



**SHENZHEN NANSHAN POWER CO., LTD**

# **Annual Report 2010**

**Notice No.: 2011—016**

**April 15, 2011**

## Important Notice

The Board of Directors and its directors, Supervisory Committee and its supervisors, senior executives of Shenzhen Nanshan Power Co., Ltd. (hereinafter referred to as the Company) hereby confirm that there are no false recordation, misleading statements or material omissions carried in this report, and shall take all responsibilities, individually and/or jointly, for the reality, accuracy and completeness of the whole contents.

Director Yu Chunling, Director He Yingyi and Independent Director Yu Xiufeng were not present the meeting due to work, and entrusted Director Huangfu Han, Deputy Chairman Sun Yulin and Independent Zhou Chenxin respectively to attend and vote on each behalf; The board of directors reviewed and passed full text of 2010 annual report.

Deloitte Touche Tohmatsu CPA Ltd. issued unqualified Auditor's Report with explanatory paragraph for the Company. 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, CFO, and Huang Jian, manager of financial management department declare that: the financial report in the annual report is true and complete.

This report has been prepared in Chinese and English version respectively. In the event of differences in interpretation between the two versions, the Chinese report shall prevail.

## Contents

<b><i>I. Company Profile</i></b>	<b><u>3</u></b>
<b><i>II. Abstract of Accounting Highlights and Business Highlights</i></b>	<b><u>5</u></b>
<b><i>III. Changes in Share Capital and Particulars about Shareholders</i></b>	<b><u>8</u></b>
<b><i>IV. Particulars about Directors, Supervisors and Senior Executives and Staffs</i></b>	<b><u>12</u></b>
<b><i>V. Administrative Structure</i></b>	<b><u>26</u></b>
<b><i>VII. Report of the Board of Directors</i></b>	<b><u>27</u></b>
<b><i>VIII. Report of the Supervisory Committee</i></b>	<b><u>40</u></b>
<b><i>IX. Significant Events</i></b>	<b><u>42</u></b>
<b><i>X. Financial Report</i></b>	<b><u>50</u></b>
<b><i>XI. Contents of Documents for Reference</i></b>	<b><u>50</u></b>

## I. Company Profile

(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) Legal Representative: Yang Haixian

(III) Secretary of the Board: Hu Qin

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Contact address: 16/F-17/F, Hantang Building, OCT, Nanshan District, Shenzhen, China.

(IV) Registered Address: No.2097 Yueliangwan Avenue, Nanshan District, Shenzhen, China.

Post Code: 518052

Office Address: 16/F-17/F, Hantang Building, OCT, Nanshan District, Shenzhen, China

Post Code: 518053

Website: <http://www.nsrld.com.cn>

E-mail: [public@nspower.com.cn](mailto:public@nspower.com.cn)

(V) Newspapers Designated for publishing notices: Securities Times ,China Securities Journal and Hong Kong Commercial Daily.

Website designated by China Securities Regulatory Committee for publishing semi-annual report: <http://www.cninfo.com.cn>

Place Where the Annual Report is Prepared and Placed: Secretariat of the Board

(VI) Stock Exchange Listed with: Shenzhen Stock Exchange

Short Form of the Stock and Stock Code: Shen Nan Dian A 000037

Shen Nan Dian B 200037

(VII) Other Relevant Information:

Initial Registration Date: April 6, 1990

Initial Registration Address: Nanshan Jiaozui, Nanshan District, Shenzhen

Registration Address after the Change: No.2097, Moon Bay Avenue, Nanshan District, Shenzhen

Registration code of the enterprise business license: 440301501125497

Registration code of taxation: YSW Zi No. 440305930100069 (14)

Organization Code: 61881512—1

Name of CPAs engaged by the Company: Deloitte Touche Tohmatsu CPA Ltd.

Office address of CPA: the 30/F, Bund Center, No. 222. East Yan An Road, Shanghai, China

(IX) Definition

Company, the Company: Shenzhen Nanshan Power Co., Ltd.

Server Company: Shenzhen server Petrochemical Supplying Co., Ltd. with 50% shares held by the Company

New Power Company: Shenzhen New Power Industry Co., Ltd. whose 100% equity

held by the Company;

Singapore Company: Shen Nan Energy (Singapore) Co., Ltd. whose 100% equity is held by the Company;

Syndisome Company: HONG KONG SYNDISOME CO., LIMITED;

Shen Nan Dian Engineering Company: Shenzhen Nanshan Power Turbine Engineering Technology Co., Ltd. whose 100% equity is held by the Company;

Shen Nan Dian Zhongshan Co., Ltd.: Shenzhen Nanshan Power (Zhongshan) Power Co., Ltd. whose 80% equity is held by the Company;

Shen Nan Dian Dongguan Company: Shenzhen Nanshan Power (Dongguan) Weimei Power Co., Ltd. whose 70% equity is held by the Company;

Shen Nan Dian Environment Protection Company: Shenzhen Nanshan Power Environment Protection Co., Ltd. whose 100% equity is held by the Company;

Wenergy Tongling Company: Wenergy Tongling Power Co., Ltd.

Shenergy Environmental Company: Shenzhen Energy Environmental Co., Ltd. whose 10% equity is held by the Company;

Nanshan Power Plant: Nanshan Power Plant who is the second degree institution of Shenzhen Nanshan Power Co., Ltd.;

Zhongshan Nam Long Power Plant: Zhongshan Nam Long Power Plant of Shenzhen Nanshan Power (Zhongshan) Power Co., Ltd.;

Dongguan Gaobu Power Plant: Dongguan Gaobu Plant of Shenzhen Nanshan Power (Dongguan) Weimei Power Co., Ltd.;

Shenzhong Property Company: Zhongshan Shenzhong Real Estate Development Co., Ltd whose 75% equity is held by the Company;

Shenzhong Real Estate Company: Zhongshan Shenzhong Real Estate Investment Property Co., Ltd. whose 75% equity is held by the Company;

Jiangxi Xinchang Company: Jiangxi CPI Xinchang Power Generation Co., Ltd.;

Jiangxi Pengze Nuclear Power Company: CPI Jiangxi Nuclear Power Co., Ltd. whose 5% equity is held by the Company;

CSRC: China Securities Regulatory Committee;

SZSRB: Shenzhen Securities Regulatory Bureau;

SZSE: Shenzhen Stock Exchange;

Designated newspapers: Securities Times ,China Securities Journal and Hong Kong Commercial Daily;

RMB: Unless otherwise specified, the standard currency in the financial data or unit refers to Renminbi.

## II. Abstract of Accounting Highlight and Business Highlight

### (I) Major accounting highlight of the year

(Unit: RMB)

Items	Amount
Operating profit	-930,388,612.63
Total profit	-98,645,669.78
Net profit attributable to shareholders of the listed company	-114,638,678.20
Net profit attributable to shareholders of the listed company after deducting non-recurring gains and losses	-240,261,931.27
Net cash flow arising from operating activities	25,897,944.97

Items and amount after deducting non-recurrent gains and loss (Unit: RMB)

Items	Amount
Net profit	-123,433,431.83
Decrease: earnings from disposal of non-current assets	11,170,697.70
Government subsidies calculated in current gains and loss (closely relevant to corporate business, excluding fixed amount or fixed quantity of government subsidies in accordance with national united standard)	50,000
Earnings from debts reorganization	
Prepared loss return of accounts receivable which independently receive the loss test	1,680,000
Other non-operating income and expense except each item above	169,814,893.34
Income tax influence number of non-recurring profit and loss	-35,825,730.26
Net (loss)/profit excluding non-recurring profit and loss	-270,323,292.61
Attributable to shareholders of parent company	-240,261,931.27
Equity of minority shareholders	-30,061,361.34

### (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) Major financial data and indexes over the latest three years:

#### 1. Major accounting data

Unit: RMB

Items	2010	2009		Increase or decrease over that of last year (%)	2008	
		Before adjustment	After adjustment		Before adjustment	After adjustment
Operating income	1,601,730,465.30	1,867,829,757.71	1,867,829,757.71	-14.25	3,156,551,549.97	3,156,551,549.97
Total profit	-98,645,669.78	131,976,361.23	131,976,361.23	-174.74	64,759,837.86	64,759,837.86
Net profit attributable to shareholders of the listed company	-114,638,678.20	74,115,448.64	74,088,210.90	-254.73	10,763,920.54	10,467,601.80
Net profit attributable to shareholders of the listed company after deducting non-recurring gains and losses	-240,261,931.27	55,653,062.62	55,625,824.88	-531.93	-57,432,714.45	-57,729,033.19
Net cash flow arising from operating activities	25,897,944.97	348,353,702.91	348,353,702.91	-92.57	331,500,520.47	331,500,520.47
Items	At the end of 2010	At the end of 2009		Increase or decrease over that of end of last year (%)	At the end of 2008	
		Before adjustment	After adjustment		Before adjustment	After adjustment
Total assets	5,278,954,349.90	4,926,596,324.59	4,926,596,324.59	7.15	4,985,939,525.71	4,985,939,525.71
Shareholders' equity attributable to listed company	1,735,842,488.46	1,847,287,676.40	1,850,481,166.66	-6.20	1,773,172,227.76	1,779,586,446.01
Share capital	602,762,596.00	602,762,596.00	602,762,596.00	0	602,762,596.00	602,762,596.00

#### 2. Major financial indexes in recent 3 years:

Items	2010	2009		Increase or decrease over that	2008	
		Before	After		Before	After

		adjustment	adjustment	of last year (%)	adjustment	adjustment
Basic earnings per share (RMB/Share)	-0.19	0.12	0.12	-258.33	0.02	0.02
Diluted earnings per share (RMB /Share)	Not applicable	Not applicable	Not applicable		Not applicable	Not applicable
Earnings per share calculated based on latest share capital (RMB /Share)	-0.19	0.12	0.12	-258.33	0.02	0.02
Basic earnings per share after deducting non-recurring gains and losses (RMB /Share)	-0.40	0.09	0.09	-544.44	-0.10	-0.10
Weighted average return on equity (%)	-6.39	4.09	4.09	-256.23	0.61	0.59
Weighted average return on equity after deducting non-recurring gains and losses (%)	-13.40	3.07	3.07	-536.48	-3.24	-3.24
Net cash flow arising from operating activities per share (RMB /Share)	0.04	0.58	0.58	-93.10	0.55	0.55
Items	At the end of 2010	At the end of 2009		Increase or decrease over that of last year (%)	At the end of 2008	
		Before adjustment	After adjustment		Before adjustment	After adjustment
Net asset per share attributable to shareholders of listed company (RMB)	2.88	3.06	3.07	-6.19	2.94	2.95

#### (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 attributable to common shareholders of listed company	-6.39	-0.19	Inapplicable
Net profit attributable to common shareholders of listed company after deducting non-recurring gains and losses	-13.40	-0.40	Inapplicable

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

(Unit: RMB)

Item	Book balance at the beginning of the year	Increased value of the current period	Decreased value of the current period		Book balance at the end of the year
			Reverse	Charge-off	
I. Bad debt reserve	36,298,076.88	278,021.50	1,680,000.00		34,896,098.38
II. Inventory falling price reserves	61,830,305.41	5,718,263.06	1,128,922.47	495,519.12	65,924,126.88
III. Depreciation reserves for long-term equity investment	21,817,300.00	-	-	19,317,300.00	2,500,000.00
IV. Depreciation reserves for fixed assets	28,328,133.00	5,620,433.76	-	967,429.38	32,981,137.38

V. Depreciation reserves for project under construction	14,036,855.79	753,840.36	-	-	14,790,696.15
VI. Depreciation reserves for intangible assets	5,115,063.71	-	-	-	5,115,063.71
VII. Other depreciation reserves	-	1,633,199.83	-	-	1,633,199.83
Total	167,425,734.79	14,003,758.51	2,808,922.47	20,780,248.50	157,840,322.33

### III. Changes in Share Capital and Particulars about Shareholders

#### (I) Changes in share capital

##### 1. Statement of changes in shares (End of Dec. 31, 2010)

Unit: Share

Content	Before the Changes		Increase/Decrease in the Change (+, -)	After the Changes	
	Amount	Proportion (%)	Others	Amount	Proportion (%)
I. Restricted shares	12,993	0.002		12,993	0.002
1. State-owned shares					
2. State-owned legal person's shares	0	0		0	0
3. Other domestic shares					
Including: Domestic non-state-owned legal person's shares					
Domestic natural person's shares					
4. Foreign shares					
Including: Foreign legal person's shares					
Foreign natural person's shares					
5. Senior executives' shares	12,993	0.002		12,993	0.002
II. Unrestricted shares	602,749,603	99.998		602,749,603	99.998
1. RMB Ordinary shares	338,895,157	56.224		338,895,157	56.224
2. Domestically listed foreign shares	263,854,446	43.774		263,854,446	43.774
3. Overseas listed foreign shares					
4. Others					
III. Total shares	602,762,596	100	0	602,762,596	100

[Note] "Senior executives' shares" in restricted shares indicate restricted A-share held by Vice General Manager Zhang Jie at the end of report period.



## 2. The changes on restricted shares

Unit: Share

Name of the restricted shareholders	Amount of the restricted shares in year-begin	Amount of the restricted shares released in this year	The increased amount of restricted shares in this year	Amount of the restricted shares in year-end	Reason for restricted sales	Name of the restricted shareholders
Zhang Jie	12,993	0	0	12,993	Legal condition	-
Total	12,993	0	0	12,993		

### (II) Particular about share issuance 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) Particulars about the shareholders and actual controller

1. At the end of the reporting period, the total number of the company's shareholders is 45,268, wherein 29,126 is A share shareholders, increased by 2,262 than that of the previous year and 16,142 is B share shareholders, increased by 278 than that of the previous year.

#### 2. Particulars about the shares held by shareholders (End of Dec. 31, 2010) (Unit: share)

2. Particulars about the shares held by shareholders (End of Dec. 31, 2016) (Unit: share)

Total shareholders	45,268				
Particulars about the shares held by the top ten shareholders					
Full Name of shareholder	Nature of shareholders	Proportion (%)	Total amount of shares held (Share)	Amount of the restricted shares held	Amount of shares pledged or frozen
Shenzhen Guangju Investment Holding Co., Ltd	State-owned legal person	17.67%	106,495,957	0	0
Hong Kong Nanhai Foreign Firm (International) Co., Ltd	Foreign legal person	15.28%	92,123,248	0	0
Shenzhen Energy Corporation	State-owned legal person	10.80%	65,106,130	0	0
Tengda Property Co., Ltd	Foreign legal person	8.20%	49,426,518	0	0
State Grid Shenzhen Energy Development Group Co., Ltd	State-owned legal person	5.97%	35,999,805	0	0
Yan Tiangong	Domestic natural person	0.55%	3,300,000	0	Unknown
Li Weiping	Domestic natural person	0.36%	2,165,690	0	Unknown

Zhongshan Changli Real Estate Development Co., Ltd	Other	0.29%	1,770,000	0	Unknown
Goldbond Securities Holding Limited	Foreign legal person	0.25%	1,500,000	0	Unknown
Yang Shimin	Domestic natural person	0.23%	1,412,910	0	Unknown
Particulars about shares without restriction held by the top 10 shareholders					
Name of shareholders	Amount of held shares without restriction			Types of shares	
Shenzhen Guangju Investment Holding Co., Ltd	106,495,957			RMB ordinary share	
Hong Kong Nanhai Foreign Firm (International) Co., Ltd	92,123,248			Domestically listed foreign shares	
Shenzhen Energy Corporation	65,106,130			RMB ordinary share	
Tengda Property Co., Ltd	49,426,518			Domestically listed foreign shares	
State Grid Shenzhen Energy Development Group Co., Ltd	35,999,805			RMB ordinary share	
Yan Tiangong	3,300,000			Domestically listed foreign shares	
Li Weiping	2,165,690			Domestically listed foreign shares	
Zhongshan Changli Real Estate Development Co., Ltd	1,770,000			RMB ordinary share	
Goldbond Securities Holding Limited	1,500,000			Domestically listed foreign shares	
Yang Shimin	1,412,910			Domestically listed foreign shares	
Explanation on associated relationship among the top ten shareholders or consistent action	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. First Largest 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 RMB 955,555,556.00. 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:

The Company: 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

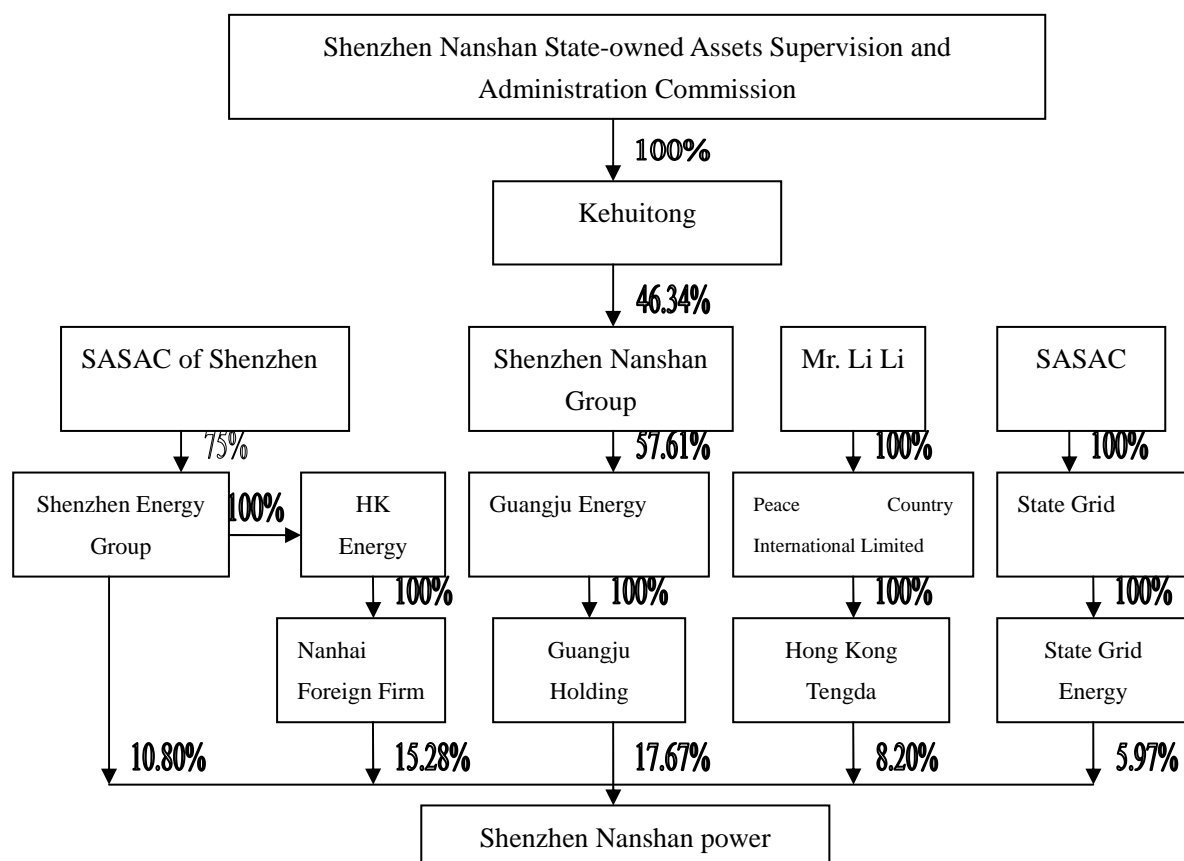
Hong Kong Tengda: Tengda Property Co., Ltd

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 RMB 0.111 billion holds 17.67% of shares; its corporate representative is Du Wenjun 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.

