(return)	-	88,650.00
Financial expenses(return)	82,870,414.79	113,721,234.44
Investment loss (return)	9,833,574.79	(67,557,104.24)
Decrease of deferred income tax assets(increase)	(2,193,028.22)	(2,036,409.68)
Decrease of inventory(increase)	306,914.84	61,948,461.89
Decrease of receivable operating items(increase)	(23,532,256.55)	118,537,714.46
Increase of payable operating items(decrease)	(103,421,225.37)	(183,008,694.92)
Net amount of cash flow produced by operating activities	(153,489,188.72)	386,279,644.83
<b>2. Major investment and financing activities not involving cash income and expenditure:</b>		
Dept converted into capital	-	-
Convertible company bond which become due within one year	-	-
Financed and leased fixed assets	-	-
<b>3. Net change of cash and cash equivalents:</b>		
Year-end balance of cash and cash equivalents	35,564,935.05	29,272,846.21
Less: Year-beginning balance of cash and cash equivalents	29,272,846.21	125,774,088.96
Net increase of cash and cash equivalents	6,292,088.84	(96,501,242.75)

## (2) Composition of cash and cash equivalents

Unit: RMB

Items	Year-end number	Year-beginning
I . Cash	35,564,935.05	29,272,846.21
Wherein: Cash on hand	105,156.36	30,194.58
Bank deposit which can be paid at any time	35,249,007.51	28,750,132.97
Other currency capital which can be paid at any time	210,771.18	492,518.66
II . Year-end balance of cash and cash equivalents	35,564,935.05	29,272,846.21

## (VI) Related parties and related transactions

## 1. Parent company of the company

The share holding proportion of any shareholder of the company does not reach 50%, and cannot control the company by other means, so the company does not have any parent company.

## 2. Subsidiaries of the company

See Note (IV) for details of the subsidiaries of the company.

## 3. Joint ventures of the company

See Note ( V ) 9 for details of the joint ventures of the company.

## 4. Other related parties of the company

Name of other related parties	Relation between other related parties and the company	Organization code
Shenzhen Guangju Investment Holding Co., Ltd (hereinafter referred to as "Guangju Holding")	Shareholders with significant impact on the company	192170273
HONGKONGNAMHOI(INTERNATIONAL)LTD	Shareholders with significant impact on the company	Not applicable
BNPPP/PANDAINVESTMENTCOMPANYLIMITED	Shareholders with significant impact on the company	Not applicable
State Grid Shenzhen Energy Development Group Corp. (hereinafter referred to as "State Grid Energy")	Shareholders with significant impact on the company	71529249X
Energy Group	Shareholders with significant impact on the company	192241158
Dongguan Weimei Ceramics Industrial Park Co., Ltd("Weimei Ceramics Co., Ltd")	Minority shareholders of the subsidiary	72919361X
Shenzhen Mawan Power Co., Ltd("Mawan Power Co., Ltd")	Subsidiary of Energy Group	618816706
Moon Bay Oil Co., Ltd	Subsidiary of Energy Group	618849428
Guanzhong Investment Co., Ltd	Minority shareholders of the subsidiary	733096986
Xingzhong Group	Minority shareholders of the subsidiary	733112675
Directors and other senior management of the company	Key management	Not applicable

## 5. Related transactions

**Consolidate**

(1) Commodity purchasing and selling, related transactions in which labor services are provided and received

Unit: RMB

Related parties	Type of related transaction	Contents of related transactions	Pricing methods and decision making procedures of related transactions	Current-year incurred amount		Last-year incurred amount	
				Amount	Proportion in the amount of similar transactions (%)	Amount	Proportion in the amount of similar transactions (%)



Shenzhen Nanshan Power Station Co., Ltd

Notes to financial statements

At Dec. 31, 2009

---

Mawan Power Co., Ltd	Labor service receiving	Oil pipe cost	Accord to the price released by the authority or refer to the market price	496,826.01	100.00	1,509,493.43	100.00
Moon Bay Oil Co., Ltd	Labor service receiving	Wharf charge	Accord to the price released by the authority or refer to the market price	2,390,102.62	100.00	12,554,273.81	100.00

## (VI) Related parties and related transactions - Cont'd

## 5. Related transactions - Cont'd

**Consolidate - Cont'd**

## (2) Capital lending and borrowing of related parties

Current year:

Unit: RMB

Related parties	Lending/borrowing amount	Starting date	Due date	Current year-end balance	Notes
<b>Borrowing</b>					
Xingzhong Group	125,316,816.85	2008.11.19	2010.12.31	125,316,816.85	
Xingzhong Group	23,750,000.00	2009.10.15	2010.12.31	23,750,000.00	
Xingzhong Group	16,250,000.00	2009.03.27	2010.12.31	16,250,000.00	
Xingzhong Group	14,335,291.80	2008.12.29	2010.12.31	14,335,291.80	
Xingzhong Group	2,500,000.00	2009.03.27	2010.12.31	2,500,000.00	

Last year:

Unit: RMB

Related parties	Lending/borrowing amount	Starting date	Due date	Current year-end balance	Notes
<b>Borrowing</b>					
Xingzhong Group	125,316,816.85	2008.11.19	2010.12.31	125,316,816.85	Note
Xingzhong Group	23,750,000.00	2008.10.15	2009.10.14	23,750,000.00	Note
Xingzhong Group	16,250,000.00	2008.03.27	2009.03.26	16,250,000.00	
Xingzhong Group	14,335,291.80	2008.12.29	2010.12.31	14,335,291.80	
Xingzhong Group	2,500,000.00	2008.03.27	2009.03.26	2,500,000.00	

Note: Borrowed respectively on Oct. 15, 2007 and Nov. 19, 2007 for one year, and extended after becoming due.

## (3) Key management reward

Unit: RMB

Name of item	Current-year incurred amount	Last-year incurred amount
Key management reward	6,362,000.00	4,169,000.00

## (4) Capital occupation cost

Unit: RMB

Related parties	Type of related	Contents of related	Pricing principles of	Current-year incurred amount	Last-year incurred amount
-----------------	-----------------	---------------------	-----------------------	------------------------------	---------------------------

Annotations of Financial Statements  
The Fiscal Year as of Dec. 31, 2009

	transaction	transactions	related transactions	Amount	Proportion in the amount of similar transactions (%)	Amount	Proportion in the amount of similar transactions (%)
Xingzhong Group	Capital occupation cost	Interest expenditure	Note	9,806,614.16	100.00	11,284,020.87	100.00

Note: The capital occupation cost is calculated by the current capital loan interest rate of the bank of the same level.