#### IV. Particulars about Directors, Supervisors, Senior Executives and staffs

##### (I) Basic information

###### 1. Present members of board of directors

Name	Title	Sex	Age	Starting date of office term	Ending date of office term	Shares held at the year-begin	Shares held at the year-end	Reason for change	Total amount of payment before tax from the Company in reporting period (RMB' 0000)	Weather receiving from units of shareholders or other related units
Yang Haixian	President	Male	54	2008.9	2009.10	0	0		77.67	No
Li Hongsheng	Vice President	Male	48	2009.1	2009.10	0	0		0	Yes
Sun Yulin	Vice-president	Male	59	2006.10	2009.10	0	0		0	Yes
Fu Bo	Director General manager	Male	48	2006.10	2009.10	0	0		66.47	No
Yu Chunling	Director	Female	45	2006.10	2009.10	0	0		0	Yes
He Yingyi	Director	Male	54	2006.10	2009.10	0	0		0	Yes
Huang Fuhan	Director	Male	56	2006.10	2009.10	0	0		0	Yes
Huang Sujian	Independent director	Male	55	2006.10	2009.10	0	0		11.90	No
Zhou Chengxin	Independent director	Male	55	2006.10	2009.10	0	0		11.90	No
Xu Jing'an	Independent director	Male	69	2006.10	2009.10	0	0		11.90	No
Yu Xiufeng	Independent director	Male	46	2006.10	2009.10	0	0		11.90	No
Wu Xiaolei	Independent director	Female	46	2006.10	2009.10	0	0		11.90	No
Total						0	0		203.64	

[Note] The allowance distribution standard of the independent director is RMB 100,000 /year/person (after tax). In 2010, the allowance of the independent director is RMB 100,000 /person (after tax);

## 2. Present members of supervisory committee

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	61	2006.10	2009.10	0	0		0	Yes
Zhou Qun	Supervisor	Male	46	2006.10	2009.10	0	0		0	Yes
Wang Difei	Supervisor	Male	44	2009.08	2009.10	0	0		0	Yes
Wang Wei	Employee supervisor	Male	49	2006.10	2009.10	0	0		37.44	No
Li Chao	Employee supervisor	Male	39	2006.10	2009.10	0	0		34.26	No
Yi Yaoping	Employee supervisor	Male	42	2006.10	2009.10	0	0		38.43	No
Total						0	0		110.13	

## 3. Present senior executives

Name	Post	Gender	Age	Starting date	Ending date	Shareholding at the beginning of the year	Shareholding at the end 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	48	2006.10	2009.10	0	0		66.47	No
Lin Qing	Deputy general manager	Female	46	2006.12	2009.12	0	0		59.59	No
Ji Ming	Deputy general manager	Male	54	2006.12	2009.12	0	0		59.64	No
Zhang Jie	Deputy general manager	Female	42	2006.12	2009.12	17,325	17,325	Note	59.77	No
Zhu Wei	Deputy general manager	Male	53	2006.12	2009.12	0	0		59.88	No
Wang Rendong	General engineer	Male	49	2006.12	2009.12	0	0		59.88	No
Lu Xiaoping	CFO	Male	48	2006.12	2009.12	0	0		59.57	No

Hu Qin	Secretary of board of directors	Female	43	2006.12	2009.12	0	0	44.17	No
Total						17,325	17,325	468.97	

[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. Particulars about directors, supervisors holding the post in Shareholding Company units:

Name	Name of shareholding Company units	Title	Office term
Yang Haixian	Shenzhen Energy Corporation	Party committee member and director	2008-9 till now
Li Hongsheng	Shenzhen Guangju Investment Holding Co., Ltd	Managing director of Shenzhen Guangju Investment Holding Co., Ltd	2009-10 till now
Sun Yulin	State Grid Shenzhen Energy Development Group Co., Ltd	Bureau level investigator of State Grid Shenzhen Energy Development Group Co., Ltd	2010 till now
Yu Chunling	Shenzhen Energy Corporation	General Manager of Shenzhen Energy Corporation	2009 till now
He Yingyi	State Grid Shenzhen Energy Development Group Co., Ltd	General Manager of State Grid Shenzhen Energy Development Group Co., Ltd	2009 till now
Huang Fuhan	Shenzhen Energy Corporation	Vice General Manager	2006-5 till now
Zhou Qun	Shenzhen Energy Corporation	General manager of Shenzhen Energy Investment Holding Co., Ltd (Huizhou), President of Shenzhen Energy Financial Company	2006 till now
Wang Difei	State Grid Shenzhen Energy Development Group Co., Ltd	Office director of State Grid Shenzhen Energy Development Group Co., Ltd (Shenzhen business)	2005 till now

#### 5. Major work experience of directors, supervisors and senior executives and particulars about holding the post or concurrent posts in other units out of Shareholding Company:

##### (1) Board members

*Mr. Yang Haixian*, president, born in 1956, 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. Li Hongsheng*, Vice President, born in 1963, 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 as well as the director of Shenzhen Nanshan Petroleum (Group) Co., Ltd.

*Mr. Sun Yulin*, vice president and senior engineer, born in 1951, 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 from 2000 to 2007 holds the posts of party committee secretary and deputy general manager of Shenzhen State Electricity Technology Development Co., Ltd and State Grid Shenzhen Energy Development Group Co., Ltd as well as deputy director of State Grid Shenzhen-based Economic Development Liaison Office. From 2008 to 2010 he took posts of deputy general manager and member of party (bureau level) of State Grid International Development Co., Ltd. And now he is bureau level investigator of State Grid International Development Co., Ltd.

*Mr. Fu Bo*, managing director and MBA, born in 1962, 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.

*Ms. Yu Chunling*, director, senior engineer, born in 1965, 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 of planning and developing department as well as office director 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, born in 1956, 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), deputy general manager of this company as well as president and general manager of State Grid Shenzhen Energy Technology and Trade Logistics Co., Ltd. From 2008 he took post of deputy general manager of State Grid International Development Co., and now holds the posts of deputy general manager of China Electric Power Technology Equipment Co., Ltd.

*Mr. Huang Fuhan*, director, born in 1954, 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 autoimmunization 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. Huang Sujian*, independent director, researcher and doctoral supervisor, born in 1955, 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, Zhejiang China Commodities City Group Co., Ltd. and Zhejiang Kangsheng Co., Ltd and director of Zhejiang Jianfeng Group Co., Ltd.

*Mr. Zhou Chengxin*, independent director, born in 1955, 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, 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, born in 1941, 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, used to be part-time professor of Renmin University of China and Shenzhen University, and now holds the posts of president of Shenzhen Jing'an Cultural Communication Company, president of Shenzhen New Age Civilization Research Committee.

*Mr. Yu Xiufeng*, independent director, born in 1964, 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 and fifth Shenzhen Municipal People's Congress, committee member of commission of legal affairs of fourth and fifth 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.

*Ms Wu Xiaolei*, independent director, doctor of economic, and ICMC, born in 1964, 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 Supervisory Committee**

*Mr. Zhu Tianfa*, chief supervisor and chartered accountant, born in 1949, 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, born in 1964, 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, executive director and

general manager of Huizhou Shenzhen Energy Investment Co., Ltd as well as President of Shenzhen Energy Finance Corporation.

*Mr. Wang Difei*, supervisor and accountant with a bachelor degree, born in 1968, had successively held the posts of accountant of financial department, Zhejiang Provincial Electric Power Industry Bureau, deputy manger of accounting department, Zhejiang Beilun Power Generation Plant, deputy manger 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, manger 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, born in 1961, 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, born in 1971, 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, born in 1968, 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 labor 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 Executives**

*Mr. Fu Bo* is the managing director and sees the previous director resume.

*Ms. Lin Qing*, deputy general manager and senior engineer with a master degree, born in 1964, 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, born in 1956, 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.

*Ms. Zhang Jie*, deputy general manager, born in 1968, 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, born in 1957, 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, born in 1961, 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, born in 1962, 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.

*Ms. Hu Qin*, secretary of board of directors, engineer and economist, born in 1967, 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, Li Hongsheng, Sun Yulin, Yu Chunling, He Yingyi, Huang Fuhuan among the board members, as well as Zhu Tianfa, Zhou Qun, 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 RMB 7.1627 million in total.

#### 7. Off-post and recruitment

(1) The board of directors received the written resignations of Mr. Wang Jianbin, vice-president of the company on Jan. 13, 2011; Mr. Wang Jianbin resigned his post of vice-president and director of the company due to personal reasons. The self-resignation of the director was valid since they were sent to the company's board of directors.

(2) The board of supervisors received the written resignations of Mrs. Chen Lihong, supervisor of the company on Jan. 13, 2011; Mrs. Chen Lihong resigned his post of vice-president and director of the company due to personal reasons. The self-resignation of the director was valid since they were sent to the company's board of directors.

(3) On Jan. 13, 2011, the temporary meeting of the 5<sup>th</sup> Board of Directors elected director of the Company Mr. Li Hongsheng as vice president of the Company.

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>, 2010, the company has 347 employees in total (exclusive holdings subsidiary) which was a little less than that of 2009. Specialty component: 75 are operating personnel, 66 are overhauling personnel, 18 are material supply personnel, 20 are financial personnel and 54 are administrative personnel; education background: 102 persons hold a junior college degree, 115 persons hold a bachelor degree and 30 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. Administrative Structure

### (I) Corporate Governance

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*, *Management Methods for Information Disclosure of Listed Companies* and *Stock Listing Rules of Shenzhen Stock Exchange* etc, constantly perfects legal person governance structure, operates legally and regularly runs. The factual situation of legal person governance structure basically meets with requirements of the above laws and rules. In reporting period the governance of the Company are as follows:

#### 1. Establishment of Corporate Internal Control System

(1) In Apr. of 2010, in accordance with requirements of the Notice on Making Accounting System of Listed Companies for Major Error Made in Annual Report Information Disclosure made by Shenzhen SRC, the Company formulated the Accounting System for Major Error Made in Annual Report Information Disclosure which would be conducted after the review and appraisal in the 30<sup>th</sup> meeting of the 5<sup>th</sup> Board of Directors.

(2) The Company complies with relevant financial accounting laws and rules, combining self situation established financial accounting management system. In reporting period, we teased current financial accounting management system and perfected partial deficient accounting



systems. And we has drawn up a series of systems such as the Management System of Predicted Liability and Contingencies, the Rules for Financial Management of Subordinate Companies, the Assessment Methods for Financial Charger and Financial Manager of Dispatched Subordinate Companies, the Accounting System for Behaviors against Financial Accounting Management System, the Accounting Computerization Management System and the Censorship for Financial Accounting of Subordinate Corporation. The above systems could be issued and conducted as long as they were reviewed and appraised.

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

(1) The previous Articles of Association did not show definite cash dividend policy, which did not conform to the Decision on Revising Several Rules of Cash Dividend of Listed Companies made by CSRC. The Company has revised the Articles of Association, and it had been reviewed and appraised on the second general meeting of shareholders in 2010.

(2) In May of 2010, in accordance with the requirements of the Notice of Conducting Special Activities comprehensively and deeply about Basic Work for Normalizing Financial Accounting in Listed Companies around Shenzhen, the Company set up special team for basic work of normalization of financial accounting, formulated working plans for conducting special activities. And we carried out self-checking and self-correction over financial personnel and installation of institution, basic work for accounting, capital management, tax management as well as construction and implementation of financial management system, setting and usage of financial information system, and finished the self-checking report. In accordance with the Plans for Basic Work of Special Activity for Normalizing Financial Accounting in All Systems made by the Company. The financial system of the Company regulated the existing problems from Jun. 1 of 2010 to Aug. 30 of 2010.

(3) According to requirements of the Notice on Self-check on Establishment and Implementation of Long-term Mechanism for Preventing Capital Occupation (SEJF [2010] No. 59), the Company carried out comprehensive carding and self-check on establishment and implementation of long-term mechanism of capital occupation of large shareholders and related parties since Sep. 20 of 2010. As for the self check, till Oct. 15 of 2010, the Company strictly complied with the requirements of the Articles of Association, the Internal Control System, the Management System of Information Disclosure etc, fulfilled procedures of capital payment management and related transaction decision. There existed no capital occupation behaviors on listed companies through distorted means such as operational capital occupation replacing non-operational occupation, advanced payment for shareholders and related parties, Occupation in Period, Pay-back at Period-end as well as unfair related transaction. For further capital occupation of large shareholders and related parties, we set up and completed long-term mechanism for preventing capital occupation. Presently the Company is further refining and perfecting related internal control system, including systems such as the Guarantee Management System and Entrust Loan Guidance have been drawn up and waiting to be issued and conducted after fulfilling relevant appraisal procedure thus ensure consistence and effectiveness of long-term mechanism for preventing capital occupation.

(4) In accordance with the Notice on Fishing Expedition over Horizontal Operation between Listed Companies and Controlling Shareholders, Actual Controllers as well as Their Belonging Corporations (SZJGSZ [2010] No. 61), the Company submitted the Questionnaire on Horizontal Operation between the Company and the 1<sup>st</sup> Largest Shareholder as well as Its Belonging Corporation to Shenzhen SRC on Oct. , 2010, which showed the Company had no horizontal competition with the 1<sup>st</sup> largest shareholder Shenzhen Energy Group Co., Ltd.

(5) Existed problems and measurements

①Number of staffs for audit management department was lacking. In 2010, in accordance with the Temporary Rules for Internal Audit, the board of directors set up audit management department and allocated professional staffs according to job requirements and in 2011 would continue to employ audit staffs to fulfill the staffs' allocation for better internal control.

②the 5<sup>th</sup> Board of Directors has been at the expiration of its term of office. Previously we planned to change personnel upon completion of its term of office in 2010, but the plan hadn't been conducted because the shareholders party didn't reach a consistent opinion on relevant events about the change of Board of Directors. The change of board of directors has been listed in working plan in 2011.

③Explanation on reporting non-public information to the first large shareholder

A. production technology department directly reported daily generating capacity to electrical power assets management department of the first large shareholder; after appraisal of charger of production technology department and leaders of the Company we reported to it statement of electricity production hindrance as well as accidents statement and briefing of monthly safety on the 15<sup>th</sup> day of every month;

B. in accordance with requirements of the Notice on Printing and Issuing Procedure Document of the Management for Group's Dispatching Representative of Property Right SN[2009] No. 45 of the first large shareholder, before the Company held meetings of board of directors and board of supervisors, secretariat of board of directors submitted the proposals discussed and revised by office meeting of general manager to the dispatched directors and supervisors as well as their Legal Service for Property Right Department and Administrative Division at the same time.

The Company submitted the written commitment of disclosure and governance of normal and sending non-public information list about insiders to Shenzhen SRC. At the same time, the first large shareholder signed the Commitment of Strengthening Non-Public Information

Management. In reporting period, under the condition that relevant people strictly kept secret, the Company submitted sending condition of non-public information as well as list of insiders to Shenzhen SRC before the 10<sup>th</sup> day of every month.

## **(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

(1) 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, carefully reviewed and discussed all the submitted proposals, and voted for the rest proposals excluding the one raised by independent director Mrs. Wu Xiaolei on the 29<sup>th</sup> meeting of the 5<sup>th</sup> session board of directors that she opposed the Proposal of Investing and Building LNG Vaporizing Station of Shenzhen Nanshan Power Zhongshan Company (reasons for opposition: 1. The meeting didn't give explanation on the relationship between LNG vaporizing station construction of Shenzhen Nanshan Power and its equity integration plan; 2. Proves for feasibility report of LNG vaporizing station construction of Shenzhen Nanshan Power lacked direction, the proves for feasibility should estimate the influence LNG vaporizing station construction could bring including the economic interest after Shenzhen Nanshan Power Zhongshan Company uses electricity to generate electricity from an overall angle of Shenzhen Nanshan Power, but not takes whether profits or not as judge evidence.).

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

Ten meetings of board of directors were held in the year, one of them was 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	10	8	1	1	0	No
Zhou Chengxin	10	8	1	1	0	No
Xu Jing'an	10	8	1	1	0	No
Yu Xiufeng	10	6	1	3	0	Yes
Wu Xiaolei	10	6	1	3	0	Yes

Notes on those who did not attend the board meetings continuously for twice: The independent director Yu Xiufeng did not attend the 29<sup>th</sup> board meeting of the fifth session and the 30<sup>th</sup> board meeting of the fifth session and all entrusted the independent director Zhou Chengxin to attend



and execute the voting rights on behalf of him; independent director Wu Xiaolei did not attend the 34<sup>th</sup> board meeting of the 5<sup>th</sup> session, 35<sup>th</sup> board meeting of the 5<sup>th</sup> session and the 36<sup>th</sup> board meeting of the fifth session and respectively entrusted the independent director Zhou Chengcin and Yu Xiufeng to attend and Yu Xiufeng executed the voting rights on behalf of her.

(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 2010.

(4) Closely pay attention to progress of events, carefully put up with opinions, require the Company to make necessary judicial measurements when taking Negotiation Treatment, and to carefully fulfill duty of information disclosure in accordance with various levels of supervision departments.

### **(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 assets, 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 present internal control system has been basically established and perfected and presently meets with the requirements of corporate management and corporate development. The current internal control system could better promise the authenticity; legitimacy and completion of corporate accounting documents, could ensure safety and completion of property and goods and materials of the Company. The Company basically could strictly comply with the law and

rules as well as the requirements of contents and patterns ruled by the articles of association thus truthfully, accurately and timely submit and disclose information. In various stages of operation and management of the Company, internal control system could be effectively implemented. The Company had no experience that it was punished by CSRC and relevant personnel were criticized by Shenzhen Stock Exchange. With change of operational environment, the effectiveness of present internal control would be changed. While the Company would further complete internal control system in accordance with relevant requirements, thus constantly meets demands of corporate development and demands of relevant national laws and rules.

## **VI. Particular about Shareholders' General Meetings**

Four interim general meetings of stockholders and the meeting of stockholders of 2009 were held during the report period. For details, please refer to the following contents:

### **(I) First interim shareholders' general meeting of 2010**

The first interim shareholders' general meeting of 2010 was held on January 15<sup>th</sup>, 2010. The resolution of meeting has been published in the designated newspapers and periodicals and the appointed websites by CSRC on January 16<sup>th</sup>, 2010. (Designated newspapers and periodicals include *China Securities Journal*, *Securities Times* and *Wenhui Daily (before May 13 of 2010)*, *Hong Kong Commercial Daily (after May 13 of 2010)*). The designated website of CSRC is <http://www.cninfo.com.cn>.

### **(II) Annual Shareholders General Meeting of 2009.**

The annual general meeting of stockholders of 2009 was held on May 5<sup>th</sup>, 2010. The resolution of the meeting had been published on the designated newspapers and periodicals on May 6, 2010 and the resolution was also published on the designated website of CSRC.

### **(III) Second interim shareholders' general meeting of 2010.**

The second interim shareholders' general meeting of 2010 was held on May 12, 2010. The resolution of the meeting had been published on the designated newspapers and periodicals on May 13, 2010 and the resolution was also published on the designated website of CSRC.

### **(IV) Third interim shareholders' general meeting of 2010**

The third interim shareholders' general meeting of 2010 was held in July 20, 2010. The resolution of the meeting had been published in the designated newspapers and periodicals on July 21, 2010 and published on the designated website of CSRC.

### **(V) Fourth interim shareholders' general meeting of 2010**

The fourth interim shareholders' general meeting of 2010 was held on November 3, 2010. The resolution of the meeting had been published in the designated newspapers and periodicals on November 4, 2010 and published on the designated website of CSRC.

## VII. Report of the 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). The Company owns 3 wholly-owned and sharesholding combustion engine power stations in Shenzhen, Zhongshan and Dongguan which are main power of electrical load central region in Chu Chiang Delta; at the same time, the Company actively seeks constant optimization of investment structure, successively participated in investing construction of ultra-supercritical large scale coal and power projects and nuclear power projects in Jiangxi Region.

In 2010, better tendency of stable growth turned out in our national economy. Social electricity demands in Guangdong constantly increases. But with successive investment and production of newly increased power supply point, regional power supply and demand basically keeps balance. The nation further promotes scheduling policy of energy-saving while the power market competition is still intense. Due to that supply channel of tunnel natural gas in Guangdong is single, subordinate gas turbine power plants had to purchase oil offered by CNOOC. The price of natural gas was attached with the raw oil price in international market, so the cost of fuel used to generate electricity constantly ascended with oil price. Besides, national environmental standard of power production also increased. Thus the Company had to sacrifice economic interest to meet with the environment requirements, and was forced to invest huge amount of capital under unfavorable operation tendency, conduct various environment transformation especially that subordinate Zhongshan Nanlang Power Plant implemented clear energy transformation of Oil-to-Gas and units overhaul, the volume of electricity generation largely decreased, which was the key factor causing substantial loss of annual operation performance.

Faced with intense operation situation, the Company continuously conducted the operational principles of Seeking Survive, Overcome the Difficulties, Striving Development, put much effort on inner operation management, comprehensively compressed various controllable fees, reduced operation costs, use every conceivable means to decrease operation loss. At the same time, the Company vigorously conducted construction of various recycle economic projects, ensured inflation-proofing and appreciation of inventory power assets. Under support of government authorities, owing to persistent effort of recent years, Nanshan Steam Station Sludge Drying project and supply of cooling, heating and electrical powers were successively put into production in 2010, preliminarily forming industry chain of energy rundle comprehensive usage thus laid a better foundation for transformation of Nanshan Steam Station from traditional variable load plant to comprehensive energy suppliers gathering regional electricity supply, cold supply, heat supply (hot water and steam) as well as sludge reclamation. Besides, the Company continuously implemented vitalization and disposal of various inventory idle assets, reduced pressure on capitals within system, constantly optimized operation and assets structure of the Company, thus concentrated resources to seek for long-term sustainable development.