## (VI) Related parties and related transactions - Cont'd

## 5. Related transactions-Cont'd

## Consolidate-Cont'd

## (5) Receivable and payable accounts of the related parties

Unit: RMB

Name of item	Related parties	Year-end balance	Year-beginning balance
Accounts payable	Mawan Power Co., Ltd	49,171.39	300,720.14
	Moon Bay Oil Co., Ltd	-	1,404,537.97
Other accounts payable	Energy Group	1,176,443.10	1,176,443.10
	Weimei Ceramics Co., Ltd	200,000.00	200,000.00
	Guanzhong Investment Co., Ltd	1,567,958.00	1,567,958.00
	Xingzhong Group	204,351,945.66	194,545,331.50

## Parent company

## (1) Commodity purchasing and selling, related transactions in which labor services are provided and received

Unit: RMB

Related parties	Type of related transaction	Contents of related transactions	Pricing methods and decision making procedures of related transactions	Current-year incurred amount		Last-year incurred amount	
				Amount	Proportion in the amount of similar transactions (%)	Amount	Proportion in the amount of similar transactions (%)
Xiefu Oil Supply Co., Ltd	Purchasing	Fuel purchasing	Accord to the price released by the authority or refer to the market price	153,768,956.40	17.31	930,339,839.28	39.83
New Power Co., Ltd	Purchasing	Fuel purchasing	Accord to the price released by the authority or refer to the market price	323,888,372.16	36.45	557,946,837.19	23.89
Engineering Co., Ltd	Purchasing	Engineering construction	Accord to the price released by the authority or refer to the market price	1,250,062.14	100.00	-	-
Xiefu Oil Supply Co., Ltd	Labor service receiving	Warehousing and transportation cost	Accord to the price released by the authority or refer to the market price	20,116,567.26	100.00	27,132,695.43	100.00
Engineering Co., Ltd	Labor service receiving	Fixed asset disposal agency	Accord to the price released by the authority or refer to the market price	-	-	2,172,000.00	100.00
Mawan Power Co., Ltd	Labor service receiving	Oil pipe cost	Accord to the price released by the authority or refer to the market price	496,826.01	100.00	1,509,493.43	100.00
Moon Bay Oil Co., Ltd	Labor service receiving	Wharf charge	Accord to the price released by the authority or refer to the market price	2,390,102.62	100.00	12,554,273.81	100.00
New Power Co., Ltd	Labor service providing	Flue gas cost	Accord to the price released by the authority or refer to the market price	1,574,246.40	100.00	1,896,076.80	100.00
New Power Co., Ltd	Labor service providing	Unit operation and trust labor service charge	Accord to the price released by the authority or refer to the market price	27,142,166.76	100.00	33,055,537.50	100.00
Engineering Co., Ltd	Labor service providing	Training fee	Accord to the price released by the authority or refer to the market price	300,000.00	100.00	-	-

## (VI) Related parties and related transactions - Cont'd

## 5. Related transactions-Cont'd

## Parent company-Cont'd

## (2) Related trust

Unit: RMB

Name of truster	Name of trustee	Asset trust	Amount involved in the asset trust	Starting date of the trust	Ending date of the trust	Trust return	Trust return determination bases	Impact of the trust return on the company
New Power Co., Ltd	The company	No. 2, 10 and 11 generator units	Original value 559,769,925.61	2009.01.01	2009.12.31	27,142,166.76	Calculated and determined by 0.025yuan/KWh of power generation	27,142,166.76
New Power Co., Ltd	The company	No. 2, 10 and 11 generator units	Original value 559,769,925.61	2008.01.01	2008.12.31	33,055,537.50	Calculated and determined by 0.025yuan/KWh of power generation	33,055,537.50

## (3) Related guarantee

Provide guarantee

Unit: RMB

The guaranteed party	Guarantee amount	Starting date of the guarantee	Due date of the guarantee	Has the guarantee been fulfilled?
New Power Co., Ltd	72,000,000.00	2008.10.31	2009.04.13	Yes
New Power Co., Ltd	50,000,000.00	2008.09.27	2009.04.13	Yes
Zhongshan Power Co., Ltd	50,000,000.00	2009.11.27	2010.05.27	No
Zhongshan Power Co., Ltd	50,000,000.00	2009.12.25	2010.06.25	No
Zhongshan Power Co., Ltd	240,000,000.00	2009.04.16	2010.04.16	No
Zhongshan Power Co., Ltd	20,000,000.00	2009.06.21	2010.06.21	No
Zhongshan Power Co., Ltd	60,000,000.00	2009.06.16	2010.06.16	No
Zhongshan Power Co., Ltd	100,000,000.00	2009.09.01	2011.09.01	No
Environmental Protection Co., Ltd	46,000,000.00	2009.11.06	2017.09.20	No
Weimei Power Co., Ltd	300,000,000.00	2009.08.03	2010.08.03	No
Environmental Protection Co., Ltd	85,000,000.00	2008.10.27	2009.03.01	Yes
Environmental Protection Co., Ltd	10,000,000.00	2008.10.27	2013.10.27	No

## (VI) Related parties and related transactions – Cont'd

## 5. Related transactions–Cont'd

## Parent company–Cont'd

## (4) Capital lending and borrowing of related parties

Current year:

Unit: RMB

Related parties	Lending/borrowing amount	Starting date	Due date	Current year-end balance	Notes
<b>Borrowing</b>					
Engineering Co., Ltd	60,000,000.00	2009.11.20	2010.11.20	60,000,000.00	Entrusted loan
<b>Lending</b>					
Shenzhong Development Co., Ltd	70,040,000.00	2009.10.14	2010.03.31	70,040,000.00	Extension
Shenzhong Development Co., Ltd	48,750,000.00	2009.04.25	2010.03.31	48,750,000.00	Extension
Shenzhong Development Co., Ltd	7,500,000.00	2009.04.05	2010.03.31	7,500,000.00	Extension
Shenzhong Development Co., Ltd	4,875,000.00	2009.08.29	2010.03.31	4,875,000.00	Extension
Shenzhong Development Co., Ltd	375,950,450.55	2009.11.18	2010.03.31	375,950,450.55	Extension
Shenzhong Development Co., Ltd	43,005,307.50	2009.12.28	2010.03.31	43,005,307.50	Extension
Shenzhong Development Co., Ltd	46,280,000.00	2009.01.01	2009.12.31	46,280,000.00	Extension
Shenzhong Development Co., Ltd	23,000,000.00	2009.05.19	2010.03.31	23,000,000.00	
Shenzhong Development Co., Ltd	43,000,000.00	2009.10.09	2010.03.31	43,000,000.00	
Weimei Power Co., Ltd	60,000,000.00	2009.06.17	2009.08.05	-	
Weimei Power Co., Ltd	31,000,000.00	2009.02.27	2009.08.31	-	Extension
Weimei Power Co., Ltd	23,200,000.00	2009.02.22	2009.08.31	-	Extension
Weimei Power Co., Ltd	38,337,800.64	2008.10.28	2010.03.31	10,000,000.00	Extension
Weimei Power Co., Ltd	140,000,000.00	2009.07.28	2010.01.27	140,000,000.00	Entrust the bank to release the loan to the related parties
Weimei Power Co., Ltd	22,250,000.00	2009.05.13	2009.09.15	-	Extension
Weimei Power Co., Ltd	20,000,000.00	2009.06.04	2009.08.05	-	Extension
Zhongshan Power Co., Ltd	240,000,000.00	2009.03.20	2009.04.20	-	
Zhongshan Power Co., Ltd	50,000,000.00	2009.03.25	2010.03.31	50,000,000.00	Extension
Zhongshan Power Co., Ltd	40,437,227.87	2008.09.26	2010.03.31	40,437,227.87	
Zhongshan Power Co., Ltd	28,000,000.00	2009.01.11	2010.03.31	28,000,000.00	Extension
Zhongshan Power Co., Ltd	100,000,000.00	2009.12.24	2010.12.23	100,000,000.00	Entrust the bank to release the loan to the related parties
Xiefu Oil Supply Co., Ltd	50,000,000.00	2008.12.13	2010.03.31	-	Recovered on Nov. 16, 2009 in advance

## (VI) Related parties and related transactions - Cont'd

## 5. Related transactions-Cont'd

## Parent company-Cont'd

## (4) Capital lending and borrowing of related parties - Cont'd

Last year:

Unit: RMB

Related parties	Lending/borrowing amount	Starting date	Due date	Current year-end balance	Notes
Borrowing					
Engineering Co., Ltd	20,000,000.00	2008.11.24	2009.11.24	20,000,000.00	
Lending					
Shenzhong Development Co., Ltd	70,040,000.00	2008.10.14	2009.10.14	70,040,000.00	
Shenzhong Development Co., Ltd	48,750,000.00	2008.03.27	2009.04.25	48,750,000.00	
Shenzhong Development Co., Ltd	7,500,000.00	2008.03.27	2009.04.05	7,500,000.00	
Shenzhong Development Co., Ltd	4,875,000.00	2007.08.30	2009.08.29	4,875,000.00	
Shenzhong Development Co., Ltd	375,950,450.55	2008.11.18	2009.11.18	375,950,450.55	
Shenzhong Development Co., Ltd	43,005,307.50	2008.12.28	2009.12.28	43,005,307.50	
Shenzhong Development Co., Ltd	46,280,000.00	2008.01.01	2008.12.31	46,280,000.00	
Shenzhong Development Co., Ltd	23,000,000.00	2008.05.20	2009.05.19	23,000,000.00	
Shenzhong Development Co., Ltd	43,000,000.00	2008.10.10	2009.10.09	43,000,000.00	
Weimei Power Co., Ltd	31,000,000.00	2008.02.26	2009.02.26	31,000,000.00	
Weimei Power Co., Ltd	34,000,000.00	2008.02.21	2009.02.21	34,000,000.00	
Weimei Power Co., Ltd	40,000,000.00	2008.10.20	2009.09.30	40,000,000.00	
Weimei Power Co., Ltd	38,337,800.64	2008.10.28	2010.03.31	38,337,800.64	
Weimei Power Co., Ltd	22,250,000.00	2008.05.10	2009.05.13	22,250,000.00	
Weimei Power Co., Ltd	20,000,000.00	2008.06.05	2009.06.04	20,000,000.00	
Weimei Power Co., Ltd	5,000,000.00	2008.06.05	2009.08.05	5,000,000.00	
Zhongshan Power Co., Ltd	45,500,000.00	2008.12.19	2009.09.14	45,500,000.00	
Zhongshan Power Co., Ltd	55,000,000.00	2008.03.21	2009.03.31	50,000,000.00	
Zhongshan Power Co., Ltd	60,000,000.00	2008.12.24	2009.09.30	60,000,000.00	
Zhongshan Power Co., Ltd	40,437,227.87	2008.09.26	2010.03.31	40,437,227.87	
Zhongshan Power Co., Ltd	28,000,000.00	2008.01.28	2009.01.11	28,000,000.00	
Xiefu Oil Supply Co., Ltd	50,000,000.00	2008.12.13	2010.03.31	50,000,000.00	

## (5) Key management reward

Unit: RMB

Name of item	Current-year incurred amount	Last-year incurred amount
Key management reward	6,362,000.00	4,169,000.00

## (VI) Related parties and related transactions – Cont'd

## 5. Related transactions–Cont'd

## Parent company–Cont'd

## (6) Capital occupation cost

Unit: RMB

Related parties	Type of transaction	Contents of related transactions	Pricing principles of related transactions	Current-year incurred amount		Last-year incurred amount	
				Amount	Proportion in the amount of similar transactions (%)	Amount	Proportion in the amount of similar transactions (%)
Engineering Co., Ltd	Capital occupation cost	Interest expenditure	Note	945,517.81	1.14	772,459.40	0.68
Xiefu Oil Supply Co., Ltd	Capital occupation cost	Interest income	Note	2,426,375.00	4.45	3,853,000.00	5.86
Zhongshan Power Co., Ltd	Capital occupation cost	Interest income	Note	12,353,985.92	22.67	14,775,297.08	22.48
Weimei Power Co., Ltd	Capital occupation cost	Interest income	Note	10,141,470.23	18.61	6,954,275.61	10.58
Shenzhong Development Co., Ltd	Capital occupation cost	Interest income	Note	28,915,645.81	53.07	37,312,970.51	56.77

Note: The capital occupation cost is calculated by the current capital loan interest rate of the bank of the same level.