During report period, corporate generated energy was 2.673 billion kWh in total, shrinking 17.27 % from the same period and achieving 97.02 % of annual planned index. Generated energy of Nanshan Power Co., Ltd. (inclusive of new power supply) was 1.789 billion kWh (inclusive of power generation by natural gas, 1.540 billion kWh), increasing 6.55 % from last year in the same caliber, where grid connection energy was 1.737 billion kWh, occupying 34.5 % in Shenzhen's regional regulated thermal power output, which is higher than the share of its installed capacity in Shenzhen regional regulated market amounting to about 25%. Shenzhen Nanshan Power (Zhongshan) Co., Ltd generated energy 52 million kWh, shrinking 92.45 % from the same period mainly due to unit-overhaul and LNG technology transformation. Shenzhen Nanshan Power (Dongguan) Co., Ltd generated energy 832 million kWh, shrinking 3.59 % from the same period.

Till end of Dec. 31, 2010, combined total assets of the company was RMB 5278.9543 million, up by 7.15% than the beginning of year; the shareholders' equity of the company was RMB 1932.4584 million, thereof, shareholders' equity of the parent company was RMB1739.036 million, down 6.00% than the previous year.

In 2010, the company achieved operating revenues of RMB 1601.7305 million, down by 14.25 % than the previous year, non-operating income of RMB 832.3168 million, and total profits of RMB -98.6457 million with RMB 230.6221 million down than the previous year; net profits attributable to parent company was RMB -114.6387 million with RMB 188.7405 down than the previous year mainly due to the largely rising of price of fuel used to generate electricity thus cost of electricity generation fuel rised and units-overhaul and LNG technology transformation of subordinate Shenzhen Southern Power Zhongshan Company as well as investment loss of Jiangxi Xinchang Company; the EPS of the Company was RMB -0.19 with RMB 0.31 down than the previous year.

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

(Unit: RMB'0000)

Classified according to industries or products	Operating revenue	Operating cost	Gross profit ratio (%)	Increase or decrease of operating revenue over the last same period of last year (%)	Increase or decrease of operating cost over the last same period of last year (%)	Increase or decrease of gross profit ratio over the last same period of last year (%)
Power production	154,266.00	219,270.66	-42.14	-15.87	14.29	-37.51
Heating power production	1,094.36	1,488.09	-35.98	12.84	10.22	3.24
Engineering contract	2,594.08	1,193.38	54.00	12.42	89.84	-18.76
Others	2,218.61	1,982.46	10.64	1554.84	1539.25	0.85

(Unit: RMB' 0000)

Areas	Income from operations	Increase/decrease in income from operations over the same period of last year (%)
Shenzhen	113,828.37	8.05
Zhongshan	3,134.14	-91.26
Dongguan	42,560.52	-3.09
Foreign	650.00	-60.69

### 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 2010, value of purchase from the top five suppliers was RMB1199.3620 million, sharing 96.24% in annual purchase value. Power sale in Shenzhen was 1106.1143 million, all of which was for Shenzhen Power Supply Bureau of Guangdong Power Grid Co., Ltd. Power sale in Zhongshan was RMB 30.8090 million, all of which was for Guangdong Power Grid Co., Ltd. Power sale in Dongguan was RMB 425.6052 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	2010-12-31		2009-12-31		Increase of share in total asset
	Value	Share in total asset%	Value	Share in total asset%	
Total assets	5,278,954,349.90		4,926,596,324.59		
Monetary capital	601,386,814.04	11.39	379,162,100.63	7.70	3.69
Account receivable	518,392,276.69	9.82	339,735,079.02	6.90	2.92
Prepayment	13,529,901.89	0.26	4,419,870.02	0.09	0.17
Other account receivable	20,450,149.23	0.39	12,135,292.96	0.25	0.14
Inventory	1,352,372,212.06	25.62	1,344,705,190.19	27.29	-1.67
Long-term equity investment	306,208,274.28	5.80	262,754,150.41	5.33	0.47
Fixed asset	2,169,226,270.73	41.09	2,286,167,921.21	46.40	-5.31
Project in construction	196,729,476.64	3.73	203,626,585.32	4.13	-0.40
Intangible asset	64,236,931.51	1.22	58,188,188.59	1.18	0.04
Short-term borrowing	3,112,400,000.00	58.96	2,419,120,000.00	49.10	9.86
Note payable	0.00	0.00	68,210,216.75	1.38	-1.38
Account	61,115,438.61	1.16	20,945,942.55	0.43	0.73

payable					
Tax payable	-501,193,418.09	-9.49	-400,141,494.43	-8.12	-1.37
Other account payable	288,768,647.32	5.47	331,595,817.33	6.73	-1.26
Long-term borrowing	186,000,000.00	3.52	156,000,000.00	3.17	0.35

Note: Primary causes for changes from the same period

- ①monetary funds increased over beginning of the year mainly due to the increase of bank loan;
- ②accounts receivable increased over the beginning of the year mainly due to increase of receivable subsidies;
- ③accounts paid in advance increased over the beginning of the year mainly due to purchase cost for natural gas paid in advance increased;
- ④other accounts receivable increased over the beginning of the year mainly due to newly increased guarantee for purchasing natural gas;
- ⑤inventory increased over the beginning of the year mainly due to cost for planning to develop products increased;
- ⑥long-term equity investment increased over the beginning of the year mainly due to the investment account for Jiangxi Xinchang Company and Jiangxi Nuclear Company;
- ⑦fixed assets decreased over the beginning of the year mainly due to accrual of depreciation of this year;
- ⑧intangible assets increased over the beginning of the year mainly due to corresponding revenue of Municipal Public Utilities for recycle economic projects of Nanshan Steam Station increased;
- ⑨short-term loan increased over the beginning of the year mainly due to bank loan increased;
- ⑩notes payable increased over the beginning of the year due to notes payable at year-begin has been paid off;
- (11)accounts payable increased over the beginning of the year mainly due to fuel gas fees payable of this year increased;
- (12)balance of taxes payable of this year was minus mainly due to that electricity tariff and cost hang upside down thus input tax of payable value added tax exceeded output tax of it;
- (13)other accounts payable decreased over the beginning of the year mainly due to payment back for loans from Zhongshan Finance Bureau;
- (14)long-term loan increased over the beginning of the year mainly due to long-term bank loan increased.

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

(Unit: RMB)

Items	2010	2009	Increase or decrease rate %
Operating cost	860,503.71	945,157.22	-8.96
Management cost	95,926,428.20	99,736,599.07	-3.82



Financial cost	128,297,803.98	124,982,945.84	2.65
Asset Devaluation	11,194,836.04	22,617,515.60	-50.50
Investment income	-49,130,454.11	-9,833,574.79	399.62
Non-business income	832,316,848.06	472,393,279.52	76.19
Non-business expenditure	573,905.21	122,237.65	369.5
Income tax	24,787,762.05	11,966,349.64	107.15

[Note]: Primary causes for change from the same period

- ①operating cost decreased over the beginning of the year mainly due to business of Xiefu Company decreased;
- ②management cost decreased over the last year mainly due to expense on engaging mediator and holding board of directors;
- ③financial cost increased over last year mainly due to loan scale increased;
- ④assets depreciation loss decreased over last year mainly due to accrual over depreciation of projects in construction and major inventory depreciation provision last year;
- ⑤investment income decreased over last year mainly due to that investment loss of this year of Jiangxi Xinchang Company calculated by equity method increased;
- ⑥non-operating income increased over last year mainly due to fuel subsidies for Shenzhen increased;
- ⑦non-operating increased over last year mainly due to loss form disposal of assets increased;
- ⑧income tax increased over last year mainly due to deferred income tax assets decreased.

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

(Unit: RMB)

Items	2010		2009		Increase or decrease of structure ratio
	Value	Structure ratio%	Value	Structure ratio%	
Cash inflow by operating activity	2,688,135,460.20	40.07	2,860,794,426.72	47.43	-7.36
Cash from goods sales and rendering of service	2,288,118,410.70	85.12	2,466,097,200.26	86.20	--1.08
Cash outflow by operating activity	2,662,237,515.23	41.12	2,512,440,723.81	41.54	-0.42
Including: cash paid for goods and receiving service	2,398,061,926.94	90.06	2,225,450,777.72	88.58	1.48
Net cash flow by operating activity	25,897,944.97	11.00	348,353,702.91	-2,179.01	2,190.01
Net cash flow by investment	-165,100,769.06	-70.11	-181,595,887.82	1,135.91	-1,206.02
Net cash flow by financing activity	374,701,759.98	159.11	-182,744,637.98	1,143.10	-983.99

[Note]: chief causes for change from the same period compared to last year:

- ①net cash flow arising from operating activities decreased over last year mainly due to cost for raw materials increased thus cash paid for purchasing goods and offering labors;
- ②net cash flow arising from investment activities increased over last year mainly due to investment in Jiangxi Xinchang Company and Jiangxi Nuclear Power Company;
- ③net cash flow arising from financing activities increased over last year mainly due to bank

loan increased.

#### 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 113.85 million with all held by Company. Up to Dec.31, 2010, corporate total asset was RMB 898.9991 million, increasing 12.59% from beginning of the year. Net asset was RMB 188.3018 million, increasing 18.64% from beginning of the year. Main operation income of 2010 was RMB 731.9595 million, increasing 9.79% from beginning of the year. Net profit was RMB 29.57939 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, 2010, corporate total asset was RMB 983.9350 million, decreasing 11.42 % from beginning of the year. Net asset was RMB -135.7338 million, decreasing 1572.79% from beginning of the year. Main operation income of 2010 was RMB 49.9923 million, decreasing 86.06% from last year. Corporate loss was RMB 144.9499 million, increasing 667.64 % from last year. The loss was mainly due to: implementation of clear energy transformation of Oil-to-Gas and units overhaul as well as electrical energy decreased by a large margin.

(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, 2010, corporate total asset was RMB 1182.7778 million, increasing 10.12 % from beginning of the year. Net asset was RMB 487.1086 million, increasing 11.63% from beginning of the year. Main operation income of 2010 was RMB 425.6052 million, decreasing 3.09 % from last year. Net profit was RMB 50.7295 million, decreasing 65.66 % from last year.

(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, 2010, corporate total asset was RMB 174.4095 million, increasing 23.16% from beginning of the year. Net asset was 140.5422 million, increasing 7.32% from beginning of the year. Main operation income of 2010 was RMB 24.5690 million, decreasing 10.68% from last year. Net profit was RMB 9.5868 million, decreasing 25.35%, which was mainly caused by reduction of business volume.

(5) Server 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, 2010, corporate total asset was RMB 103.6574 million, increasing 2.38 % from beginning of the year. Net asset was RMB 82.9143 million, increasing 2.18 % from beginning of the year. Main operation income of 2010 was RMB 51.1358 million, decreasing 86.59 % from last year. Net profit was RMB 1.6039 million, increasing 87.99% 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%. Up to Dec.31, 2010, corporate total asset was RMB 1046.4879 million, increasing 1.59% from beginning of the year. Net asset was RMB 80.3035 million,



increasing 19.33% from beginning of the year. Full-year main operation income was RMB 13.0079 million (including years of interests of oil fees paid for Xiefu Company RMB 15.2214 million).

(7) Shenzhong Real Estate Company mainly engages in real estate development, property management, self own commercial houses selling, leasing and real estate investment etc where corporate shareholding ratio are all 75%. Up to Dec.31, 2010, corporate total asset was RMB 135.3171 million, decreasing 31.70% from beginning of the year. Net asset was RMB 76.8886 million, increasing 4.84% from beginning of the year. Total full-year realized profit was RMB 3.5937 million.

(8) 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. Up to Dec. 31 of 2010, total assets of the Company was RMB 142.5804 million, net assets RMB 69.4071 million and financial costs RMB 584,500. presently the Company is still in construction.

(9) Jiangxi Xinchang Company mainly engages in thermal power generation, energy management and cascade utilization; Projects consulting and training service of power technology with registered capital RMB 904.2857 million where corporate shareholding ratio are all 30%. 2010 was the 1<sup>st</sup> year when 1# and 2# machine sets were put into production. On Dec. 31 of 2010, the total assets were RMB 4,576,472,000, up 25.87% over the beginning of the year; net assets RMB 707,010,900, up 23.90% over the beginning of the year. In 2010 the Company realized main business operating income RMB 2,113,266,500 and net profit RMB -163,600,900, main reasons for the loss was the substantial rising of fuel-oil price.

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

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

2011 is the opening year of the 12<sup>th</sup> 5-years. In future years, transformation of developing model of social economy will be the focus the government pays attention to. And afterwards there comes along constant and deep industry structure regulation, gradually tense monetary market policy and gradual strict environmental production standard. The government will constantly put more effort on support and investment in low-carbon economy, recycle economy and energy comprehensive usage thus power industry especially combustion engine industry will face more intense pressure and challenge.

With constant and stable progress of our national economy, social power demand will keep steady growth and deficiency of power supply will increase, which offer opportunity for power corporations getting rid of difficulties. As test unit of the national second package of recycle economy, the sludge drying project and supply of cooling, heating and electrical powers project of the Company were successively put into production in 2010. Industry chain of energy rundle comprehensive usage has preliminarily formed. All the 9E machine set of subordinate plants have been transformed into combustion engine machine set whose schedule of machine sets could be adjusted. The future Energy-saving and Emission-reducing and low-carbon environment will still be the core competitiveness among corporations. At the same time, the Company participates in investment in large scale coal power and clear energy projects, optimizes industry structure, and complies with the national low-carbon economic principle. Challenge and opportunity are encountered by the future development of the Company.

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

2011 will be a harder year for the operation situation of the Company and also a key year for

survival and development of the Company. So the Company should conduct various tasks with more practical attitude and more innovative ideas. Main working goals of 2011 are: securely and economically generate electricity, avoid operating losses; optimize industry structure and seek for corporation development. Key work of 2011 is as follows:

**(1) Make effort on safe and economic power generation, realize the goal of loss-reducing and profit increasing**

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) Continuously prompt optimization and adjustment of industrial structure, strive for sustainable development**

Enhance supervision and audit on Jiangxi Xinchang Power Plant and other investing corporations; closely track Nuclear Power of Pengze and large scale coal-power project of Shenzhen Seashore, study and prove the second stage construction expansion of Zhongshan and Dongguan Power Plants, randomly start land development of Shenzhong Real Estate Company, as soon as possible implement strategy restructure of Zhongshan Company and strive to complete acceptance check and appraisal over environment evaluation of Dongguan Company. 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.

**(3) Pay attention to plan for Qianhai new region, and strive developing opportunity of the Company**

Qianhai new region is the demonstration plot for innovation and co-operations of Guangdong and Hong Kong modern service industry. Financial industry, modern logistic industry, information service industry, technology service and other service industries will be the key developing points in the region. The Company will closely track and actively coordinate the plan of this region, strive developing opportunity of the Company, effectively protect interests of the company and shareholders.

**(4) Bring in professional consultant institution, perfect management system of internal control**

As one of test corporations of internal control standardization among listed companies of Shenzhen Stock Exchange, the Company further perfects internal control system and takes it as one of major tasks of 2011. In 2011 the Company will bring in professional consultant institution and comprehensively and systemically sort out internal control system in accordance with the Basic Standardizations for Internal Control and Corresponding Guidance for Internal Control as well as requirements of supervision departments. And we will estimate validity of internal control system, further establish and perfect internal control system, set up standardized operation standard thus meet the requirements of operation and development and lay a foundation for long-term stabilization and sustainable development of the Company.

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

The fifth board of directors has expired. It is necessary to positively coordinate shareholders to change term of board of directors, board of supervisors and business group smoothly based on

*Company Law* and Article of Association. Ensure a stable transition and orderly implementation of various production and operation.

#### **(6) Initiatively pay attention to press reports, strengthen investor relations**

In accordance with laws and rules as well as relevant rules of corporate system, we do better job in investors relationship management, carefully deal with interviews of investors, and patiently receive telephone consultation, promote better relationship between the Company and investors. Fully make use of investor management relations platform in Shenzhen Stock Exchange and company website, positively guide and propagandize the Company. Do a better job in daily supervision on press reports, constantly improve ability of crisis public relation and practically protect the market image of the Company.

### **(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**

This project was listed in significant construction item of Shenzhen in 2010 as well as water pollution control item and anti-pollution and clearing item. Till Aug. of 2010, civil engineering and field engineering have all been implemented, and through procedure of interior transfer, thus smoothly step into stage of systemic commissioning period. Till Dec. 31 of 2010, accumulated disposal of wet sludge reached 8,575 tons and 2,320 tons of dry sludge was produced. In reporting period, no assets were increased in the Company; till period-end, accumulated investment of the Company was RMB 46.34 million.

##### **(2) Cooling & heating power (CHP) project**

Cooling & heating power (CHP) project for development of recycling economy listed in significant previous construction of Shenzhen in 2010. In reporting period, the Company smoothly completed coverage of cooling pipeline from refrigeration station to new complex building of Nanshan Heat Station, sludge drying plants and off-plants Longshan Environment. And we successively conducted sub-division commissioning, integral starting-up and pre-operation of cooling station. Demonstration project has formally exterior cooling on May 18 of 2010 and starting commercial operation. In 2010, full-year cooling reached 1210 hours, and cooling supply volume was 0.878 million kilowatt. In reporting period, capital of the Company increased RMB 1.4716 million; till period-end, the Company invested RMB 7.1605 million in sum.

**(3) Oil-to-gas project of Zhongshan Company of Shenzhen Nanshan Power Company**  
Zhongshan Company of Shenzhen Nanshan Power started the Oil-to-Gas project in 2010, conducted clear energy transformation of fuel used to generate electricity. Owing to temporarily deficient usable air piping, the Company applied means of tank-transporter and construction of LNG vaporizing station to supply gas for generating electricity. On Dec. of 2010, in accordance with the Management Rules for Fuel Gas in Guangdong, completion and filing of the Oil-to-Gas project of Zhongshan Company have been completed in Bureau of Housing and Urban and Rural Construction in Zhongshan City. And fuel transformation has been successfully achieved. In reporting period, the Company invested RMB 27.8925 million.

#### (4) Jiangxi Xinchang Project

The Company completed full-year generating capacity 6.12 billion kilowatt-hours taking up 99.29% of the planed one, and electricity volume 5.858 billion kilowatt-hours taking up 101.33% of the planned one. We realized total full-year profit RMB -163.6009 million. Substantial rising of fuel price was the main reason for profit loss. In reporting period, capital of the Company increased RMB 90 million; till reporting period, the Company invested 286.2857 million in sum.

#### (5) Jiangxi Pengze Nuclear Project

In the first half year of 2010, the Company has paid down-payment investment account RMB 37.315 million, and entrusted directors and supervisors of the Company in accordance with agreement of terms.

#### (6) Shenzhen Energy Environment Company

On Aug. of 2010, Shenzhen Energy Environment Company increased registered capital RMB 610.5 million for building the second stage item of Bao'an and the second stage expansion item of Nanshan, the Company should increase capital RMB 61.05 million according to the 10% of shareholding ratio. On Jan. 31 of 2011, the phase I increased capital RMB 478.81 million for building phase II item of Bao'an has been completed, and the phase II 131.69 million should be completed after the Nanshan Phase II project passes environment appraisal in 30 days. After capital increases, the registered capital of Shenzhen Energy Environment Company is RMB 1028.4 million. Till now, the Company invested RMB 89.671 million in sum (RMB 13.169 million has not been invested).