## (7) Other related transactions

The company entrusts Xiefu Oil Supply Co., Ltd to import the fuel required by the production of the company, and paid RMB 1,232,816.09 yuan to Xiefu Oil Supply Co., Ltd in 2009 as agency commission fee (2008: RMB 16,734,955.37 yuan).

## (8) Receivable and payable accounts of the related parties

Unit: RMB

Name of item	Related parties	Year-end balance	Year-beginning balance
Other receivables	Xiefu Oil Supply Co., Ltd	6,279,664.17	64,551,637.95
	Zhongshan Power Co., Ltd	169,415,458.71	262,561,472.79
	Weimei Power Co., Ltd	24,060,195.84	186,742,076.25
	Environmental Protection Co., Ltd	366,631.30	1,778,100.22
	Shenzhong Development Co., Ltd	666,085,773.42	571,170,127.61
	Shenzhen Nanshan Singapore Co., Ltd	31,072.34	-
Dividends receivable	New Power Co., Ltd	597,875,904.41	597,875,904.41
Other current assets	Zhongshan Power Co., Ltd	100,000,000.00	-
	Weimei Power Co., Ltd	140,000,000.00	-
Interest payable	Engineering Co., Ltd	1,723,625.23	-



Annotations of Financial Statements  
The Fiscal Year as of Dec. 31, 2009

---

Accounts payable	Xiefu Oil Supply Co., Ltd	3,802,647.30	172,576,291.09
	Mawan Power Co., Ltd	49,171.39	300,720.14
	Moon Bay Oil Co., Ltd	-	1,404,537.97
Other accounts payable	Xiefu Oil Supply Co., Ltd	1,062,898.35	11,059,041.41
	New Power Co., Ltd	334,269,727.50	155,071,903.17
	Engineering Co., Ltd	124,000.00	20,775,929.37
	Xingdesheng Co., Ltd	1,822,054.03	1,884,620.04
	Energy Group	511,408.69	511,408.69

## (VII) Contingency

In Mar.2008, the Company and Jierun Company sign a contract confirmation (hereafter referred to as “the Confirmation”) with contract numbers of 165723967102.11 and 165723968102.11.

The first confirmation is valid from March 3<sup>rd</sup>, 2008 to December 31<sup>st</sup>, 2008, constituted by three options contracts. When the floating price (that is, the arithmetic average of the closing settlement prices of light crude future contracts of New York Mercantile Exchange at that month within every decision validity) is higher than 63.50 U.S. dollars / barrel, the Company will receive 300,000 U.S. dollars of income per month (200,000 barrels  $\times$  1.50 U.S. dollars / barrel); When the floating price is 62.00-63.50 U.S. dollars / barrel, the Company will obtain the income of (the floating price - 62.00 USD / barrel)  $\times$  200,000 barrels per month; when the floating price is less than 62.00 U.S. dollars / barrel, the company will pay Jierun Company an amount equivalent to (62.00 U.S. dollars / barrel - the floating price)  $\times$  400,000 barrels per month.

The second confirmation is valid from January 1<sup>st</sup>, 2009 to October 31<sup>st</sup>, 2010, constituted by three options contracts, Jierun Company has a right to choose whether to implement before 18:00 on December 30<sup>th</sup>, 2008. When the floating price is higher than 66.50 U.S. dollars / barrel, the Company will receive 340,000 U.S. dollars of income per month (200,000 barrels  $\times$  1.70 U.S. dollars / barrel); when the floating price is 64.80-66.50 U.S. dollars / barrel, the Company will receive a monthly income of (the floating price - 64.80 U.S. dollars / barrel)  $\times$  200,000 barrels; when the floating price is lower than 64.50 U.S. dollars / barrel, the Company will pay Jierun Company an amount equivalent to (64.50 U.S. dollars / barrel – the floating price)  $\times$  400,000 barrels.

From Apr.2008 to Oct.2008, based on the above confirmations, Jierun Company pays to the Company 2.10 million U.S. dollars (equivalent to RMB 14,352,083.46 Yuan), the Company includes it into "other payables" item after receives this payment.

On November 6<sup>th</sup>, 2008, Jierun Company writes to the Company. They deems that the Company intends to not perform transaction in the notice issued by the Company on October 21<sup>st</sup>, 2008 and the statement of the meeting held by the Company on October 29<sup>th</sup>, 2008, which has constituted a breach of contract, and Jierun Company announces the termination of the transaction. The Company replies Jierun Company that the company has never made any statement not intend to continue to perform transactions, and deems that Jierun Company's unilateral termination of the contract and refuse of paying the A/C payable under the first confirmation as of October, 2008 has constituted a breach of contract, so the Company announces the termination of the transaction. Although both sides terminate the transaction confirmation for different reasons, there are no differences about the termination reality of confirmation and transactions. After the transaction terminated, Jierun Company sends a letter to request the Company to compensate for the transaction termination loss, while sends another letter to express the hope to resolve the disputes by the commercial way. The company replies Jierun Company that the Company does not accept claims for loss compensations, while sends a separate letter to agree to peace talks. Then both sides do several rounds of consultations and negotiations, but no agreement has reached. On November 27<sup>th</sup>, 2009, the Company receives a letter of Allen & Overy LLP, which describes above matters and requires the Company to compensate Jierun with a total of 79,962,943.00 U.S. dollars and the interests of 3,736,958.66 U.S. dollars as of November 27<sup>th</sup>, 2009. The Company replies on January 25<sup>th</sup>, 2010, which shows that the Company did not accept claims for loss compensation. The Company's managing level says if the negotiation failed, there is possibility to resolve the dispute through the legal means.