### (IV) Within reporting period, changes of main account policies of the Company

Unit: RMB

Details and reasons of changed accounting policy	Name of influenced item in statement	Impact on amount
<u>1. Excess deficit of subsidiary</u>		
Before Jan. 1, 2010, in consolidation financial statement of the Company, beared losses of subsidiary share by minority shareholder exceeded the shares enjoyed of owners' equity at period-begin of the subsidiary for minority shareholders, if there has reliability and capacity for remedy for minority shareholder regulated in Article of Association or Agreement, off-setting minority equity; or else, off-setting owners' equity attributable of parent company. Profit realized by the subsidiary in following period, should considered as owner's equity attributable to parent company totally before remedied the minority beared by parent company.	Consolidation financial statement: Owner's equity and minority equity attributable to parent company on Jan. 1, 2009	RMB 3,207,109.13 increased; RMB 3,207,109.13 decreased
According to regulation of Explanations of Accounting Standard for Business Enterprise No.4, since from Jan. 1, 2010, in consolidation financial statement of the Company, beared losses of subsidiary share by minority shareholder exceeded the shares enjoyed of owners' equity at period-begin of the subsidiary for minority shareholders, rests of the amount still off-setting minority equity.	Owner's equity and minority equity attributable to parent company on Dec. 31, 2009	RMB 3,193,490.26 increased; RMB 3,193,490.26 decreased

<p>The abovementioned changed accounting policies adopted retroactive adjustment by the Company for calculation.</p>		
<p><u>2. Every directly related expense arising from enterprise consolidation</u></p> <p>Before Jan. 1, 2010, for enterprise consolidation under different control, every directly related expense arising from enterprise consolidation was reckoned as cost of enterprise consolidation in consolidation financial statement while reckoned as initial investment cost of long-term equity investment in financial statement of the Company.</p> <p>According to regulation of Explanations of Accounting Standard for Business Enterprise No.4, for those agent fee of auditing, law service and assess consultation from enterprise consolidation under different control and other relevant management expenses, reckoned into current gains/losses while occurred respectively in consolidation financial statement and financial statement of the Company since Jan. 1, 2010.</p> <p>The abovementioned changed accounting policies adopted prospective method by the Company for calculation.</p>	<p>No influence</p>	<p>N/A</p>

**Opinion from the Board:**

1. The abovementioned retroactive adjustment was exercise due to the changes of accounting policy and has minor influence on net profit in accounting statement of 2009.
2. The abovementioned retroactive adjustment meets the requirement of Notice of Disclosure for Annual Report 2010 of Listed Company issued from Shenzhen Stock Exchange and the Clause VI contained in Explanation of Accounting Rules for Business Enterprise No.4 issued by MOF; and also meets regulations of Accounting Standard for Business Enterprise and Accounting System for Business Enterprise from state-issued. The adjustment also endorsed by auditing institution of the Company.

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

In 2010, 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 March 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.

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

### **1. Meeting**

Within report period, 10 meetings were initiated by board of directors. Specifics are as following:

- (1) On Mar. 25, 2010, the 29<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 Mar. 31, 2010 and disclosed in website designated by CSRC.
- (2) On Apr. 9, 2010, the 30<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 Apr.13, 2010 and disclosed in website designated by CSRC.
- (3) On Apr. 15, 2010, the 31<sup>st</sup> meeting of the 5<sup>th</sup> session of board of directors (voting by correspondence).
- (4) On Apr. 23, 2010, the 32<sup>nd</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 Apr.24, 2010 and disclosed in website designated by CSRC.
- (5) On May. 12, 2010, the 33<sup>rd</sup> meeting of the 5<sup>th</sup> session of board of directors
- (6) On Jun. 30, 2010, the 34<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 Jul. 3, 2010 and disclosed in website designated by CSRC.
- (7) On Aug. 13, 2010, the 35<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. 17, 2010 and disclosed in website designated by CSRC.
- (8) On Oct. 14, 2010, the 36<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. 16, 2010 and disclosed in website designated by CSRC.
- (9) On Oct. 20, 2010, the 37<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. 22, 2010 and disclosed in website designated by CSRC.
- (10) On Dec. 23, 2010, the 38<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 Dec. 28, 2010 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) invested Zhongshan Power Investment Jiangxi Nuclear Power Co., Ltd;(2) completed guarantee offering for loans of subordinate corporations;(3) paid for annual audit institution of 2009;(4) engaged 2010 annual audit institution;(5) revised the Articles of Association;(6) signed long-term gas contract of CNOOC;(7) shut #7、 #9 machine sets and constantly tracked and carried out capacity transformation of closed machine sets of subordinate Nanshan Heat Plant.

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 7 meetings.

(2) Auditing financial information and getting after annual report audit

①Within report period, audit committee seriously reviewed annual audit plan of 2009 and relevant data, fixing schedule for financial report audit of 2009 under negotiation with Price Waterhouse Coopers (Shenzhen Branch) (PWC) on duty of annual audit, and claimed to perform audit of 2009 in coordination with audit institution strictly complying with requirements of supervision department.

②When CPA for annual audit entered the arena, committeeman of audit commitment and certificated public accountant (CPA) of Deloitte Touche Tohmatsu CPA took gradual communication for the financial audit problems encountered in planning stage.

③agreed the 2009 Annual Audit Report (draft) and the Special Statement on Unqualified Audit Report with Explanation Paragraph Issued by Shenzhen Nanshan Power Co., Ltd, and agreed to submit them to the 30<sup>th</sup> meeting of the 5<sup>th</sup> session of Board of Directors for appraisal.

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

It was suggested that the company should employ Deloitte Touche Tohmatsu as audit institution of 2010.

(4) Supervision of internal control

①in order to improving the normative operation of the Company, strengthen accountability on person liable for information disclosure of annual report, enhance the authenticity, accuracy, completeness and timeliness of information disclosure of annual report. And we formulated the Accountability System for Major Error Made in Information Disclosure of Annual Report in accordance with laws and rules of the Securities Law of the People's Republic of China and the Management Methods for Information Disclosure of Listed Companies as well as relevant

rules of the Notice on Requiring Listed Companies to Formulate Accountability System for Major Errors Made in Information Disclosure of Annual Report issued by Shenzhen SRC, combining actual condition of the Company.

②according to the requirements of the Notice on Conducting Special Activity about Normalizing Basic Work of Financial Accounting Comprehensively and Deeply in Listed Companies in Shenzhen (SZJF [2010] No. 109) issued by Shenzhen SRC as well as relevant working arrangement of the Plans for Conducting Special Activities about Normalizing Basic Work of Financial Accounting in Overall System made by the Company, audit commitment took site investigation on self-check stage of normalizing the basic work of financial accounting at 15:00 on May 7 of 2010, and raised up relevant opinions.

③respectively held meetings on Jun. 17 of 2010 and Oct. 20 of 2010, and reviewed and appraised the Self-check Report of Special Activities about Normalizing Basic Work of Financial Accounting and the Rectification Report of Special Activities about Normalizing Basic Work of Financial Accounting.

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

Within report period, remuneration & evaluation committee initiated special meeting to discuss Scheme for Compensation Accrual & Evaluation of 2010 and Summary Report on Performance of Responsibilities of Compensation & Evaluation Committee and debriefed Report on Performance of Scheme for Compensation Accrual & Evaluation of 2009. The committee deemed that performance of remuneration in 2009 and scheme for remuneration accrual of 2010 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 2010 board meeting, which conforms to payment policy and assessment criterion involved.

#### 5. Plan for profit distribution of 2010

Upon audit of Deloitte, net profit attributable to shareholders of listed companies in 2010 was RMB -114,638,678.20. In 2010, the Company didn't accrue surplus accumulation fund.

To improve profitability in the future, combing operation situation of the Company, the retained profit at end of 2010, RMB 436,541,567.35 in total, was carried over to next year to supply working fund necessary for daily operation.

In 2010, 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	Annual distributable profit



			statement	
2009	0.00	74,101,829.77	0.00%	551,180,245.55
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
Share of amount of accumulative dividend of the former three years in Latest annual average profit (%)				6.44%

#### 6. Information disclosure

Within report period, board of directors timely and accurately disclosed various periodic and temporary notices, 66 in total, as required by supervision department and relevant law and regulation.

On May 13 of 2010, the Company appointed Hong Kong Commercial Daily as the foreign press of information disclosure in place of HK Wen Wei Po while the domestic press kept unchanged (details on report on May 13 of 2010, notice number: 2010—030).

#### 7. Implementation of management system over insiders of internal information

The Company formulated the Management System of Information Disclosure and the Registration System of Insiders of Internal Information, defined rule of information privacy.

When the Company reports and submits information externally by law, we require relevant person to fill the Registration Sheet about Insiders of Internal Information, and remind relevant person to comply with related laws and rules. In reporting period, the Company reports and submits the List of Insiders of Internal Information to Shenzhen Stock Exchange and Shenzhen SRC apart from various periodic reports, and also reports and submits the Information Slip on Offering Non-public Information for Large Shareholders to Shenzhen SRC. Besides, in accordance with requirements of Shenzhen SRC, the Company reported and submitted the list of insiders of the Plans of Temporarily Charging for Processing Fee of Oil and Gas Fuel for Subsidizing Summit Electricity Generation of Local Gas Turbine Power Plant (SFB [2010] No. 74) in Sep. of 2010.

#### 8. Statement on responsibility of internal control

Board of Directors made commitment: there was no any false, misleading statement or material misstatement in the Self-Evaluation Report about 2010 Annual Internal Control. All the disclosed information was real, accurate and complete.

## VIII. Report of the Supervisory Committee

### (I) Working performance

Supervisory Committee performed all responsibilities as required by state law and regulation and Article of Association. Within report period, it initiated 8 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. On Mar. 25, 2010, the 23<sup>rd</sup> meeting of the 5th session of board of supervisors. Examined and adopted the Proposal of Transferring 2.83% Equity of Anhui Energy Tongling Power Co., Ltd and the Proposal of Purchasing Inventory Oil Fuel from Shenzhen Ma Bay Power Co., Ltd.
2. On Apr. 9, 2010, the 24<sup>th</sup> meeting of the 5th session of board of supervisors. Examined and

adopted the Working Report of 2009 Annual Board of Supervisors, the 2009 Annual Financial Account and Analysis Report, the 2009 Annual Pre-plan for Profit Distribution, the 2009 Annual Report Text and Summary and the 2009 Annual Self-Evaluation Report about Internal Control.

3. On Apr. 23, 2010, the 25<sup>th</sup> meeting of the 5<sup>th</sup> session of board of supervisors. Examined and adopted the Report of Production, Operation and Management of the 1<sup>st</sup> Season of 2010 and the 2010 the 1<sup>st</sup> Seasonal Financial Account Report.

4. On May 12, 2010, the 26<sup>th</sup> meeting of the 5<sup>th</sup> session of board of supervisors. Examined and adopted the Proposal of Negotiating and Transferring 10% Equity of Shenzhen Energy Environment Co., Ltd.

5. On Jun. 30, 2010, the 27<sup>th</sup> meeting of the 5<sup>th</sup> session of board of supervisors. Examined and adopted the Proposal of Capacity Compensation for Previous Closed Machine Sets of Shenzhong Real Estate Investment Co., Ltd and Shenzhong Real Estate Development Co., Ltd in Zhongshan City, as well as the Proposal of Disposal of Dadi Garden and Other House Properties as well as Partial Transporting Vehicles of Shenzhen Xiefu Oil Supply Co., Ltd.

6. On Aug. 13, 2010, the 28<sup>th</sup> meeting of the 5<sup>th</sup> session of board of supervisors. Examined and adopted the Report of 2010 the First Half Year of Production, Operation and Management, 2010 Semi-annual Financial Account and Analysis Report and the 2010 Semi-annual Report Text and Summary (Domestic and foreign versions).

7. On Oct. 20, 2010, the 29<sup>th</sup> meeting of the 5<sup>th</sup> session of board of supervisors. Examined and adopted the Report of 2010 the Third Seasonal Production, Operation and Management, 2010 the Third Seasonal Financial Account and Analysis Report and the 2010 the Third Seasonal Report Text and Summary (Domestic and foreign versions), and the Self-check Report on Construction and Implementation of Long-term Mechanism for Preventing Capital Occupation.

8. On Dec. 23, 2010, the 30<sup>th</sup> meeting of the 5<sup>th</sup> session of board of supervisors. Examined and adopted the Proposal That Shenzhen Energy Environment Co., Ltd Increases Registration Capital and the Proposal of Disposal of Inventory Fuel in Subordinate Power Plants.

## **(II) Independent opinion from Supervisory Committee**

### **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

In reporting period, decision procedures of assets sale were legal and transaction pricing was reliable and reasonable. No insider dealing and no assets loss was found. And, rights of other shareholders and corporate asset were away from damage.

### 5. Related transaction

In reporting period, all the related transaction were operated by rules, and decision procedures were legal. No insider dealing and no assets loss was found. And, rights of other shareholders and listed companies 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, special personnel were equipped for internal audit department, there's shortage in personnel allocation in internal audit department. It is hoped that in the new year, appropriate employee will be continuously 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 2010 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.

### 8. Explanation on variation of main accounting policy of the Company from Supervisory Committee

The abovementioned retroactive adjustment on previously year was exercise due to the changes of accounting policy and has minor influence on net profit in accounting statement of 2009. And meets the requirement of Notice of Disclosure for Annual Report 2010 of Listed Company issued from Shenzhen Stock Exchange and the Clause VI contained in Explanation of Accounting Rules for Business Enterprise No.4 issued by MOF; and also meets regulations of Accounting Standard for Business Enterprise and Accounting System for Business Enterprise from state-issued. The adjustment also endorsed by auditing institution of the Company.

## IX. Significant Events

**(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. Listed and transferred 2.83% equity of the holding Anhui Energy Tongling Power Co., Ltd  
On Mar. 25 of 2010, the 29<sup>th</sup> meeting of the 5<sup>th</sup> session of Board of Directors reviewed and passed the Proposal of Transferring 2.83% Equity of Anhui Energy Tongling Power Co., Ltd, and agreed that the Company listed and transferred the holding 2.83% equity of Anhui Energy Tongling Power Co., Ltd taking the evaluated value of the assets as base price (details on notice on Mar. 31 of 2010, notice number: 2010-006).

The Company listed and transferred the above equity in Shenzhen Property Rights Transaction Centre on Apr. 21 of 2010 with listing price RMB 34.7782 million. Huainan Coal Industry (Group) LLC applied and vied for purchase of target equity from Shenzhen Property Rights Transaction Center on May 19 of 2010. And the previously 25.54% equity of Anhui Energy Tongling Power Co., Ltd held by Huainan Coal Industry (Group) had no related relationship with the Company. Till the period of validity ended only a disposition purchaser showed up, so trading parties were able to transfer relevant equity by means of terms and transfer in accordance with relevant rules. On May 22 of 2010, the Company and Huainan Coal Industry (Group) Co., Ltd signed the Equity Transfer Contract and transferred amount of RMB 34.7782 million. On Jun. 30, this transaction conformed to lawful procedure after discern of Shenzhen Unified Property Right Exchange. On July 5 of 2010 the Company received equity transfer account RMB 34.7782 million by once.

2. Transfer of capacities of #7 and #9 generating units of Nanshan Power Co., Ltd.

On May 5 of 2010, the 2009 annual shareholders' meeting reviewed and passed the Proposal of Transferring the Closed Machine Sets of #7 and #9 of Subordinate Nanshan Power to Shenzhen Energy Group Co., Ltd, and agreed to transfer the closed machine sets of #7 and #9 amounting to 173400 kilowatts to Shenzhen Energy Group Co., Ltd (hereinafter referred to as Shenzhen Energy) with transaction price RMB 260 /kilowatt and total transaction quotation RMB 45,084,000 (Details on notice on Dec. 3 of 2009, notice number: 2009-067; notice on Apr. 14 of 2010, notice number: 2010-014; notice on May. 6 of 2010, notice number: 2010-027.).

3. Shenzhong Real Estate Investment Co., Ltd and Shenzhong Real Estate Development Co., Ltd in Zhongshan City transferred and compensated capacity of previous closed machine sets

On Apr. 29 of 2010, Zhongshan Power Station publicly auctioned 4 old diesel generating sets and made a deal with RMB 11.25 million which exceeded the evaluated price by RMB 8.12 million with 259% of amplitude. The accounts of auction dealing have been paid totally in May. And 20 exhaust-heat boilers and 4 steam turbines of previous Zhongfa Power have been unloaded at the end of May, waiting to be removed by buyers.

In Nov. of 2008, Zhongshan Committee of Development and Reform formulated and issued the Plan of Economic Compensation for Closed Thermal Power Unit Replaced by the

Applying-Large and Shutdown-Small Item of Zhongshan Hengmen Power Plant. In accordance with the above compensation plans, the compensation for the closed capacity replaced by the Applying-Large and Shutdown-Small item was calculated according to standard of RMB 100 /kilowatt (tax included). Subordinate Shenzhong Real Estate Investment Co., Ltd and Shenzhong Real Estate Development Co., Ltd in Zhongshan City could get compensation amounting to RMB 25,673,700. On Jun. 30 of 2010, the 34<sup>th</sup> meeting of the 5<sup>th</sup> session of Board of Directors reviewed and appraised relevant proposal (details on notice on Jul. 3 of 2010, notice number: 2010-034). Shenzhong Real Estate Company formally signed the Term of Economic Compensation for the Closed Thermal Power Units with indemnifying party on Nov. 22 of 2010, and received the compensation accounts in accordance with RMB 100 /kilowatt amounting to RMB 25,678,800. The above compensation account has been paid on Dec. 22.

### (V) Implementation of stock incentive plan

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

### (VI) Major related transactions

#### 1. Related transactions on routine business

The routine connected transactions (unit: RMB '0000) incurred within report period are as below.

Related party	Selling products and offering labors to related parties		Purchasing products and receiving labors from related parties	
	Amount of transaction	Proportion in similar transaction amount	Amount of transaction	Proportion in similar transaction amount
Shenzhen Ma Bay Power Co., Ltd.			2,220.05	0.56%
Total			2,220.05	0.56%

Including: in reporting period, the related transaction amount of the Company selling products or offering labors to its subsidiaries was 0.

Explanation on difference from the one predicted at year-begin and disclosed temporarily	Inapplicable
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#### 2. Connected transactions on asset acquisition and sale

See the item 2 “Transfer of capacities of #7 and #9 generating units of Nanshan Power Co., Ltd.” under (IV) “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

Details can be seen on the second point Investment of Non-raised Funds of (III) Investment of the Company of VII. Boards Report as well as (VII) Shenzhen Energy Environment Company.

#### 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
Xiefu Company	Subsidiary	1,183.03	6,280,847.20	-2,985,493.91	1,880,051.74
Shenzhen Nanshan Power Co., Ltd. (Zhongshan)	Subsidiary	242,436,104.71	511,851,563.42		
Shenzhong Real Estate Development Company	Subsidiary	26,975,582.38	693,061,355.80		
Shenzhen Nanshan Power Engineering Company	Subsidiary			-1,732,096.43	60,115,528.80
Shenzhen Nanshan Power Co., Ltd.(Dongguan)	Subsidiary	-93,201,749.03	70,858,446.81		
New Power Company	Subsidiary			135,953,270.24	470,222,997.74
Shenzhen Nanshan Power Environmental Protection Company	Subsidiary	-366,631.30	0.00		
Shenzhen Energy Corporation.	Shareholder			-511,408.69	0.00
Syndidome Company	Subsidiary	19,596.65	19,596.65	-53,256.90	1,768,797.13
Singapore Company	Subsidiary				
Ma Bay Power Co., Ltd	Shareholder's subsidiary			-49,171.39	0.00
Moon Bay Oil Plants Port Co., Ltd	Shareholder's subsidiary				
Energy Company	Shareholder's subsidiary			14,586,000.00	14,586,000.00
Total		175,864,086.44	1,282,071,809.88	145,207,842.92	548,573,375.41

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

(Unit: RMB '0000)

Secured Party	Relation with Listed Company	Value Guaranteed(2010-12-31)
Shenzhen Nanshan Power Co., Ltd. (Zhongshan)	Subsidiary	24,000
Shenzhen Nanshan Power Co., Ltd. (Dongguan)	Subsidiary	58,000
Shenzhen Nanshan Power Environmental Protection Company	Subsidiary	6,600
Total		88,600

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]).

Till end of December 31, 2010, the company has provided guarantee RMB 886,000,000 (bank loan guarantee for the company's holding subsidiary ). 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 subsidiary of New Power Company. Within the report period, the company received RMB 29,560,000 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: RMB'0000)

Guarantee to subsidiary								
Secured party	Relevant guarantee notice and disclosure date and No.	Guarantee limited	Actual date of guarantee(date of agreement signed)	Actual guarantee amount	Guarantee type	Term	Whether completed (Yes/No)	Whether related guarantee(Yes/No)
Shen Nan Dian Dongguan Co.,	2009-4-30 (2009-028)	10,000.00	2010-02-01	6,000.00	Credit	2years	No	No
			2010- 04-01	4,000.00		2 years	No	No
Shen Nan Dian Zhongshan Co.,	2009-4-30 (2009-028)	10,000.00	2009-09-01	5,000.00		2 years	No	No
			2010-04-01	5,000.00		2 years	No	No
Shen Nan Dian Environment Protection Co.,	2009-4-30 (2009-028)	3,000.00	2010-03-30	3,000.00		1 year	No	No
Shen Nan Dian Dongguan Co.,	2009-4-30 (2009-028)	30,000.00	2010-04-15	4,000.00		1 year	No	No
			2010-04-20	2,700.00			No	No
			2010-05-19	4,000.00			No	No
			2010-06-04	2,500.00			No	No
			2010-06-21	2,200.00			No	No
			2010-06-24	4,000.00			No	No
			2010-07-09	4,000.00			No	No
			2010-07-15	2,200.00			No	No
			2010-07-28	4,400.00			No	No

Shen Nan Dian Zhongshan Co.,	2010-7-21 (2010-039)	10,000.00	2010-08-26	2,500.00	1 year	No	No
			2010-09-20	4,000.00		No	No
			2010-09-26	3,500.00		No	No
Shen Nan Dian Dongguan Co.,	2009-4-30 (2009-028)	8,000.00	2010-04-01	8,000.00	1 year	No	No
Shen Nan Dian Dongguan Co.,	2010-11-4 (2010-058)	10,000.00	2010-12-29	10,000.00	1 year	No	No
Shen Nan Dian Environment Protection Co.,	2009-4-30 (2009-28)	8,000.00	2009-11-06	3,600.00	8 years	No	No
Shen Nan Dian Zhongshan Co.,	2010-7-21 (2010-039)	10,000.00	2010-10-28	500.00	1 year	No	No
			2010-11-05	3,500.00	1 year	No	No
Total guarantee amount for subsidiary approved in reporting period(A1)		99,000.00		Total actual guarantee amount for subsidiary approved in reporting period(A2)		88,600.00	
Total guarantee amount for subsidiaries approved at the end of reporting period(B3)		99,000.00		Total actual balance of guarantee amount for subsidiaries approved at the end of reporting period(B4)		88,600.00	
Particulars about the total guarantee of the Company(Total the former two items)							
Total guarantee amount approved in reporting period(A1+B1)		99,000.00		Total actual guarantee amount approved in reporting period(A2+B2)		88,600.00	
Total guarantee amount approved at the end of reporting period(A3+B3)		99,000.00		Total actual balance of guarantee amount approved at the end of reporting period(A4+B4)		88,600.00	
Proportion of the total actual guarantee amount (A4+B4) in net assets of the Company				51.04%			
Including:							
Amount of guarantee for shareholders, actual controller and its related parties(C)				0.00			
The debts guarantee amount provided for the guaranteed parties whose assets-liability ratio exceed 70% directly or indirectly(D)				24,000.00			
Proportion of total amount of guarantee in net assets of the Company exceed 50%(E)				1,800.00			
Total amount of the aforesaid three guarantees(C+D+E)				25,800.00			
Explanations on possibly bearing joint and several liquidating responsibilities for undue guarantees				The Company bears jointly liability in guarantee limited while the subsidiary performed no payment duty by agreement.			

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

#### 4. Major contracts

In order to comply with the development of national energy industry, improve energy-saving and emission-reducing as well as environmental contribution, subordinate power plants of the Company will make use of natural gas to generate electricity after completion of oil-to-gas technology transformation. At the same time, owing to that the Company was the national experimental unit of recycling economy, its sludge drying item has been listed as item of

national experimental unit of recycling economy and major construction item of Shenzhen, and it needs natural gas supply. Under the condition of absence of current natural gas source and before the second-line natural gas of the national West-East natural gas transmission project arrived in Shenzhen, and in order to ensure stable supply of natural gas and ensure normal operation of the Company, the 36<sup>th</sup> meeting of the 5<sup>th</sup> session of Board of Directors and 2010 the 4<sup>th</sup> seasonal general meeting of shareholders reviewed and passed that the Company and Shenzhen Nanshan Power Dongguan Company planned to respectively signed natural gas purchase contract with CNOOC Gas & Power Group Co., Ltd. Guangdong Trade Branch and CNOOC Guangdong Branch. Including the Company (wholly-owned Nanshan Power Plant) signed contract with period of two-year (Jan. of 2011 to Dec. of 2010), while Shenzhen Nanshan Power Dongguan Company signed contract with period of 3-year (Jan. of 2011 to Dec. of 2013) (notice number: 2010-048, 050, 058). Relevant contracts have been signed.

#### 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 US\$ 79,962,943.00 caused by breach of contract and interest of US\$ 3,736,958.66 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 US\$ 79,962,943.00 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 US\$ 300,000 of Oct. 2008 and relevant interest of US\$ 16,862.52. 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. J. Aron Company sented the letter for liability for agreement breaking again on March 31, 2011. On April 6, 2011, the Company clearly stated the objection for claim of J. Aron, and shows the opinions of complying the declaration listed in reply letter dated January 25, 2010. The event has no progress so far.

#### **(VIII) Performance of company's commitments**

In reporting period, the Company and its directors, supervisors and senior managerial staff as well as shareholders holding beyond 5% equity made no commitments presently or those which made before but extended till the reporting period which affected substantially the operation results and financial condition of the Company.

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

On May 12 of 2010 of 2009 shareholders' meeting of company, Deloitte was re-appointed as 2010 audit institution of the company.

Authorized by 2009 shareholders' meeting and approved on the 38<sup>th</sup> meeting of the 5<sup>th</sup> session of board of directors, the company agreed to pay RMB 900,000 remuneration of audit in 2010 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	Place	Way of Reception	Object of Reception	Content of Talk & Information Provided
2010.8.3	Company	Field investigation	Robotti & Company Fund Manager	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. Documents for References

- (I) The accounting statement with the signature and seal of corporate representative, principal in charge of accounting work and principal of accounting organ.
- (II) The original copy of audit report with the seal of CPA firm, and signature and seal of certified public accountant.
- (III) The original copy of documents and bulletins disclosed publicly on *Securities Times*, *China Securities Journal* and *Hong Kong Wenhui Daily* (before May 13 of 2010), and *Hong Kong Commercial Daily* (after May 13 of 2010).
- (IV) Annual report publicized on the newspapers abroad.

Legal representative: **Yang Haixian**

Shenzhen Nanshan Power Co., Ltd.

April 15, 2011

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

Financial Statements and Audit Report  
The Fiscal Year as of Dec. 31, 2010

Financial Statements and Audit Report  
The Fiscal Year as of Dec. 31, 2010

<u>Content</u>	<u>Page</u>
Audit Report	1 - 2
Parent Company Balance Sheet and Consolidated Balance Sheet	3 - 4
Parent Company and Consolidated Profit Statement	5 - 6
Parent Company Cash Flow Statement and Consolidated Cash Flow Statement	7 - 8
Consolidated Statement of Changes in Shareholder Equity	9 - 10
Annotations of Financial Statements	11 - 107



# Audit Report

DSB(Shen) Z(11) No. P[ ]

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, 2010, 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 2010 as well as Annotations of Financial Statements.

## I. Responsibility of the Company’s Management for Financial Statements

It is the responsibility of the management personnel in Shenzhen Nanshan Power Co., Ltd. to compile, list and report the financial statement. Such responsibility should include (1) compilation of financial statement according to the *Accounting Principle for Business Enterprises* and realization of fairness; (2) design, execution and maintenance of necessary internal control so that the financial statement does not suffer from any serious mistaken report due to malpractices or errors.

## 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, CPA take internal controls related to the compilation of financial statements and fair presentation 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 Company’s management and the rationality of accounting estimates made by the Company’s management 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, 2010, parent company operating results and consolidated operating results, parent company cash flow and consolidated cash flow in the fiscal year 2010 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.

Chinese Certified Public Accountant

Shanghai, China

Chinese Certified Public Accountant

Month[ ], day[ ], 2011

December 31, 2010

**Consolidated Balance Sheet**

Unit: RMB

Item	Annotation	Ending balance	Beginning balance (Restated)	Item	Annotation	Ending balance	Beginning balance (Restated)
<b>Current assets:</b>				<b>Current liabilities:</b>			
Monetary capital	(V)1	601,386,814.04	379,162,100.63	Short-term loans	(V)19	3,112,400,000.00	2,419,120,000.00
Notes receivable	(V)2	700,000.00	200,000.00	Notes payable	(V)20	-	68,210,216.75
Accounts receivable	(V)4	518,392,276.69	339,735,079.02	Account payable	(V)21	61,115,438.61	20,945,942.55
Advance payment	(V)5	13,529,901.89	4,419,870.02	Deposit received	(V)22	39,274,341.26	589,000.00
Other accounts receivable	(V)6	20,450,149.23	12,135,292.96	Payroll payable	(V)23	45,432,950.70	45,213,658.24
Inventory	(V)7	1,352,372,212.06	1,344,705,190.19	Taxes payable	(V)24	(501,193,418.09)	(400,141,494.43)
Other current assets	(V)8	4,242,431.37	5,875,631.20	Accrued interest payable	(V)25	59,348,039.27	25,321,401.51
<b>Total current assets</b>		<b>2,511,073,785.28</b>	<b>2,086,233,164.02</b>	Other payables	(V)26	288,768,647.34	331,595,817.33
<b>Noncurrent assets:</b>				<b>Noncurrent liabilities due within one year</b>	(V)27	<b>50,000,000.00</b>	<b>200,000,000.00</b>
Long-term equity investment	(V)10	306,208,274.30	262,754,150.41	<b>Total current liabilities</b>		<b>3,155,145,999.09</b>	<b>2,710,854,541.95</b>
Investment real estate	(V)11	5,308,769.98	8,550,910.89	<b>Noncurrent liabilities:</b>			
Fixed assets	(V)12	2,169,226,270.73	2,286,167,921.21	Long-term loans	(V)28	186,000,000.00	156,000,000.00
Construction in process	(V)13	196,729,476.64	203,626,585.32	Other noncurrent liabilities	(V)29	5,350,000.00	3,850,000.00
Intangible assets	(V)14	64,236,931.51	58,188,188.59	<b>Total noncurrent liabilities</b>		<b>191,350,000.00</b>	<b>159,850,000.00</b>
Long-term unamortized expenses	(V)15	273,212.64	465,561.90	<b>Total liabilities</b>		<b>3,346,495,999.09</b>	<b>2,870,704,541.95</b>
Deferred income tax assets	(V)16	4,624,405.14	20,609,842.25	<b>Shareholder's equity:</b>			
Other noncurrent assets	(V)18	21,273,223.68	-	Stock capital	(V)30	602,762,596.00	602,762,596.00
<b>Total noncurrent assets</b>		<b>2,767,880,564.62</b>	<b>2,840,363,160.57</b>	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	436,541,567.35	551,180,245.55
				<b>Total shareholder's equity belonging to the parent company</b>		<b>1,735,842,488.46</b>	<b>1,850,481,166.66</b>
				Minor shareholders' equity		196,615,862.35	205,410,615.98
				<b>Total shareholders' equity</b>		<b>1,932,458,350.81</b>	<b>2,055,891,782.64</b>
<b>Total assets</b>		<b>5,278,954,349.90</b>	<b>4,926,596,324.59</b>	<b>Total liabilities and shareholders' equity</b>		<b>5,278,954,349.90</b>	<b>4,926,596,324.59</b>

Annotations are part of financial statements.

Financial Statements in Pages 3 to 107 were signed by the principals as follows:

Legal Representative: \_\_\_\_\_ Accountant in Charge: \_\_\_\_\_ Accounting Principal: \_\_\_\_\_

December 31, 2010

**Balance Sheet of the Company**

Unit: RMB

Item	Annota tion	Ending balance	Beginning balance	Item	Annot ation	Ending balance	Beginning balance
Current assets:				Current liabilities:			
Monetary capital	(V)1	269,369,131.18	35,564,935.05	Short-term loans	(V)19	2,218,000,000.00	1,499,000,000.00
Accounts receivable	(V)4	277,107,630.12	86,395,444.92	Account payable	(V)21	1,749,561.08	8,379,394.63
Advance payment	(V)5	455,623.51	2,359,390.63	Deposit received	(V)22	14,586,000.00	-
Dividend receivable	(V)3	597,875,904.41	597,875,904.41	Payroll payable	(V)23	26,713,770.75	25,524,730.72
Other accounts receivable	(V)6	894,247,309.68	871,865,434.98	Taxes payable	(V)24	(436,158,042.22)	(358,913,337.70)
Inventory	(V)7	166,594,071.43	195,072,444.79	Accrued interest payable	(V)25	3,720,714.47	3,998,222.73
Other current assets	(V)8	393,003,940.43	240,000,000.00	Other payables	(V)26	490,528,945.93	363,707,613.87
Total current assets		2,598,653,610.76	2,029,133,554.78	Noncurrent liabilities due within one year	(V)27	-	110,000,000.00
Noncurrent assets:				Total current liabilities		2,319,140,950.01	1,651,696,624.25
Long-term equity investment	(V)10	796,731,124.06	753,277,000.17	Total liabilities		2,319,140,950.01	1,651,696,624.25
Fixed assets	(V)12	316,444,713.69	355,995,467.10	Shareholder's equity			
Construction in process	(V)13	56,766,007.77	46,316,005.30	Stock capital	(V)30	602,762,596.00	602,762,596.00
Intangible assets	(V)14	9,318,739.90	1,368,935.26	Capital surplus	(V)31	288,769,132.47	288,769,132.47
Long-term unamortized expenses	(V)15	171,594.44	284,795.36	Surplus reserve	(V)32	332,908,397.60	332,908,397.60
Deferred income tax assets	(V)16	-	16,949,151.06	Undistributed profit	(V)33	234,504,714.54	327,188,158.71
Total noncurrent assets		1,179,432,179.86	1,174,191,354.25	Total shareholder's equity		1,458,944,840.61	1,551,628,284.78
Total assets		3,778,085,790.62	3,203,324,909.03	Total liabilities and shareholders' equity		3,778,085,790.62	3,203,324,909.03

The Fiscal Year as of Dec. 31, 2010

## Consolidated Profit Statement

Unit: RMB

Item	Annotation	Current amount	Previous amount (Restated)
I. Total operating revenue	(V)34	1,601,730,465.30	1,867,829,757.71
Thereof, operating revenue		1,601,730,465.30	1,867,829,757.71
II. Total business expenditure		2,482,988,623.82	2,198,290,863.56
Thereof, business expenditure	(V)34	2,239,345,909.35	1,939,542,550.54
Business taxes and surcharges	(V)35	7,363,142.54	10,466,095.29
Sales expense		860,503.71	945,157.22
Management expense	(V)36	95,926,428.20	99,736,599.07
Financial expense	(V)37	128,297,803.98	124,982,945.84
Loss from depreciation of assets	(V)39	11,194,836.04	22,617,515.60
Plus: profit from fair value changes		-	-
Investment yield or loss	(V)38	(49,130,454.11)	(9,833,574.79)
Thereof, investment yield or loss from affiliated enterprises and joint ventures		(49,082,776.11)	(10,099,664.59)
III. Operating profit		(930,388,612.63)	(340,294,680.64)
Plus: nonoperating income	(V)40	832,316,848.06	472,393,279.52
Minus: nonoperating expenditure	(V)41	573,905.21	122,237.65
Thereof, loss on disposal of noncurrent assets		16,537.00	71,006.08
IV. Total profits		(98,645,669.78)	131,976,361.23
Minus: income tax	(V)42	24,787,762.05	11,966,349.64
V. Net profits		(123,433,431.83)	120,010,011.59
Net profits belonging to the shareholders of the parent company		(114,638,678.20)	74,101,829.77
Minority interests		(8,794,753.63)	45,908,181.82
VI. Earning per share			
(I) Basic earning per share	(V)43	(0.19)	0.12
(II) Diluted earning per share		Inapplicable	Inapplicable
VII. Other comprehensive incomes		-	-
VIII. Total comprehensive income		(123,433,431.83)	120,010,011.59
Comprehensive income belonging to the shareholders of the parent company		(114,638,678.20)	74,101,829.77
Comprehensive income belonging to minor shareholders		(8,794,753.63)	45,908,181.82

The Fiscal Year as of Dec. 31, 2010

**Profit Statement of the Company**

Unit: RMB

Item	Annotation	Current amount	Previous amount
I. Total operating revenue	(V)34	426,971,872.85	406,892,652.65
Minus: business expenditure	(V)34	765,825,140.43	512,034,925.14
Business taxes and surcharges	(V)35	3,625,424.13	4,139,158.16
Management expense	(V)36	18,316,516.73	19,835,792.26
Financial expense	(V)37	44,656,802.83	30,015,333.07
Loss from depreciation of assets	(V)39	12,092,537.18	21,617,921.22
Plus: profit from fair value changes		-	-
Investment yield	(V)38	(49,130,454.11)	(9,833,574.79)
Thereof, investment yield from affiliated enterprises and joint ventures		(49,082,776.11)	(10,099,664.59)
II. Operating profit		(466,675,002.56)	(190,584,051.99)
Plus: nonoperating income	(V)40	390,940,709.45	6,415,514.12
Minus: nonoperating expenditure	(V)41	-	26,826.63
Thereof, loss on disposal of noncurrent assets		-	11,248.63
III. Total profits		(75,734,293.11)	(184,195,364.50)
Minus: income tax	(V)42	16,949,151.06	(2,193,028.22)
IV. Net profits		(92,683,444.17)	(182,002,336.28)
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		(92,683,444.17)	(182,002,336.28)



The Fiscal Year as of Dec. 31, 2010

**Consolidated Cash Flow Statement**

Unit: RMB

Item	Annotation	Current amount	Previous amount (Restated)
<b>I. Cash flow from operating activities</b>			
Cash from selling commodities or offering labor service		2,288,118,410.70	2,466,097,200.26
Other cash received relating to operating activities	(V)44(1)	400,017,049.50	394,697,226.46
Subtotal of cash inflows from operating activities		2,688,135,460.20	2,860,794,426.72
Cash paid for goods and services		2,398,061,926.94	2,225,450,777.72
Cash paid to and for employees		106,943,679.13	90,420,801.23
Cash paid for taxes and surcharges		135,374,801.61	132,681,976.69
Cash paid for other operating activities	(V)44(2)	21,857,107.55	63,887,168.17
Subtotal of cash outflows from operating activities		2,662,237,515.23	2,512,440,723.81
Net cash flow from operating activities		25,897,944.97	348,353,702.91
<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		19,183,608.02	86,721,788.99
Cash received from disposal of subsidiary or other operating business units		34,730,422.00	-
Subtotal of cash inflows from investing activities		53,914,030.02	86,987,878.79
Cash paid to acquire or construct fixed assets, intangible assets and other long-term assets		91,699,799.08	147,355,194.61
Cash paid for investment		127,315,000.00	121,228,572.00
Subtotal of cash outflows from investing activities		219,014,799.08	268,583,766.61
Net cash flows from investing activities		(165,100,769.06)	(181,595,887.82)
<b>III. Cash flows from financing activities</b>			
Cash received from borrowings		3,954,400,000.00	3,084,048,400.00
Cash received relating to other investing activities		12,800,000.00	-
Subtotal of cash inflows from financing activities		3,967,200,000.00	3,084,048,400.00
Cash repayments of debts		3,381,120,000.00	3,151,772,318.77
Dividends paid, profit distributed or interest paid		136,540,083.21	115,020,719.21
Thereof, dividend and profit paid by subsidiaries to minor shareholders		-	-
Cash payments relating to other investing activities		74,838,156.81	-
Subtotal of cash outflows from financing activities		3,592,498,240.02	3,266,793,037.98
Net cash flows from financing activities		374,701,759.98	(182,744,637.98)
<b>IV. Effect of changes in foreign exchange rate on cash and cash equivalents</b>		(474,222.48)-	-
<b>V. Net increase of cash and cash equivalents</b>		235,024,713.41	(15,986,822.89)
Plus: beginning balance of cash and cash equivalents	(V)45(2)	356,362,100.63	372,348,923.52
<b>VI. Ending balance of cash and cash equivalents</b>	(V)45(2)	591,386,814.04	356,362,100.63