Based on the legal advice of independent lawyers on the above matters, the Board of Directors of the Company deems:

- (1) Two confirmations and the transactions have been terminated by both parties;
- (2) There are many uncertainties for the progress of this matter, so it is not possible to estimate the future resolving methods and results at this stage;
- (3) As the final result cannot be estimated reasonable and reliable, the Company should not confirm it as accrued liabilities in 2009 annual financial statements.

The Board of Directors of the Company will promptly review the relevant accounting operation according to the progress of the above matters.

## (VIII) Commitments

### Consolidate

#### 1. Capital commitments

Unit: RMB

Items	Year-end number	Year-beginning number
Contracted but not confirmed in the financial statements yet		
-Commitment for purchasing and constructing long-term assets	46,710,139.28	117,419,927.12
-Foreign investment commitments	36,370,000.00	157,598,572.00
Total	83,080,139.28	275,018,499.12

#### 2. Operating lease commitments

At the balance sheet date, the irrevocable operating lease contracts that the group signs with foreign enterprises as follows:

Unit: RMB

Items	Year-end number	Year-beginning number
Minimum lease payment of irrevocable operating lease:		
1 <sup>st</sup> year after the balance sheet date	9,805,337.46	3,920,615.00
2 <sup>nd</sup> year after the balance sheet date	1,494,867.33	2,073,120.00
3 <sup>rd</sup> year after the balance sheet date	1,551,514.70	2,073,120.00
Future years	184,656,522.46	75,251,309.40
Total	197,508,241.95	83,318,164.40

### Parent company

#### 1. Capital commitments

Unit: RMB

Items	Year-end number	Year-beginning number
Contracted but not confirmed in the financial statements yet		
-Commitment for purchasing and constructing long-term assets	19,547,276.55	23,829,259.24
-Foreign investment commitments	36,370,000.00	157,598,572.00
Total	55,917,276.55	181,427,831.24

#### 2. Operating lease commitments

At the balance sheet date, the irrevocable operating lease contracts that the company signs with foreign enterprises as follows:

Unit: RMB

Items	Year-end number	Year-beginning number
Minimum lease payment of irrevocable operating lease:		
1 <sup>st</sup> year after the balance sheet date	6,224,720.00	1,515,565.00
Total	6,224,720.00	1,515,565.00

Shenzhen Nanshan Power Co., Ltd.

Annotations of Financial Statements  
The Fiscal Year as of Dec. 31, 2009

---

## (IX) Events Occurring after the Balance Sheet Date

Unit: RMB

Items	Contents	Impact on the financial status and operation results	Reasons for failure to estimate the impact
Investment	On Jan. 15, 2010, the company held the interim shareholder meeting, reviewed and approved the "Bill of Investing in the China Power Investment Jiangxi Nuclear Power Co., Ltd", and the investment amount was RMB 36,370,000.0yuan.  On Jan. 29, 2010, the company paid RMB 36,370,000.00 yuan for the investment according to the above resolution.	No impact on the 2009 financial status and operation results	Not applicable
Propose to sell the held equity of Wangneng Tongling	On Mar. 25, 2010, the board of directors of the company resolved to be listed in Shenzhen Property Rights Exchange Center to transfer 2.83% equity of Wanneng Tongling, and the base listing price was RMB 34.7781 million yuan of the asset assessment value.	No impact on the 2009 financial status and operation results	Not applicable

## (X) Other important matters

## 1. Financial expenses

## Consolidate

Unit: RMB

Items	Current-year incurred amount	Last-year incurred amount
Interest expenditure	168,780,817.49	274,338,315.36
Less: Capitalized interest expense	43,612,798.97	48,503,429.87
Less: Interest income	2,952,034.68	13,506,192.83
Exchange differences	1,605,705.71	(58,261,570.18)
Other	1,161,256.29	2,673,130.39
Total	124,982,945.84	156,740,252.87

## Parent company

Unit: RMB

Items	Current-year incurred amount	Last-year incurred amount
Interest expenditure	82,870,414.79	113,721,234.44
Less: Capitalized interest expense	-	-
Less: Interest income	54,490,598.37	65,722,897.43
Exchange differences	1,115,071.69	(29,800,572.46)
Other	520,444.96	8,697,511.84
Total	30,015,333.07	26,895,276.39

## (X) Other important matters—Cont'd

## 2. Borrowing costs

**Consolidate**

Unit: RMB

Items	Amount of capitalized borrowing cost in 2009	Capitalization rate
Inventory	38,722,259.97	5.31
Items under construction	4,890,539.00	5.67
Subtotal of current-period capitalized borrowing cost	43,612,798.97	
Borrowing cost included into profit and loss of the current period	125,168,018.52	
Total borrowing cost of the current period	168,780,817.49	

## 3. Segment report

According to the internal organization structural, management requirements and internal reporting systems of our group, the operation business of the group is classified into four reporting segments, i.e. power and heat supply, fuel trade, power plant construction and other relevant business and real estate development. The management of the group regularly evaluates the operation results of the reporting segments, so as to decide to distribute resources to them and evaluate their achievements.

The segment report information is disclosed according to the accounting policies and measuring standards adopted by all segments when reporting to the management, and such measuring bases are kept consistent with the accounting and measuring bases upon preparation of the financial statements.

The inter-segment transfer transactions are measured by actual transaction price. The segment income and segment expense are determined by the actual income and expense of all the segments.