The Fiscal Year as of Dec. 31, 2010

**Cash Flow Statement of the 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		779,481,671.67	789,966,824.25
Other cashes received relating to operating activities	(V)44(1)	245,609,824.04	6,936,962.05
Subtotal of cash inflows from operating activities		1,025,091,495.71	796,903,786.30
Cash paid for goods and services		931,517,958.88	824,686,867.83
Cash paid to and for employees		61,727,864.89	50,737,046.07
Cash paid for taxes and surcharges		5,562,742.97	53,586,482.69
Cash paid for other operating activities	(V)44(2)	18,614,768.21	21,382,578.43
Subtotal of cash outflows from operating activities		1,017,423,334.95	950,392,975.02
Net cash flow from operating activities		7,668,160.76	(153,489,188.72)
<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
Cash received from disposal of subsidiary or other operating business units		34,730,422.00	-
Other cash receipts relating to investing activities	(V)44(3)	265,076,059.57	268,940,171.00
Subtotal of cash inflows from investing activities		299,806,481.57	275,815,460.80
Cash paid to acquire or construct fixed assets, intangible assets and other long-term assets		37,016,454.22	26,840,079.18
Cash paid for investment		127,315,000.00	121,228,572.00
Other cash payments relating to investing activities	(V)44(4)	418,080,000.00	240,000,000.00
Subtotal of cash outflows from investing activities		582,411,454.22	388,068,651.18
Net cash flows from investing activities		(282,604,972.65)	(112,253,190.38)
<b>III. Cash flows from financing activities</b>			
Cash received from borrowings		2,658,000,000.00	1,827,048,400.00
Subtotal of cash inflows from financing activities		2,658,000,000.00	1,827,048,400.00
Cash repayments of debts		2,049,000,000.00	1,473,970,440.00
Dividends paid, profit distributed or interest paid		100,257,551.56	81,043,492.06
Subtotal of cash outflows from financing activities		2,149,257,551.56	1,555,013,932.06
Net cash flows from financing activities		508,742,448.44	272,034,467.94
<b>IV. Effect of changes in foreign exchange rate on cash and cash equivalents</b>		(1,440.42)-	-
<b>V. Net increase of cash and cash equivalents</b>		233,804,196.13	6,292,088.84
Plus: beginning balance of cash and cash equivalents	(V)45(2)	35,564,935.05	29,272,846.21
<b>VI. Ending balance of cash and cash equivalents</b>	(V)45(2)	269,369,131.18	35,564,935.05

## Statement of changes in consolidated stockholder 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	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
Plus: Change of accounting policy	-	-	-	3,193,490.26	(3,193,490.26)	-	-	-	-	3,207,109.13	(3,207,109.13)	-
Previous error correction	-	-	-	-	-	-	-	-	-	-	-	-
II. Beginning balance of current year	602,762,596.00	363,629,927.51	332,908,397.60	551,180,245.55	205,410,615.98	2,055,891,782.64	602,762,596.00	363,629,927.51	332,908,397.60	477,078,415.78	159,502,434.16	1,935,881,771.05
III. Increase/decrease in current year	-	-	-	(114,638,678.20)	(8,794,753.63)	(123,433,431.83)	-	-	-	74,101,829.77	45,908,181.82	120,010,011.59
(I) Net profits	-	-	-	(114,638,678.20)	(8,794,753.63)	(123,433,431.83)	-	-	-	74,101,829.77	45,908,181.82	120,010,011.59
(II) Other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal of Items (I) and (II) above	-	-	-	(114,638,678.20)	(8,794,753.63)	(123,433,431.83)	-	-	-	74,101,829.77	45,908,181.82	120,010,011.59
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	-	-	-	-	-	-	-	-	-	-	-	-
1. Appropriations to surplus reserves	-	-	-	-	-	-	-	-	-	-	-	-
2. Distribution to shareholders	-	-	-	-	-	-	-	-	-	-	-	-
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	436,541,567.35	196,615,862.35	1,932,458,350.81	602,762,596.00	363,629,927.51	332,908,397.60	551,180,245.55	205,410,615.98	2,055,891,782.64

Shenzhen Nanshan Power Co., Ltd.

Annotations of Financial Statements  
The Fiscal Year as of Dec. 31, 2010

The Fiscal Year as of Dec. 31, 2010

Statement of changes in stockholder equity

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	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
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	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
III. Increase/decrease in current year	-	-	-	(92,683,444.17)	(92,683,444.17)	-	-	-	(182,002,336.28)	(182,002,336.28)
(I) Net profits	-	-	-	(92,683,444.17)	(92,683,444.17)	-	-	-	(182,002,336.28)	(182,002,336.28)
(II) Other comprehensive income	-	-	-	-	-	-	-	-	-	-
Subtotal of Items (I) and (II) above	-	-	-	(92,683,444.17)	(92,683,444.17)	-	-	-	(182,002,336.28)	(182,002,336.28)
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	-	-	-	-	-	-	-	-	-	-
1. Appropriations to surplus reserves	-	-	-	-	-	-	-	-	-	-
2. Distribution to shareholders	-	-	-	-	-	-	-	-	-	-
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	-	-	-	-	-	-	-	-	-	-

Annotations of Financial Statements  
The Fiscal Year as of Dec. 31, 2010

IV. Ending balance of current period	602,762,596.00	288,769,132.47	332,908,397.60	234,504,714.54	1,458,944,840.61	602,762,596.00	288,769,132.47	332,908,397.60	327,188,158.71	1,551,628,284.78
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(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.

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, 2010.

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

The group is in strict adherence to the *Accounting Principle for Business Enterprises* promulgated by the Ministry of Finance on February 15<sup>th</sup>, 2006. Besides, the group has exposed relevant financial information according to the *General Stipulations of Information Exposure, Compilation and Report Regulations of Company with Open Security Issuance* No. 15—Financial Report (2010 Revision).

Continuous operation

By Dec. 31, 2010, total current liabilities of the Group have exceeded total current assets of RMB 644,072,213.81. 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 1,412,600,000.00 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 2011 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 Enterprises, meanwhile, authentically and integrally reflect parent company financial position and consolidated financial position as of December 31, 2010, parent company operating results and consolidated operating results, parent company cash flow and consolidated cash flow of the Company in the fiscal year 2010 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

A merger may be under common control or not.

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.

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.

5.2 Mergers without under common control and relevant business reputation

Merger without 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.

(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 without under common control and relevant business reputation– Continued

Combined cost refers to the fair value of assets, incurred or born liabilities and released equity tools by the buyer for the purpose of obtaining the acquiree's control right. The buyer has to calculate the merging audit, legal service, assessment and consulting expense (intermediary expense) and other management expense into the profits and losses in the period. Once it realizes the merging under different control conditions through numerous transactions in various steps, the combined cost is the sum total of fair value of corresponding price paid on the purchasing date and acquiree's owned stock right before purchasing date. The acquiree's owned stock right before purchasing date is measured and calculated for the second time according to the fair value on purchasing date. The gap between fair value and account value is calculated into investment benefits in the period; once the acquiree's owned stock right before purchasing date concerns about other comprehensive benefits, other related comprehensive benefits are transferred into the investment benefits in the period on purchasing date.

Identifiable assets, liabilities or contingent liabilities obtained from the purchased party upon a merger shall be measured by fair value on the date of purchase. The combined cost is larger than the gap of acquiree's identifiable fair value of net assets obtained in the merging. It is adopted as an asset, confirmed as commercial reputation and has to receive initial measurement and calculation according to the cost. 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.

Since the commercial reputation formed in the merging is independently listed and reported in the combined financial statement and calculated and measured according to the cost by deducting accumulative depreciation reserve; the commercial reputation has to at least implement depreciation test at the end of each year.

That is to say, the account value of commercial reputation is amortized into the assets group or assets combination beneficiary from merging coordination effect as of the purchasing date. Impairment test shall be combined with related asset groups or combination of asset groups. Namely the book value of business reputation shall be apportioned to asset groups or combination of asset groups 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.

The depreciation losses of commercial reputation are calculated into the profits and losses in the period upon occurrence; besides, they are not transferred back in the future accounting period.

(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.

As for the subsidiary treated by the group, business achievements and cash flow before treatment date (date of losing control right) have been properly included in the combined profits statement and combined cash flow statement.

As for the subsidiary obtained under different control conditions through merging, business achievements and cash flow as of purchasing date (date of obtaining control right) have been properly included in the combined profits statement and combined cash flow statement. It is not necessary to adjust the amount at beginning of period and contrast amount in the combined financial statement.

As for the subsidiary obtained under the same control conditions through merging, it is taken as subsidiary's integration into the group combination scope as of control date by ultimate control party no matter whether merging has occurred at any time of report period. Business achievements and cash flow as of the earliest period of report have been properly included in the combined profits statement and combined cash flow statement.

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.

The share of subsidiary owner's equity not belonging to mother company is adopted as the minority owner's equity. In the combined balance sheet, owner's equity is listed according to "minority owner's equity". The share of subsidiary net profits and losses in the period belonging to minority owner's equity is listed in the combined profits statement under the net profit column according to "minority owner's equity".

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, the surplus shall offset minor shareholders' equity.

As for purchasing of subsidiary minority stock right or transaction due to treatment of partial stock right investment but not losing subsidiary control right, it has to calculate as equity transaction, adjust the account value belonging to mother company owner's equity and minority owner's equity and reflect modification of relevant equity in the subsidiary. The gap between adjustment sum of minority owner's equity and fair value of paid/received corresponding price is adopted to adjust the capital reserve; once the capital reserve is not enough to set off, it has to adjust the reservation benefits.

Once it loses the control right to original subsidiary due to treatment of partial stock right investment or other reason, it has to calculate and measure the left stock right for the second time according to the fair value on control right losing date. The following gap is calculated into the investment benefits in the period losing control right: "sum total of corresponding price in treatment of stock right and fair value of left stock right" minus "net assets share sustainably calculated as of purchasing date of original subsidiary according to the original stock ratio". Other comprehensive benefits related to the stock right investment of original subsidiary are transferred into the investment benefits in the period once losing control right.

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

**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.

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**

Once the group becomes one party of financial tools contract, it has to confirm one financial asset or financial liability. It has to calculate and measure financial assets and financial liabilities at the initial confirmation. As for the financial assets and financial liabilities calculated and measured according to fair value and whose modification is calculated into the profits and losses in the period, it has to directly calculate relevant transaction expense into the profits and losses column; as for other types of financial assets and financial liabilities, it has to calculate relevant transaction expense into the initial confirmation sum.

**9.1 Confirmation measures of fair value**

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. 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 Actual interest rate method**

The actual interest rate method refers to calculation of amortization cost, interest income or expenditure in various periods according to the actual interest rate of financial assets and financial liabilities (including one group of financial assets and financial liabilities). The actual interest rate refers to the interest rate by converting "future cash flow of financial assets and financial liabilities within the expected lasting period or applicable shorter period" into the current account value of financial assets and financial liabilities.

During the calculation of actual interest rate, the group has to estimate the future cash flow (not consider future credit losses) on the basis of considering all the contract terms of financial assets and financial liabilities; at the

same time, it has to consider various charges, transaction expenses and discount or premium paid or charged by various parties of financial assets or financial liabilities contracts and belonging to a part of actual interest rate.

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

**9. Financial instruments - Continued**

**9.3 Classification, identification and measurement of financial assets**

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. For financial assets traded in a conventional way, their identification and identification termination shall accord with the accounts of the trading day.

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, dividends receivable and 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.

**9.4 Depreciation of financial assets**

Except for the financial assets calculated and measured according to fair value and whose modification is calculated into the profits and losses in the period, the Group examines the book value of other financial assets on every balance sheet date, and accrue depreciation reserve if any objective evidence indicates a financial asset depreciates. It has revealed that objective evidence of financial assets depreciation refers to the matters occurred upon initial confirmation of financial assets, with certain influence on the expected future cash flow of financial assets and the enterprise can reliably calculate and measure the influence.

The objective evidence of financial assets depreciation includes the following observable matters:

- (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 any more 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 releaser of equity tools 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.

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

9. Financial instruments – Continued

9.4 Depreciation of financial assets - Continued

*- Financial assets depreciation calculated and measured through amortization cost*

In case of depreciation in the financial assets calculated and measured through amortization cost, it has to reduce the account value and record in the expected future cash flow value confirmed according to original interest rate discount of financial assets (excluding in-occurred future credit losses) and confirm the reduced sum into depreciation losses and calculate into the profits and losses in the period. 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.

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.

9.5 Transfer of financial assets

The identification of a financial asset will be terminated under any of the circumstances as follows: 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 company 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.

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

9. Financial instruments – Continued

9.6 Classification , recognition and measurement of financial liabilities

The group has to confirm the released financial tools into financial liabilities or equity tools according to the essence of arrangement of financial tools contract and definition of financial liabilities and equity tools.

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.

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.

9.7 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.

9.8 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. During the release of equity tools, it has to deduct transaction expense in the received corresponding price and then increase owner'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 Receivable account with serious single sum and single withdrawal of bad debt reserve

Judgment basis or sum standard of serious single sum	The Group identifies a receivable of RMB 2 million and above as receivable in a large individual amount.
Withdrawal method of serious single sum and single withdrawal of bad debt reserve	The Group conducts impairment test for receivables in a large individual amount, and composite impairment test for a combination of financial assets with similar risk characteristics inclusive of financial assets 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 Receivable expense of withdrawal of bad debt reserve according to combination

Combination confirmation basis	
Receivable expense with minor single sum and with serious single sum but without depreciation upon independent deprecation test	The group maintains that "receivable expense with minor single sum and with serious single sum but without depreciation upon independent deprecation test" has a rather low credit risk and bad debt reserve is not withdrawn except for evidence can prove serious credit risk in a certain receivable expense.

10.3 Receivable expense with small single sum but with single withdrawal of bad debt reserve

Reason for single withdrawal of bad debt reserve	Once evidence reveals that a certain receivable expense has rather large credit risks, it has to independently withdraw bad debt reserve for the receivable expense.
Withdrawal method of bad debt reserve	Individual determination method.

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

**11. Inventory**

11.1 Classification of inventory

The group inventory mainly includes the fuel, raw materials and under-construction development 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.

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. Variable NPV refers to the sum of estimated inventory sales price minus “estimated cost, sales expense and relevant tax upon construction completion” in the daily activities. In the confirmation of inventory variable NPV, it has to adopt obtained evidence as the basis and consider the objective of owned inventory and influence of future matters of balance sheet.

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.

11.4 Inventory accounting system

The inventory accounting system is perpetual inventory system.

**12. Long-term equity investment**

12.1 Confirmation of investment 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 development cost of long-term equity development. As for merging under numerous transactions and different control conditions, the cost of long-term stock right investment is the sum total between account value of assignee's stock right investment before purchasing date and increased investment cost on purchasing date. The other equity investment other than the long-term equity investment formed by business combination is subject to initial measurement at cost.

**(II) Main accounting policies, accounting estimation and preliminary error in the company—Continued**

**12 Long-term stock right investment—Continued**

**12.2 Subsequent calculation and measurement and profits & losses confirmation measures**

**12.2.1. Long-term stock right investment calculated through cost method**

The group has to calculate long-term stock right investment of invested unit (without common control or serious influence, without quotation in the active market, fair value can not be reliably calculated and measured) according to the cost method; besides, the company financial statement has to calculate the long-term stock right investment of subsidiary according to the cost method. The subsidiary refers to the invested unit controllable by the group.

During the calculation through cost method, it has to calculate the long-term stock right investment according to the initial investment cost; except for the expense paid in the investment obtaining or cash dividend or profit included in the corresponding price, announced but not distributed, it has to confirm the investment benefits in the period according to the cash dividend or profit announced and distributed by the invested unit.

**12.2.2. Long-term stock right investment calculated through equity method**

The group has to calculate the investment of cooperative enterprise and joint venture according to the equity method. Cooperative enterprise refers to the invested unit that group can impose serious influence; joint venture refers to the invested unit that group and other investors can implement common control.

During the calculation through equity method and once initial investment cost of long-term stock right investment is larger than the investment and it has to enjoy the fair value of invested unit's identifiable net assets, it does not adjust the initial investment cost of long-term stock right investment; once initial investment cost is smaller than the investment and it has to enjoy the fair value of invested unit's identifiable net assets, it has to calculate gap into the profits and losses in the period and adjust the cost of long-term stock right investment.

During the calculation through equity method, the investment profits and losses in the period are the net profits and losses realized by the invested unit for enjoyment or distribution in the year. During the confirmation of invested unit's net profits and losses, it has to depend on the fair value of invested unit's various identifiable assets and adjust and confirm to the invested unit's net profits during the group accounting policies and period. The unrealized internal transaction profits and losses between group and cooperative enterprise and joint venture is set off according to the group's stock ratio; it has to confirm the investment profits and losses on such a basis. However, the unrealized internal transaction losses between group and invested unit are not set off once it belongs to depreciation losses of transferred assets. As for other owner's equity modification except for invested unit's net profits and losses, it has to adjust the account value of long-term stock right investment, confirm as other comprehensive benefits and calculate into the capital reserve.

During the confirmation of invested unit's net losses, it has to adopt "reduction of account value of long-term stock right investment and other essential long-term equity of invested unit's net investment to zero" as the boundary. Besides, once the group bears additional loss obligations for the invested unit, it has to confirm expected liabilities according to the expected obligations and calculate into the investment losses in the period. Once the invested unit realizes net profits in the future, the group has to resume confirmation of benefits distribution share upon compensation of unconfirmed losses distribution share by benefits share.

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

12 Long-term equity investment – continued

12.2.3. Disposal of long-term equity investment

With respect to the disposal of long-term equity investment, 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.

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.

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.

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.

**(II) Significant accounting policy, accounting estimate and prior period errors of company - continued****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. The related economic interests of the assets may flow into the group; besides, it can not confirm until reliable calculation and measurement of cost. It has to consider the fixed assets according to the cost and implement initial measurement and calculation in view of influence of expected abandonment expense elements.

Once the economic interests related to fixed assets may possibly flow in and its cost can be reliably calculated and measured, it has to calculate subsequent expenditure related to fixed assets into the fixed assets cost and terminate confirmation of account value of replaced part. It has to calculate other subsequent expenditure into the profits and losses in the period upon occurrence.

**14.2 Depreciation method of fixed assets**

Since the follow-up month that intended serviceable condition for the fixed assets 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 during* useful life.

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
<i>Shenzhen Nanshan Power</i> 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

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

**14 Fixed assets – continued**

**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.

**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.

Once the fixed assets are in the treatment status or expected utilization or treatment can not realize any economic interests, it has to ultimately confirm the fixed assets. The treatment income of fixed assets (sales, transfer, wastage or destruction) has to deduct the account value and relevant tax—the gap is calculated into the profits and losses in the period.

**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.

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

#### 16. Borrowing cost

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 weighed average interest rate of general borrowing.

#### 17. Intangible assets

##### 17.1 Intangible assets

Intangible assets include land utilization right and patent right.

The intangible assets are subject to initial measurement at cost. 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, it has to make adjustment once necessary.

##### 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.

#### 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.

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

**19. Estimated liabilities**

Once relevant obligations related to matters are the group contemporary obligations and fulfillment of such obligations is likely to flow out economic interests and sum of obligations can be reliably calculated and measured, it has to confirm as expected 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. Once the currency time has serious value influence, it has to confirm the best estimation sum according to the sum upon flow-out and discount of expected future cash.

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**

It can reliably calculate and measure the labor income; relevant economic interests are likely to flow into the enterprise; the transaction completion degree can be confirmed reliably; once the occurred and expected transaction cost can be reliably calculated and measured, it has to confirm the realization of labor income. The group has to confirm provided labor income on the balance sheet date according to the work completion percentage. The labor transaction progress is confirmed according to the ratio of occurred labor cost in the total estimated cost.

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.

**21. Government grant**

Government grant means monetary and nonmonetary asset acquired from government for free except capital contributed by government as owner. It has to confirm the government subsidy once it can meet relevant government subsidy conditions and can be received.

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.



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

21. Government grant – continued

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

The income tax includes period income tax and deferred income tax.

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.

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.

Generally, all the temporary differences have to confirm relevant deferred income tax; as for deductible temporary difference, the group is most likely to adopt “taxable income adopted to deduct temporary difference” as the boundary and confirm relevant assets of deferred income tax. Besides, it does not confirm relevant assets or liabilities of deferred income tax for the temporary difference concerning initial confirmation of commercial reputation or initial confirmation of assets or liabilities in the transaction not incurred in the enterprise merging, without influence on accounting profits and taxable income (or deductible losses) upon occurrence.

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.

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

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

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

The group has to confirm the liabilities of deferred income tax incurred by temporary difference of taxable tax concerning subsidiary, cooperative enterprise and joint venture except that group can control the turning time of temporary difference and temporary difference is not likely to turn back within the foreseeable future. As for the deductible temporary difference concerning subsidiary, cooperative enterprise and joint venture, the group has to confirm the assets of deferred income tax only when temporary difference is likely to turn back in the foreseeable future and is expected to deduct taxable income of deductible temporary difference.