Annotations of Financial Statements  
The Fiscal Year as of Dec. 31, 2009

## (X) Other important matters—Cont'd

## 3. Segment report—Cont'd

## (1) Segment report information

Unit: RMB

Items	Power and heat supply		Fuel trade		Real estate development		Power plant construction and other relevant business		Undistributed items		Inter-segment offset		Total	
	Current year	Last year	Current year	Last year	Current year	Last year	Current year	Last year	Current year	Last year	Current year	Last year	Current year	Last year
Business income														
Foreign trade income	1,841,791,819.27	2,943,086,993.10	2,381,649.22	193,264,075.17	-	-	23,000,289.22	20,200,481.70	656,000.00	-	-	-	1,867,829,757.71	3,156,551,549.97
Inter-segment trade income	28,943,998.90	-	378,803,497.92	1,580,171,276.13	-	-	4,507,766.99	12,172,000.00	-	-	(412,255,263.81)	(1,592,343,276.13)	-	-
Total segment business income	1,870,735,818.17	2,943,086,993.10	381,185,147.14	1,773,435,351.30	-	-	27,508,056.21	32,372,481.70	656,000.00	-	(412,255,263.81)	(1,592,343,276.13)	1,867,829,757.71	3,156,551,549.97
Total statement business income	1,870,735,818.17	2,943,086,993.10	381,185,147.14	1,773,435,351.30	-	-	27,508,056.21	32,372,481.70	656,000.00	-	(412,255,263.81)	(1,592,343,276.13)	1,867,829,757.71	3,156,551,549.97
Adjusted items:														
Business cost	1,984,530,648.89	4,367,629,159.08	361,172,538.95	2,158,335,851.25	-	-	7,743,879.35	6,068,779.93	271,761.22	120,519.60	(414,176,277.87)	(2,017,836,682.34)	1,939,542,550.54	4,514,317,627.52
Business taxes and surcharges	4,944,330.10	2,667,962.60	1,198,494.64	1,487,316.22	3,237,475.75	35,607.97	1,085,794.80	1,620,803.78	-	3,174,298.43	-	-	10,466,095.29	8,985,989.00
Sales expense	-	-	945,157.22	2,179,835.99	-	-	-	-	-	-	-	-	945,157.22	2,179,835.99
Management expense	59,118,914.69	40,050,590.93	5,016,155.51	10,568,805.03	10,285,322.65	12,870,397.12	5,480,413.96	3,437,883.86	19,835,792.26	32,021,293.97	-	423,100.00	99,736,599.07	99,372,070.91
Financial expenses	94,170,725.21	140,942,436.52	1,730,928.67	(21,225,728.79)	3,222,602.87	6,519,305.38	(3,678,412.29)	(4,296,057.87)	29,510,522.13	26,902,165.44	26,579.25	7,898,132.19	124,982,945.84	156,740,252.87
Asset impairment loss	18,673,415.79	2,242,893.08	(4,824,207.25)	4,835,155.11	-	55,259,368.55	912,603.50	849,582.00	2,943,700.00	16,373,600.00	4,912,003.56	(4,912,003.56)	22,617,515.60	74,648,595.18
Investment return	-	-	-	22,519,034.74	-	-	-	-	(9,833,574.79)	67,557,104.24	-	(90,076,138.98)	(9,833,574.79)	-
Business profit	(290,702,216.51)	(1,610,446,049.11)	15,946,079.40	(360,226,848.77)	(16,745,401.27)	(74,684,679.02)	15,963,776.89	24,691,490.00	(61,739,350.40)	(11,034,773.20)	(3,017,568.75)	332,008,038.60	(340,294,680.64)	(1,699,692,821.50)
Non-business income	437,352,183.32	1,689,645,172.34	385,470.38	1,437,566.80	28,240,111.70	65,882,896.04	-	-	6,415,514.12	-	-	12,172,000.00	472,393,279.52	1,769,137,635.18
Non-business expenditure	57,713.30	412,218.52	6,232.00	672,950.91	57,985.45	3,566,734.66	306.90	33,071.73	-	-	-	-	122,237.65	4,684,975.82
Total profit	146,592,253.51	78,786,904.71	16,325,317.78	(359,462,232.88)	11,436,724.98	(12,368,517.64)	15,963,469.99	24,658,418.27	(55,323,836.28)	(11,034,773.20)	(3,017,568.75)	344,180,038.60	131,976,361.23	64,759,837.86
Income tax	(2,193,028.22)	45,244,093.23	3,117,500.74	1,949,909.10	8,903,908.70	-	3,120,369.13	1,448,137.74	-	-	(982,400.71)	1,283,939.99	11,966,349.64	49,926,080.06
Net profit	148,785,281.73	33,542,811.48	13,207,817.04	(361,412,141.98)	2,532,816.28	(12,368,517.64)	12,843,100.86	23,210,280.53	(55,323,836.28)	(11,034,773.20)	(2,035,168.04)	342,896,098.61	120,010,011.59	14,833,757.80

## (X) Other important matters – Cont'd

## 3. Segment report- Cont'd

Unit: RMB

Items	Power and heat supply		Fuel trade		Real estate development		Power plant construction and other relevant business		Undistributed items		Inter-segment offset		Total	
	Current year	Last year	Current year	Last year	Current year	Last year	Current year	Last year	Current year	Last year	Current year	Last year	Current year	Last year
Total assets of the statements	6,186,700,498.01	1,682,451,590.63	370,290,210.57	912,149,066.30	1,228,173,429.51	1,150,200,758.66	268,430,487.37	294,739,762.90	-	4,255,316,117.16	(3,126,998,300.87)	(3,308,917,769.94)	4,926,596,324.59	4,985,939,525.71
Total debt of the statements	4,030,754,524.27	2,678,180,036.79	41,682,323.26	596,925,096.03	1,087,537,944.95	1,012,098,090.38	71,323,411.91	110,475,788.30	-	1,197,103,142.70	(2,360,593,662.44)	(2,544,724,399.54)	2,870,704,541.95	3,050,057,754.66
Additional information:														
Depreciation and amortization expenses	191,067,303.96	231,976,618.49	7,293,075.38	7,579,806.01	1,150,947.90	6,299,371.85	610,768.46	632,748.94	113,200.92	5,003,436.55	(5,271,076.20)	(5,163,076.18)	194,964,220.42	246,328,905.66
Impairment loss confirmed in the current period	18,673,415.79	2,242,893.08	(4,824,207.25)	4,835,155.11	-	55,259,368.55	912,603.50	849,582.00	2,943,700.00	16,373,600.00	4,912,003.56	(4,912,003.56)	22,617,515.60	74,648,595.18
Capital expenditure														
Wherein: Expenditure for projects under construction	46,171,131.76	59,532,642.76	56,400.00	158,317.00	-	-	103,680,764.51	6,269,428.86	13,878,976.49	4,076,346.00	(1,550,062.14)	-	162,237,210.62	70,036,734.62
Expenditure for purchasing fixed assets	6,663,095.41	7,712,569.27	5,385.00	1,080,759.00	9,900.00	4,130,010.00	2,303,469.00	93,749.00	17,648.29	136,121.00	(1,800,000.00)	-	7,199,497.70	13,153,208.27
Expenditure for purchasing intangible assets	576,713.72	4,657,900.70	-	-	-	-	-	-	-	23,200.00	-	-	576,713.72	4,681,100.70



## (X) Other important matters - Cont'd

**4. Financial instruments and risk management**

The main financial instruments of the group include equity investment, bank deposit, borrowings, receivables, other receivables, accounts payable, other accounts payable, etc. See relevant notes ( V ) for the details of all the financial instruments. The risks related to such financial instruments and the risk management policies that the group takes for the risks are as follows. The management of the group manages and monitors the risk exposure, so as to control the risks within a limited range.

**(1) Risk management goals and policies**

The risk management of the group aims to properly balance the risks and the return, minimize the negative impact of the risks on the operation achievements of the group, so as to maximize the interest of the shareholders and other equity investors. Based on the risk management goals, the basic strategies of the risk management of the group are to determine and analyze all risks that the group faces, establish appropriate risk tolerant baseline and manage the risks, and timely and reliably supervise the risks, so as to control the risks within a limited range.

**1.1 Market risks****1.1.1. Foreign exchange risk**

Foreign exchange risk refers to the risk that losses are caused by the exchange rate changes. The foreign exchange risk bearing of the group is mainly related to HKD, USD, Euro and SGD. Except that some subsidiaries purchase and sell in HKD, USD, Euro and SGD, other business activities of the group are mainly priced and settled in RMB. At Dec. 31, 2009, except that the balance of assessments mentioned below is in HKD, USD, Euro and SGD, the balance of assets and liabilities of the group is in RMB. The foreign exchange risks caused by the assets and liabilities of the balance of the foreign currency may have impact on the operation achievements of the group.

Unit: RMB

Items	Year-end number	Year-beginning number
Cash and cash equivalents-USD	10,962,565.09	13,991,754.61
Cash and cash equivalents-Euro	9,972.18	9,473.80
Cash and cash equivalents-HKD	4,838,162.48	4,841,772.18
Cash and cash equivalents-SGD	246,237.16	43,993.15
Other receivables-USD	287,521.51	1,351,589.85
Other receivables-HKD	199,289.02	-
Other receivables-SGD	137,323.76	4,277,073.22
Accounts payable-USD	53,903.31	-
Other accounts payable-USD	14,666,163.09	18,595,093.93
Other accounts payable-HKD	1,528,966.79	1,089,689.68
Other accounts payable-SGD	1,408,681.83	1,376,783.12

The group pays close attention to the impact on the exchange rate changes to its

foreign exchange risks, and has not taken any measure for avoiding the foreign exchange risks.

1.1.2. Interest rate risk-Cash flow change risk

The risk of the group that interest rate changes cause the cash flow changes of the financial instruments is mainly related to the floating interest rate bank loans (See Note ( V )28 for details). The policy of the group is to keep the floating interest rate of such borrowings, so as to eliminate the fair value risks of the interest rate changes.

## (X) Other important matters - Cont'd

**4. Financial instruments and risk management- Cont'd**

## (1) Risk management goals and policies - Cont'd

1.2. Credit risk

At Dec. 31, 2009, the biggest credit risk exposure which may cause the financial losses of the group mainly comes from that the other party of the contract cannot performance its obligations and leads to the financial asset losses of the group.

The group reviews the recovery of each single receivable on each balance sheet date, so as to fully accrue the bad debts for the accounts which cannot be recovered.

The current capital of the group is deposited in the bank with quite high credit rate, so that the credit risk of the current capital is quite low.

1.3. Liquidity risk

When managing the liquidity risk, the group keeps the cash and cash equivalents that the management thinks sufficient and monitors them, so as to meet its operation requirements, and reduce the impact of the cash flow fluctuation. The management of the group monitors the use of the bank loans, and ensures to be in compliance with the loan agreement.

The group takes the bank loan as the main capital source. At Dec. 31, 2009, the bank credit line that the group has not used is RMB 1,343,666,836.25 yuan (RMB 2,034,730,000.00 yuan at Dec. 31, 2008).

The analysis to the financial assets and financial liabilities held by the group according to the due term of the undiscounted rest contract obligations is as follows:

Unit: RMB

Items	Within 1 year	1-5 years	More than 5 years
Currency capital	379,162,100.63	-	-
Receivables	322,237,306.76	17,497,772.26	-
Notes receivable	200,000.00	-	-
Other receivables	9,423,168.75	2,712,124.21	-
Short-term borrowings	(2,476,156,297.12)	-	-
Notes payable	(68,210,216.75)	-	-
Accounts payable	(19,891,019.29)	(1,054,923.26)	-
Interest payable	(3,121,564.50)	-	-
Other accounts payable	(55,792,712.82)	(310,632,262.81)	-
Long-term debt due within one year	(205,660,235.62)	-	-
Long-term borrowings	(8,077,320.00)	(125,211,666.85)	(52,690,262.68)

(X) Other important matters – Cont'd

**4. Financial instruments and risk management- Cont'd**

(2) Fair value

The fair value of the financial assets and financial liabilities is determined according to the following methods:

- The fair value of the financial assets and financial liabilities with standard clauses and conditions and existing in the active market is determined respectively by referring to the current pricing and quotation of the active market;
- The fair value of other financial assets and financial liabilities (excluding derivative instruments) is determined according to the general pricing model based on the future cash flow discount method or by the observable current market transaction price;
- The fair value of the derivative instruments is determined by the public quotation of the active market. If public quotation does not exist, the fair value of the derivative instruments without option is estimated and determined with the future cash flow discount method based on the appropriate return curve; and the fair value of the derivative instruments with options is calculated and determined according to the option pricing model (e.g. the binomial model).

The management of the group thinks the book value of the financial assets and financial liabilities measured by the amortized cost in the financial statements is close to the fair value of such assets and liabilities.

(3) Sensitivity analysis

The group adopts the sensitivity analysis technology to analyze the possible impact of reasonable risk variables and possible changes on the current profit or loss or the shareholders' equity. Because there is a small chance that the risk variables are changed independently, the final impact of the correlation among the variables on some risk variable may play an important role, so the following contents are determined by assuming the change to each variable is independent.