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.

Except for transaction directly calculated into other comprehensive benefits or owner's equity, income tax and deferred income tax concerning relevant matters and calculated into other comprehensive benefits or owner's equity as well as account value of adjustment commercial reputation of deferred income tax incurred by merging, the rest income tax and deferred income tax or benefits in the period are calculated into the profits and losses in the period.

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.

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 asse. 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.

**(II) Significant accounting policy, accounting estimate and prior period error-continued****23. Operating lease, finance lease - continued****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. Changes of significant accounting policy**

Unit: RMB yuan

Content and causes of changes	Name of influenced report item	Influenced amount
<p><b>24.1 Excessive losses in the subsidiary</b></p> <p>Before January 1<sup>st</sup>, 2010, the subsidiary losses born by minority shareholders in the group's combined financial statement have exceeded the share of minority shareholders in the owner's equity at the beginning of company period. Once Articles of Association or agreement has stipulated that minority shareholders are obliged to bear and are able to compensate, it has to set off the minority shareholder's equity; otherwise, the setoff belongs to the owner's equity in the mother company. The subsequent profits of subsidiary is completely adopted as the owner's equity of mother company before compensation for mother company's minority shareholder's losses.</p> <p>According to relevant stipulations of <i>No. 4 Interpretation Document of Accounting Principle for Business Enterprises</i>, the subsidiary losses born by minority shareholders in the group's combined financial statement have exceeded the minority shareholder's share of owner's equity at the beginning of company period since January 1<sup>st</sup>, 2010, the balance has to still set off minority shareholder's equity.</p> <p>The group has to calculate the modification of above accounting policies according to the tracing adjustment method.</p>	<p>Combined financial statement: Owner's equity and minority shareholder's equity belonging to mother company on January 1<sup>st</sup>, 2009</p> <p>Owner's equity and minority shareholder's equity belonging to mother company on December 31<sup>st</sup>, 2009</p>	<p>Increase sum: 3,207,109.13 Yuan; reduction sum: 3,207,109.13 Yuan</p> <p>Increase sum: 3,193,490.26Yuan; reduction sum: 3,193,490.26Yuan</p>
<p><b><u>Direct expenses of enterprise merging</u></b></p> <p>Before January 1<sup>st</sup>, 2010, various direct expense due to enterprise merging under different control conditions are calculated into the enterprise merging cost in the combined financial statement. The company financial statement has to confirm the initial investment cost of long-term stock right investment.</p> <p>According to relevant stipulations of <i>No. 4 Interpretation Document of Accounting Principle for Business Enterprises</i>, the audit, legal service, assessment and consulting (intermediary expense) expense and other management expense in the enterprise merging are calculated into the profits and losses in the period upon occurrence in the combined financial statement and company financial statement.</p> <p>The group has to calculate the modification of above accounting policies according to the future application method.</p>	no influence	Zero

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

25. Compilation methods of other main accounting policies, accounting estimation and financial statement

25.1 Employee compensation

Except for compensation due to rescission of employee's labor relationship, the group has to confirm payable remuneration as liabilities during the accounting period.

We will participate in social security system for employee set up by government department as specified, including basic pension insurance, medical insurance, and 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.

25.2 Debt restructuring

25.2.1. 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.

It has to transfer debts into debt-reorganization of capital. The margin between "account value of re-organization debts and fair value of share owned by creditor upon credit abandonment is calculated into the profits and losses in the period.

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.

(II) Significant accounting policy, accounting estimate and prior period error—continued – continued

25. Compilation methods of other main accounting policies, accounting estimation and financial statement – continued

25.2 Debt restructuring – continued

25.2.2. 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.

It has to transfer debts into debt–reorganization of capital. The gap between “fair value of debtor's share and account balance of re-organization credit” is calculated into the profits and losses in the period.

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

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.

**(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 (note 1)	Amount of actual VAT and sales tax	1%,5%, or 7%
Additional education expense	Amount of actual VAT and sales tax	3%
Corporate income tax (note 2)	Taxable income	16.5% to 25%
Increment tax on land value	Added value form transferring land-use right to the stated-owned land, above-ground building and attached structure	Four level progressive <b>rate</b>
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%
City and town land use tax	Actual occupation of land area	RMB 4yuan/m <sup>2</sup>

Note:

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

The name of the company and its subsidiary companies	The income tax rate	
	2010	2009
The company	22%	20%
New Power Company	22%	20%
ShenNan Electric Gas Turbine Engineering Technology Co., Ltd. ("Engineering Company")	22%	20%
ShenZhen XieFu Oil Supply Co., Ltd. ("XieFu Oil Supply Company")	22%	20%
ShenZhen ShenNan Environmental Protection Electricity Co., Ltd. ("Environmental Protection Company")	22%	20%
ZhongShan Power Company	22%	20%
WeiMei Power Company	22%	20%
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%

The company, new power company, engineering company, Xiefu oil supply company and environmental protection company are enterprises established in the special economic zone; Zhongshan power company and Weimei power company are foreign-funded enterprises engaged in energy production. Before January 1<sup>st</sup>, 2008, the company and above subsidiaries are applicable to 15% income tax rate; since January 1<sup>st</sup>, 2008, it is gradually transmitted to 25% legal tax rate within five (5) years. The applicable tax rate for this year is 22% in the company and above subsidiaries.

## (III) Tax - 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
		Enterprise Income Tax Law of People's Republic of China, Notification on Printing and Distributing "Levy Management Measures of Income Tax in Power Enterprise" (Guo Shui Fa [1998] No. 134 Document), Notification of Guangdong People's Government on Temporary Charging of Fuel and Gas Processing Expense (Yue Fu Han [2008] No. 31 Document)	Inapplicable	Inapplicable		Since March 1 <sup>st</sup> , 2008
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, Notification on Printing and Distributing "Levy Management Measures of Income Tax in Power Enterprise" (Guo Shui Fa [1998] No. 134 Document), Notification of Guangdong People's Government on Temporary Charging of Fuel and Gas Processing Expense (Yue Fu Han [2008] No. 31 Document)</i>	Inapplicable	Inapplicable		Since March 1 <sup>st</sup> , 2008
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 tax approval of the urban tax sub bureau of the local tax bureau in Zhongshan City	Reduce and exempt levying according to 20% of the payable real estate tax in the period.	2010
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 tax approval of the urban tax sub bureau of the local tax bureau in Zhongshan City	Reduce and exempt levying according to 20% of the payment	2010
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 tax approval of the urban tax sub bureau of the local tax bureau in Zhongshan City	Reduce and exempt levying according to 90% of the payment	2010
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	Reduce and exempt levying according to 65% of the payment	2010

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

## 1. Subsidiary overview

## (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	Registration Place	Nature of Business	Registered 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	Share holding 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
Xiefu Oil Supply Company (registries)	Co.,Ltd	Shen Zhen	Trade	53,300,000.00	Fuel self-support, import agent	26,650,000.00	None	50	50	Yes	38,331,995.1535 138,504.90	None
New Power Company	Joint Venture(Hong Kong funds)	Shen Zhen	Power Production	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	None	100	100	Yes	-	None
ZhongShan Power Company	Joint Venture(Hong Kong funds)	Zhong Shan	Power Production	396,800,000.00	power production of electric gas turbine and power production using waste heat	317,440,000.00	None	80	80	Yes	(27,146,755.12)	106,506,755.12
Engineering Company	Joint Venture(Hong Kong funds)	Shen Zhen	Engineering Consulting	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	None	100	100	Yes	-	None
WeiMei Power Company	Joint Venture(Hong Kong funds)	Dong Wan	Power Production	\$35,040,000.00	The construction and operation of natural gas power plant	208,102,049.76	None	70	70	Yes	146,132,587.58	None
Environmental Protection Company	Joint Venture(Hong Kong funds)	Shen Zhen	Engineering	79,000,000.00	Sludge drying	79,000,000.00	None	100	100	Yes	-	None
HuiDong XieFu Company	Co.,Ltd	Shen Zhen	Pier Operation	8,620,000.00	The construction and operation of the comprehensive pier as well as supporting facilities	6,465,001.00	None	84	84	Yes	-	None
HuiDong Harbour Company	Co.,Ltd	Shen Zhen	Pier Operation	10,000,000.00	The construction and operation of miscellaneous pier, petroleum products pier, oil deport and supporting facilities	5,500,000.00	None	55	55	Yes	-	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

## 1. Subsidiary overview - 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
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
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	20,075,886.37	24,374,113.63
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	19,222,148.37	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

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, (Herein 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.

## (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	121,987.47	1.0000	121,987.47	266,797.65	1.0000	266,797.65
Hong Kong Dollar	82,656.91	0.8509	70,332.77	92,656.91	0.8805	81,584.41
US Dollar	995.22	6.6227	6,591.04	11,719.87	6.8282	80,025.97
Euro	1,017.87	8.8065	8,963.88	1,017.87	9.7971	9,972.18
Bank Deposit:						
RMB	575,020,508.91	1.0000	575,020,508.91	339,472,309.32	1.0000	339,472,309.32
Hong Kong Dollar	5,369,706.06	0.8509	4,569,082.89	5,402,075.35	0.8805	4,756,578.07
US Dollar	1,658,289.85	6.6227	10,982,356.19	1,593,047.44	6.8282	10,877,646.51
Singapore Dollar	22,144.87	5.1191	113,361.80	50,660.87	4.8605	246,237.16
Other Monetary Funds						
RMB(registered)	10,488,747.90	1.0000	10,488,747.90	23,366,056.75	1.0000	23,366,056.75
US Dollar	737.04	6.6227	4,881.19	716.53	6.8282	4,892.61
Total			601,386,814.04			379,162,100.63

Note: The data refer to guarantee deposit and credit cards deposit. The limited deposits on December 31, 2010 is 10,000,000.00 RMB (On the date of December 31, 2009: 22,800,000.00 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	33,370.16	1.0000	33,370.16	79,890.13	1.0000	79,890.13
Hong Kong Dollar	109.87	0.8509	93.49	10,109.87	0.8805	8,901.74
US Dollar	995.22	6.6227	6,591.04	995.22	6.8282	6,795.56
Euro	976.71	8.8065	8,601.40	976.71	9.7971	9,568.93
Bank Deposit:						
RMB	268,850,893.22	1.0000	268,850,893.22	35,201,187.16	1.0000	35,201,187.16
Hong Kong Dollar	186.14	0.8509	158.39	402.26	0.8805	354.19
US Dollar	6,710.85	6.6227	44,443.95	6,951.49	6.8282	47,466.16
Other Monetary Funds (registered):						
RMB	420,098.34	1.0000	420,098.34	205,878.57	1.0000	205,878.57
US Dollar	737.04	6.6227	4,881.19	716.53	6.8282	4,892.61
Total			269,369,131.18			35,564,935.05

Note: The data refers 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	700,000.00	-
Trade Acceptance	-	200,000.00
Total	700,000.00	200,000.00

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. Dividend Receivable

## Parent company

Unit: RMB

Item	Amount at beginning of year	Increased amount for this year	Reduced amount for this year	Amount at end of year	Recovery failure reason	Whether depreciation in relevant expense
Dividend Receivable with account age of above one year	597,875,904.41	-	-	597,875,904.41		
Including: Receivable in new power company	597,875,904.41	-	-	597,875,904.41	Note	No

Note: The receivable dividend of new power company above one year is RMB 597,875,904.41 Yuan; the board of directors in new power company has failed to adopt a resolution for the concrete payment time.

## 4. 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 (%)
Receivable account with serious single sum and single withdrawal of bad debt reserve	12,135,091.34	2.32	4,580,704.34	37.75	23,943,191.34	6.91	5,877,682.84	24.55
Receivable account with minor single sum and with serious single sum but without depreciation upon independent depreciation test	508,090,413.69	97.08	-	-	319,307,494.52	92.26	-	-
Receivable account with	3,138,555.1	0.60	391,079.1	12.46	2,858,155.10	0.83	496,079.10	17.36

Annotations of Financial Statements  
The Fiscal Year as of Dec. 31, 2010

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minor single sum and single withdrawal of bad debt reserve	0		0					
Total	523,364,060.13	100.00	4,971,783.44	0.95	346,108,840.96	100.00	6,373,761.94	1.84

**(V) Financial Statements item notes-continued****4. Accounts Receivable - continued****Consolidation - continued**

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 (%)		Sum of Money	Rate (%)		Sum of Money	Rate (%)
Within One Year	508,292,525.93	97.12	-	508,292,525.93	322,237,306.76	93.10	-	322,237,306.76
One to Two Years	-	-	-	-	7,358,317.76	2.13	363,021.50	6,995,296.26
Two to Three Years	6,358,317.76	1.21	641,043.00	5,717,274.76	1,891,640.00	0.55	189,164.00	1,702,476.00
More Than Three Years	8,713,216.44	1.67	4,330,740.44	4,382,476.00	14,621,576.44	4.22	5,821,576.44	8,800,000.00
Total	523,364,060.13	100.00	4,971,783.44	518,392,276.69	346,108,840.96	100.00	6,373,761.94	339,735,079.02

(2) Receivable account with minor single sum at end of year but with independent withdrawal of bad debt reserve:

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
Receivable project expense	3,138,555.10	391,079.10	12.46	Overdue and recovery failure

(3) Transfer or recovery situation of current year:

Unit: RMB

The contents of accounts receivable	Transfer or recovery reason	Confirmation basis of original bad debt reserve	Transferred or recovered sum of previous accumulative withdrawn bad debt reserve	Transferred or recovered sum
DongGuan Dongcheng Dongxing Thermoelectric Co.,Ltd	Recovered	Overdue and recovery failure	1,440,000.00	1,080,000.00
Dongguan Tongming (Zhongming) Power Co., Ltd.	Recovered	Overdue and recovery failure	600,000.00	600,000.00
Total			2,040,000.00	1,680,000.00

(4) 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.

## (V) Financial Statements item notes-continued

## 4. Accounts Receivable-continued

## Consolidation-continued

(5) 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 (%)
Finance Bureau of ShenZhen City	Government Department	165,832,145.62	Within One Year	31.69
Finance Bureau of DongWan City	Government Department	164,995,480.40	Within One Year	31.53
GuangDong Province Power Grid Company	Unassociated Clients	158,030,392.00	Within One Year	30.20
Finance Bureau of ZhongShan City	Government Department	15,011,110.40	Within One Year	2.87
China National Electric Equipment Corporation	Unassociated Clients	6,260,430.00	Two to three years	1.18
Total		510,129,558.42		97.47

## 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 (%)
Receivable account with serious single sum and single withdrawal of bad debt reserve	-	-	-	-	-	-	-	-
Receivable account with minor single sum and with serious single sum but without depreciation upon independent depreciation test	277,107,630.12	100.00	-	-	86,395,444.92	100.00	-	-
Receivable account with minor single sum and single withdrawal of bad debt reserve	-	-	-	-	-	-	-	-
Total	277,107,630.12	100.00	-	-	86,395,444.92	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
Within One Year	277,104,741.12	100.00	-	277,104,741.12	86,392,555.92	100.00	-	86,392,555.92
One to Two Years	-	-	-	-	2,889.00	-	-	2,889.00
Two to Three Years	2,889.00	-	-	2,889.00	-	-	-	-
More Than Three Years	-	-	-	-	-	-	-	-
Total	277,107,630.12	100.00	-	277,107,630.12	86,395,444.92	100.00	-	86,395,444.92

**(V) Financial Statements item notes-continued****4. Accounts Receivable-continued****Parent Company - continued**

(2) Receivable account without single sum at end of year but with independent withdrawal of bad debt reserve.

(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

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 ShenZhen City	Government Department	165,832,145.62	Within One Year	59.84
ShenZhen Power Supply Bureau, Guangdong Province Power Grid Company	Unassociated Clients	110,704,616.00	Within One Year	39.95
ShenZhen City NanShan Meat Processing Plant	Unassociated Clients	336,509.50	Within One Year	0.12
ShenZhen University	Unassociated Clients	109,585.00	Within One Year	0.04
ZhongCai Energy Management Services Co.,Ltd	Unassociated Clients	51,345.00	Within One Year	0.02
Total		277,034,201.12		99.97

**5. 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	12,746,630.59	94.21	3,942,652.31	89.20
One to Two Years	542,468.58	4.01	177,124.71	4.01
Two to Three Years	21,224.71	0.16	7,335.00	0.17
More Than Three Years	219,578.01	1.62	292,758.00	6.62
Total	13,529,901.89	100.00	4,419,870.02	100.00

## (V) Financial Statements item notes-continued

## 5. Advance Payment – continued

## Consolidation - continued

(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
Shenzhen Dapeng Liquefied Natural Gas Sales Co., Ltd.	Unassociated Supplier	4,504,321.11	Within One Year	Advance Purchase Payment
Shenzhen Langkun Electromechanical Co., Ltd.	Unassociated Supplier	1,377,000.00	Within One Year	Advance Purchase Payment
Guangzhou Xinghechuan Electronic Technology Co., Ltd.	Unassociated Supplier	1,049,650.00	Within One Year	Advance Purchase Payment
Guangdong Jiangmen Xinhui Electrical Control Equipment Plant Co., Ltd.	Unassociated Supplier	1,041,000.00	Within One Year	Advance Purchase Payment
CNOOC Oil—Gas Power Group Co., Ltd.	Unassociated Supplier	856,334.57	Within One Year	Advance Purchase Payment
Total		8,828,305.68		

(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	4,504,321.11	-
Individual advance payment of insignificant sum of money but with a larger risk after credit risk portfolio	219,578.01	292,758.00
Other insignificant advance payments	8,806,002.77	4,127,112.02
Total	13,529,901.89	4,419,870.02

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.

The expense with minor single sum but rather serious risks upon combination according to credit risk features is the prepayment expense with minor single sum but account age above 3 years.

## 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	214,820.79	47.15	1,966,452.92	83.35
One to Two Years	-	-	166,844.71	7.07
Two to Three Years	21,224.71	4.66	7,335.00	0.31
More Than Three Years	219,578.01	48.19	218,758.00	9.27
Total	455,623.51	100.00	2,359,390.63	100.00



## (V) Financial Statements item notes-continued

## 5. Advance Payment-continued

## Parent Company - continued

(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
Shenyang Haitai Pump Industry Co., Ltd.	Unassociated Supplier	116,400.00	Within One Year	Advance Purchase Payment
Beijing ABB Beili Engineering Co., Ltd.	Unassociated Supplier	107,400.00	More Than Three Years	Advance Purchase Payment
Nanjing Fire-fighting Facilities Co., Ltd.	Unassociated Supplier	28,950.00	More Than Three Years	Advance Purchase Payment
Shanghai Ping'an Instrument Valve Plant	Unassociated Supplier	26,400.00	More Than Three Years	Advance Purchase Payment
China University of Science and Technology	Unassociated Supplier	25,000.00	More Than Three Years	Advance Purchase Payment
Total		304,150.00		

(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	-	-
Individual advance payment of insignificant sum of money but with a larger risk after credit risk portfolio	219,578.01	218,758.00
Other insignificant advance payments	236,045.50	2,140,632.63
Total	455,623.51	2,359,390.63

The expense with serious single sum is the prepaid expense with a single sum of above RMB 2,000,000.00 Yuan (including RMB 2,000,000.00 Yuan)

The expense with minor single sum but rather serious risks upon combination according to credit risk features is the prepayment expense with minor single sum but account age above 3 years.