3.1. Foreign exchange risk Sensitivity analysis

When other variables are unchanged, the before-tax impact of the possibly reasonable changes to the exchange rate on the current profit or loss and equity is as follows:

Unit: RMB

Items	Exchange rate changes	Current year		Last year	
		Impact on profit	Impact on shareholders' equity	Impact on profit	Impact on shareholders' equity
All foreign currency	1% appreciated to RMB	(9,766.44)	(9,766.44)	34,540.90	34,540.90
All foreign currency	1% depreciated to RMB	9,766.44	9,766.44	(34,540.90)	(34,540.90)

## (X) Other important matters – Cont'd

**4. Financial instruments and risk management- Cont'd**

## (3) Sensitivity analysis – Cont'd

3.2. Sensitivity analysis to interest rate risks

3.2.1 The sensitivity analysis to interest rate risks is based on the following hypotheses:

- The market interest rate changes affect the interest income or expenses of the financial instruments with variable interest rate.

3.2.2 Based on the above hypotheses, when other variables are unchanged, the before-tax impact of the reasonable changed which may occur to the interest rate on the profit or loss and the equity of the current period is as follows:

Unit: RMB

Items	Interest rate changes	Current year		Last year	
		Impact on profit	Impact on shareholders' equity	Impact on profit	Impact on shareholders' equity
Floating interest rate borrowings	Interest rate goes up by 1%	(21,630,000.00)	(21,630,000.00)	(20,714,593.02)	(20,714,593.02)
Floating interest rate borrowings	Interest rate goes down by 1%	21,630,000.00	21,630,000.00	20,714,593.02	20,714,593.02

## (XI) Approval of financial statements

The consolidated financial statements of the company were approved by the board of directors of the company on Apr. 9, 2010.

## Supplementary material:

### 1. Non- recurrent profit and loss detailed list

#### Consolidation

Unit: RMB

Item	The amount of this year	The amount of last year
Dispose profit and loss for illiquid assets	34,288,861.08	41,131,071.85
Public subsidy calculated into this year ( closely relate to company business besides public subsidy according to state unified standards on ration or	170,231.00	-
Profit and loss for debt reform	223,000.00	46,697,732.93
Writeback of receivables depreciation preparation from the sole	2,625,905.45	-
Other non-operating revenue and expend besides above items	236,766.47	(212,769.19)
Income tax value impacted	(10,378,802.10)	(3,318,663.02)
Impacted valued of minority equity ( after tax)	(8,703,575.88)	(16,100,737.58)
In total	18,462,386.02	68,196,634.99

### 2. Net assets earning rate and EPS

This calculation sheet for net assets earning rate and EPS is made up according to the relevant regulations of “The information disclosure rule of public listed company NO. 09 - The calculation and disclosure of net assets earning rate and EPS “(2010 version) issued by China Securities Regulatory Commission (CSRC)

Profit of the accounting period	Weighted average net assets earning rate (%)	EPS	
		Basic EPS	Diluted EPS
Net profit for common shareholders of the corporation	4.09	0.12	N/a
Net profit for common shareholders of the corporation after deducting non-recurrent profit and loss	3.07	0.09	N/a

### 3. The abnormal on main accounting statements of the company and explanation

Unit: RMB

	Report item	2009	2008	Amplitude of fluctuation	Difference causes
1	Notes receivable	200,000.00	2,626,222.50	(92.38%)	The notes receivable at beginning of the year has been settled .
2	Advance payment	4,419,870.02	67,011,796.04	(93.40%)	The prepaid procurement fund and guarantee deposit for prior years has been settled this year
3	Long-term equity investment	262,754,150.41	154,568,943.00	69.99%	The investment in affiliates from the company for the year increases
4	Construction in progress	203,626,585.32	69,221,381.57	194.17%	It is caused by the investment increase on oil-to- gas project and sludge drying project
5	Intangible assets	58,188,188.59	84,312,023.87	(30.98%)	It is caused by sale on right to use the land by the group
6	Payable account	20,945,942.55	104,706,998.24	(80.00%)	It is caused by the payment for fuel unpaid last year
7	Advance collections	589,000.00	2,198,638.40	(73.21%)	The oil fund and project fund receive in advance decreases
8	Payable employee salary	45,213,658.24	31,921,195.28	41.64%	The labor cost unpaid increases
9	Non-current liability in due within one year	200,000,000.00	100,000,000.00	100.00%	It is caused by increase of the funded debt in due within one year
10	Funded debt	156,000,000.00	281,000,000.00	(44.48%)	It is caused by roll out of the funded debt in due within one year
11	Other non-current liability	3,850,000.00	600,000.00	541.67%	The company receives public subsidy this year .
12	Operation revenue	1,867,829,757.71	3,156,551,549.97	(40.83%)	It is caused by sales decrease on electricity and heating power this year .
13	Operating costs	1,939,542,550.54	4,514,317,627.52	(57.04%)	It is caused by sales decrease on electricity and heating power this year
14	Selling cost	945,157.22	2,179,835.99	(56.64%)	Expense management is enhanced this year
15	Assets depreciation loss	22,617,515.60	74,648,595.18	(69.70%)	Depreciation preparation for large quantity of inventory and depreciation preparation for long-term equity investment is conducted this year
16	Income from investments	(9,833,574.79)	-	N/A	There was no income from investments last year .
17	Non-operating revenue	472,393,279.52	1,769,137,635.18	(73.30%)	It is caused by the decrease of subsidiary earnings from fuel, fuel oil and gasses .
18	Non-operation expense	122,237.65	4,684,975.82	(97.39%)	The illiquid assets dispose loss and inventory discard loss decrease
19	Income tax	11,966,349.64	49,926,080.06	(76.03%)	The company is deficit this year, so there is no income tax expense.
20	Net profit for share holders of parent corporation	74,115,448.64	10,763,920.54	588.55%	The net profit of the group for the year increases
21	Profit and loss for minority shareholders	45,894,562.95	4,069,837.26	1,027.68%	The net profit of non-soly controlled subsidiary increases
22	Net cash flow generated from investment activity	(181,595,887.82)	(316,576.24)	57,262.45%	The investment in associated company from the group for the year increases

The supplementary information provided by the management is signed by the following principals of the company

Enterprise principal:

Principal in charge accountant

Principal from accountancy firm:

April 9th, 2010