**(V) Financial Statements item notes-continued****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 (%)
Other receivable account with serious single sum and single withdrawal of bad debt reserve	26,237,404.46	52.08	26,237,404.46	100.00	26,237,404.46	62.39	26,237,404.46	100.00
Other receivable account with minor single sum and with serious single sum but without depreciation upon independent depreciation test	18,742,661.50	37.21	-	-	10,403,234.33	24.73	-	-
Other receivable account with minor single sum and single withdrawal of bad debt reserve	5,394,398.21	10.71	3,686,910.48	68.35	5,418,969.11	12.88	3,686,910.48	68.04
<b>Total</b>	<b>50,374,464.17</b>	<b>100.00</b>	<b>29,924,314.94</b>	<b>59.40</b>	<b>42,059,607.90</b>	<b>100.00</b>	<b>29,924,314.94</b>	<b>71.15</b>

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:

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	14,174,958.20	28.14	-	14,174,958.20	9,423,168.75	22.40	-	9,423,168.75
One to Two Years	4,352,781.54	8.64	-	4,352,781.54	81,091.50	0.20	-	81,091.50
Two to Three Years	81,091.50	0.16	-	81,091.50	1,919,785.41	4.56	759,148.63	1,160,636.78
More Than Three Years	31,765,632.93	63.06	29,924,314.94	1,841,317.99	30,635,562.24	72.84	29,165,166.31	1,470,395.93
<b>Total</b>	<b>50,374,464.17</b>	<b>100.00</b>	<b>29,924,314.94</b>	<b>20,450,149.23</b>	<b>42,059,607.90</b>	<b>100.00</b>	<b>29,924,314.94</b>	<b>12,135,292.96</b>

(2) Other receivable account with minor single sum at end of year but with independent withdrawal of bad debt reserve

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
Shenzhen Gaiya Environmental Technology Co., Ltd.	1,496,448.19	1,496,448.19	100.00	It could not be recovered when exceeding the time limit.
others	3,897,950.02	2,190,462.29	56.20	Recovery failure of overdue part
<b>Total</b>	<b>5,394,398.21</b>	<b>3,686,910.48</b>	<b>68.35</b>	

(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.

**(V) Financial Statements item notes-continued****6. Other Accounts Receivable-continued****Consolidation-continued**

(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 (Registered 1)	Project Partner	14,311,626.70	More than three years	28.42
Shenzhen Dapeng Liquefied Natural Gas Sales Co., Ltd.	Unassociated Client	10,032,000.00	Within one year	19.91
ShenZhen NanShan District Investment Management Company(NanShan Investment Company)	Registered 2	5,895,738.00	More than three years	11.70
Shandong Jinan Power Equipment Factory	Unassociated Client	3,560,000.00	More than three years	7.07
Personal Income Tax Advanced for another	Inapplicable	2,470,039.76	More than three years	4.90
Total		36,269,404.46		72.00

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 in Shenzhen. 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.

**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 (%)
Other receivable account with serious single sum and single withdrawal of bad debt reserve	22,677,404.46	2.47	22,677,404.46	100.00	22,677,404.46	2.54	22,677,404.46	100.00
Other receivable account with minor single sum and with serious single sum but without depreciation upon independent depreciation test	892,922,760.15	97.23	-	-	870,540,885.45	97.16	-	-
Other receivable account with minor single sum and single withdrawal of bad debt reserve	2,729,502.62	0.30	1,404,953.09	51.47	2,729,502.62	0.30	1,404,953.09	51.47
Total	918,329,667.23	100.00	24,082,357.55	2.62	895,947,792.53	100.00	24,082,357.55	2.69

**(V) Financial Statements item notes-continued****6. Other Accounts Receivable-continued****Parent Company-continued**

Other accounts receivable are shown by category-continued:

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	55,697,645.24	6.06	-	55,697,645.24	287,787,493.60	32.12	-	287,787,493.60
One to two years	261,428,722.35	28.47	-	261,428,722.35	107,930,246.12	12.05	-	107,930,246.12
Two to three years	100,975,970.51	11.00	-	100,975,970.51	474,823,145.73	53.00	759,148.63	474,063,997.10
More Than Three Years	500,227,329.13	54.47	24,082,357.55	476,144,971.58	25,406,907.08	2.83	23,323,208.92	2,083,698.16
Total	918,329,667.23	100.00	24,082,357.55	894,247,309.68	895,947,792.53	100.00	24,082,357.55	871,865,434.98

(2) Other receivable account with minor single sum at end of year but with independent withdrawal of bad debt reserve:

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
Receivable earnest money	2,729,502.62	1,404,953.09	51.47	Recovery failure of overdue part

(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.

(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	693,061,355.80	More than three years	75.47
ZhongShan Power Company	The subsidiary company of the Company	181,927,622.99	One to two years	19.81
HuiYang County KangTai Industrial Corporation	Project partner	14,311,626.70	More than three years	1.56
WeiMei Power Company	The subsidiary company of the Company	7,778,446.81	Within one year	0.85
XieFu Oil Supply Company	The subsidiary company of the Company	6,280,847.20	two to three years	0.68
Total		903,359,899.50		98.37

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

**(V) Financial Statements item notes-continued****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	164,666,409.63	3,121,172.54	161,545,237.09	181,757,093.38	4,745,614.13	177,011,479.25
Raw materials	144,530,444.66	17,199,322.49	127,331,122.17	155,641,091.81	11,481,059.43	144,160,032.38
待开发土地 (registered)	1,109,099,484.65	45,603,631.85	1,063,495,852.80	1,069,137,310.41	45,603,631.85	1,023,533,678.56
Total	1,418,296,338.94	65,924,126.88	1,352,372,212.06	1,406,535,495.60	61,830,305.41	1,344,705,190.19

The amounts of the inventory balance at the end of the year which is used as mortgage is 229,163,561.16 RMB(December 31, 2009: 199, 343,606.07RMB)

The capitalization amount of borrowing cost included in the inventory balance at the end of the year is 124,204,731.24RMB (December 31, 2009: 84,943,517.90 RMB). The capitalization amount of borrowing cost accumulated in this year is 39,261,213.34 RMB; the rate of capitalization is 5.31%.

Note: It is the land cost developed by the Shenzhong Development Co., Ltd. and Shenzhong Real Estate Co., Ltd. By the end of December 31<sup>st</sup>, 2010, it has failed to complete the demolition of affiliated land construction.

**(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	4,745,614.13	-	1,128,922.47	495,519.12	3,121,172.54
Raw materials	11,481,059.43	5,718,263.06	-	-	17,199,322.49
Land awaiting development	45,603,631.85	-	-	-	45,603,631.85
Total	61,830,305.41	5,718,263.06	1,128,922.47	495,519.12	65,924,126.88

**(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 the year	The proportion of the carry-back amounts to this inventory closing balance in the year (%)
Fuels	Cost is higher than net realizable value.	This part of inventory has increased the market price.	0.69
Raw materials	Cost is higher than net realizable value.	Inapplicable	Inapplicable
Land awaiting development	Cost is higher than net realizable value.	Inapplicable	Inapplicable

**(V) Financial Statements item notes-continued****7. Inventory-continued****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 Balance
Raw materials	128,212,857.22	17,199,322.49	111,013,534.73	139,554,802.80	11,481,059.43	128,073,743.37
Fuels	55,580,536.70	-	55,580,536.70	66,998,701.42	-	66,998,701.42
Total	183,793,393.92	17,199,322.49	166,594,071.43	206,553,504.22	11,481,059.43	195,072,444.79

**(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	11,481,059.43	5,718,263.06	-	-	17,199,322.49

**(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 the year	The proportion of the carry-back amounts to this inventory closing balance in the year (%)
Raw materials	Cost is higher than net realizable value.	Inapplicable	Inapplicable

**8. Other current assets****Consolidation**

Exposure of other current assets by classification:

Unit: RMB

Category	Annual Closing Amount			Annual Beginning Amount		
	Amount	Provision for Impairment	Net value	Amount	Provision for Impairment	Net value
Withheld long-term agent sales assets (note)	5,875,631.20	1,633,199.83	4,242,431.37	5,875,631.20	-	5,875,631.20

**Note:** It is waste Heat Power Generation equipment held and planned to sell by Shenzhong Development Co., Ltd.**Parent Company**

Unit: RMB

Item	Annual Closing Amount	Annual Beginning Amount
Entrust Loans (note)	393,003,940.43	240,000,000.00

**Note:** 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	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 profits (losses) for this year
Joint venture							
Jiang Xi CPI Power Engineering Co.,Ltd.(Abbr.Jiang Xi xinchang company)	30.00	30.00	4,576,472,011.14	3,869,461,098.48	707,010,912.66	2,113,266,466.08	(163,609,253.70)

## 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 (note 1)	Equity method	286,285,715.00	186,186,050.41	40,917,223.89	227,103,274.30	30.00	30.00	-	-	-	-
Shenzhen Petrochemical Bonded Oil Trading CO.,LTD. ("Petrochemical Bonded CO.,LTD")	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) (note 2)	cost method	54,095,400.00	54,095,400.00	(54,095,400.00)	-	-	-	-	-	-	-
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	-	-	-	-
China Power Investment Jiangxi Nuclear Power Co., Ltd (note 3)	cost method	37,315,000.00	-	37,315,000.00	37,315,000.00	5.00	5.00	-	-	-	-
total		421,986,115.00	284,571,450.41	24,136,823.89	308,708,274.30				2,500,000.00	-	-
Minus:depreciation reserve			21,817,300.00	(19,317,300.00)	2,500,000.00						
Net amount of long-term stock right investment			262,754,150.41	43,454,123.89	306,208,274.30						

(V) Financial Statements Item Notes - Continued

10. Long-term Equity Investment - Continued

**Consolidation** - Continued

Note 1: In December 2007, the company has signed the *Contract of Joint Business of China Power Investment Corporation's Jiangxi Xinchang Power Generation Co., Ltd.* with China Power Investment Corporation. They have agreed to jointly establish Jiangxi Xingchang Corporation; the company takes up 30% stock. In this year, the company has paid an investment of RMB 90,000,000.00 Yuan.

Note 2: In May 2010, the company has signed the stock right transfer contract with Huainan Mining (Group) Co., Ltd. They have agreed to transfer 2.83% stock right of Wanneng Tongling Corporation held by the company at a price of RMB 34,778,200 Yuan. The company has received the above stock right transfer in July 2010 and transferred the withdrawn depreciation reserve of RMB 19,317,300.00 Yuan.

Note 3: In December 2009, the company, China Power Investment Corporation, Jiangxi Ganneng Stock Co., Ltd. and Jiangxi Ganyue Expressway Co., Ltd. have signed the Stock Right Agreement of China Power Investment Corporation's Jiangxi Nuclear Power Co., Ltd. They have agreed to jointly establish Jiangxi Nuclear Power Co., Ltd.; the company takes up 5% stock. In this year, the company has paid an investment of RMB 36,370,000 Yuan and agreed to bear the preliminary financial expense of RMB 945,000 Yuan.



## (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	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 engineering division	cost method	218,240,000.00	218,240,000.00	-	218,240,000.00	55.00	55.00	-	-	-	-
Aesthetic power company	cost method	6,000,000.00	6,000,000.00	-	6,000,000.00	60.00	60.00	-	-	-	-
Shennan Singapore 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	66.16	66.16	-	-	-	-
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	54,095,400.00	(54,095,400.00)	-	-	-	-	-	-	-
Energy Environmental Corporation	cost method	41,790,000.00	41,790,000.00	-	41,790,000.00	10.00	10.00	-	-	-	-
Jiangxi Nuclear Power Co., Ltd	cost method	37,315,000.00	-	37,315,000.00	37,315,000.00	5.00	5.00	-	-	-	-
Jiangxi Xinchang company	Equity method	286,285,715.00	186,186,050.41	40,917,223.89	227,103,274.30	30.00	30.00	-	-	-	-
total		855,913,564.76	772,594,300.17	24,136,823.89	796,731,124.06				-	-	-
Minus:depreciation reserve			19,317,300.00	(19,317,300.00)	-						
Net amount of long-term stock right investment			753,277,000.17	43,454,123.89	796,731,124.06						

**(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
I. Total gross Book value	14,954,637.09	-	5,246,622.13(note 1)	9,708,014.96
1. house, building	14,954,637.09	-	5,246,622.13	9,708,014.96
2. land occupancy right	-	-	-	-
II. Total accumulated depreciation and amortization	6,403,726.20	659,116.89(note 2)	2,663,598.11(note 3)	4,399,244.98
1. house, building	6,403,726.20	659,116.89	2,663,598.11	4,399,244.98
2. land occupancy right	-	-	-	-
III. Total net book value of investment property	8,550,910.89			5,308,769.98
1. house, building	8,550,910.89			5,308,769.98
2. land occupancy right	-			-
IV. Total impairment provision for investment property	-	-	-	-
1. house, building	-	-	-	-
2. land occupancy right	-	-	-	-
V. Total carrying amount of investment property	8,550,910.89			5,308,769.98
1. house, building	8,550,910.89			5,308,769.98
2. land occupancy right	-			-

Note 1: It has reduced RMB 5,246,622.13 Yuan due to treatment.

Note 2: Current year accrued depreciation calculated 659,116.89 Yuan.

Note 3: due to liquidation, the deductions are RMB 2,663,598.11 Yuan.

## (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
I. Total gross Book value	4,157,165,820.57	71,648,985.81(note 1)	7,879,286.27(note 2)	4,220,935,520.11
include: building & struture	445,152,484.64	2,577,311.08	-	447,729,795.72
machinery equipment	3,615,790,267.15	66,938,865.96	7,691,096.27	3,675,038,036.84
means of transport	33,114,720.80	853,629.00	-	33,968,349.80
other equipment	63,108,347.98	1,279,179.77	188,190.00	64,199,337.75
II. Total accumulated depreciation	1,842,669,766.36	accrued of current year (note 3)	1,529,648.59(note 4)	2,018,728,112.00
include: building&struture	166,461,252.85	18,691,886.28	-	185,153,139.13
machinery equipment	1,599,771,466.58	155,673,540.68	1,360,277.59	1,754,084,729.67
means of transport	26,556,112.77	1,342,673.98	-	27,898,786.75
other equipment	49,880,934.16	1,879,893.29	169,371.00	51,591,456.45(note 5)
III. total book value of fixed assets	2,314,496,054.21			2,202,207,408.11
include: building&struture	278,691,231.79			262,576,656.59
machinery equipment	2,016,018,800.57			1,920,953,307.17
means of transport	6,558,608.03			6,069,563.05
other equipment	13,227,413.82			12,607,881.30
IV. Total provision for impairment	28,328,133.00	5,620,433.76	967,429.38	32,981,137.38
include: building&struture	26,617,378.45	-	930,654.56	25,686,723.89
machinery equipment	1,446,500.82	5,620,433.76	36,774.82	7,030,159.76
means of transport	85,146.84	-	-	85,146.84
other equipment	179,106.89	-	-	179,106.89
V. total carrying amount of fixed assets	2,286,167,921.21			2,169,226,270.73
include: building&struture	252,073,853.34			236,889,932.70
machinery equipment	2,014,572,299.75			1,913,923,147.41
means of transport	6,473,461.19			5,984,416.21
other equipment	13,048,306.93			12,428,774.41

Note 1: include, due to acquisition, the increase is RMB 18,497,666.61 Yuan, due to construction in progress transferred, the increase is RMB 53,151,319.20 Yuan.

Note 2: It has reduced RMB 7,748,517.04 Yuan due to treatment and reduced RMB 130,769.23 Yuan due to adjustment to the original value of fixed assets.

Note 3: Current year accrued depreciation calculated 177,587,994.23 Yuan.

Note 4: due to liquidation, the deductions are RMB 1,529,648.59 Yuan.

Note 5: By the end of December 31<sup>st</sup>, 2010, the company does not have any fixed assets for loan mortgage (December 31<sup>st</sup>, 2009: RMB 325,228,233.40 Yuan).

**(V) Financial Statements Item Notes - Continued****12. Fixed Assets - Continued****Consolidation - Continued****(2) Provisional idle fixed assets**

Unit: RMB

Item	Gross book value	Accumulated depreciation	Provision for Impairment	Net book value	Remark
opening balance:	8,395,863.99	1,292,090.22	1,446,500.82	5,657,272.95	
include: machinery equipment	8,395,863.99	1,292,090.22	1,446,500.82	5,657,272.95	generator set
ending balance:	466,268,043.17	405,890,620.56	8,329,271.25	52,048,151.36	
include: Building and structure	2,489,600.00	94,720.48	2,394,879.52	-	
machinery equipment	463,752,743.17	405,792,912.04	5,932,755.20	52,027,075.93	generator set
Conveyance	3,200.00	-	200.00	3,000.00	
Other equipment	22,500.00	2,988.04	1,436.53	18,075.43	

**(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	8,386,870.40	final project acceptance is in hand	medium term of 2011
Turbine plant	4,221,136.27	3,169,714.12		
House of water	7,050,395.16	5,256,653.86		
Heavy oil processing plant	1,357,924.60	1,021,651.85		
Fire water pump house	709,475.99	533,487.09		
Circulating water pump house	4,487,508.99	3,362,375.06		
General building	9,826,335.09	7,626,810.31		
Production maintenance building	9,860,653.25	8,443,183.41		
Administration building	10,138,618.59	8,681,010.49		
Guard room	248,140.56	248,140.56		
Main control room	387,221.96	387,221.96		
Steam turbine room and auxiliary building	24,770,257.87	19,216,785.85		
Whole plant ventilation system	1,287,247.17	998,646.31		
Office building	11,621,767.07	9,349,791.72		
Ventilation and cooling tower	7,958,561.88	6,174,252.02		
Chemical water workshop and chemical water box foundation	3,782,455.60	2,934,429.13		
Industrial water pond and industrial water pump room	1,660,047.34	1,287,864.72		
Startup of boiler room	277,381.12	215,192.17		
Oil treatment room and oil unloading platform	3,375,389.79	2,618,627.47		
Total	114,436,590.39	89,912,708.50		

## (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
I. Total gross Book value	1,379,402,663.40	16,500,445.39(note)	-	1,395,903,108.79
Include: building&structure	84,769,768.35	126,000.00	-	84,895,768.35
machinery equipment	1,226,809,861.70	14,915,987.61	-	1,241,725,849.31
means of transport	16,536,869.89	482,000.00	-	17,018,869.89
other equipment	51,286,163.46	976,457.78	-	52,262,621.24
II. Total accumulated depreciation	1,023,407,196.30	Accured of current year	-	1,073,837,961.34
Include: building&structure	53,059,957.82	3,814,070.34	-	56,874,028.16
machinery equipment	913,406,921.17	45,084,017.26	-	958,490,938.43
means of transport	14,564,624.81	417,370.65	-	14,981,995.46
other equipment	42,375,692.50	1,115,306.79	-	43,490,999.29
III. Total book value of fixed assets	355,995,467.10			322,065,147.45
Include: building&structure	31,709,810.53			28,021,740.19
machinery equipment	313,402,940.53			283,234,910.88
means of transport	1,972,245.08			2,036,874.43
other equipment	8,910,470.96			8,771,621.95
IV. Total provision for impairment	-	5,620,433.76	-	5,620,433.76
Include: building&structure	-	-	-	-
machinery equipment	-	5,620,433.76	-	5,620,433.76
means of transport	-	-	-	-
other equipment	-	-	-	-
V. Total carrying amount of fixed assets	355,995,467.10			316,444,713.69
Include: building&structure	31,709,810.53			28,021,740.19
machinery equipment	313,402,940.53			277,614,477.12
means of transport	1,972,245.08			2,036,874.43
other equipment	8,910,470.96			8,771,621.95

Note 1: include, due to acquisition, the increase in this year is RMB 2,763,793.18Yuan, due to construction in progress transferred, the increase in this year is RMB 13,736,652.21 Yuan.

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

## 13. Construction in process

## Consolidation

(1) The statement of construction in progress follows:

Unit: RMB

Items	Amount 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	41,087,274.71	14,790,696.15	26,296,578.56	69,715,999.71	14,036,855.79	55,679,143.92
Circular Economy Multi-Building project	13,255,379.33	-	13,255,379.33	8,421,748.20	-	8,421,748.20
Circular Economy Cooling-heating-power project	7,160,526.05	-	7,160,526.05	5,688,919.20	-	5,688,919.20
Equipment improvement project	9,684,185.63	-	9,684,185.63	9,367,913.34	-	9,367,913.34
combined heat and power project	8,882,713.73	-	8,882,713.73	8,133,187.26	-	8,133,187.26
Technical innovation project	2,505,000.00	-	2,505,000.00	-	-	-
sludge drying project	126,728,860.05	-	126,728,860.05	111,423,167.31	-	111,423,167.31
Others	2,216,233.29	-	2,216,233.29	4,912,506.09	-	4,912,506.09
Total	211,520,172.79	14,790,696.15	196,729,476.64	217,663,441.11	14,036,855.79	203,626,585.32

**(V) Financial Statements Item Notes - Continued****13. Construction in progress- Continued****Consolidation - Continued****(2) Changes of major construction in progress**

Unit: RMB

Items	Budget Amount	Amount at beginning of year	Increase this year	Convert to fixed assets	Other deductions	Project input accounting for the budget (%)	Work s programme	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
	153,200,000.00	69,715,999.71	39,094,998.81	46,450,500.13	21,273,223.68	115.23	90.00	1,099,985.63	1,099,985.63	5.39	Self-raising and loans	41,087,274.71
Oil alter gas project	35,000,000.00	8,421,748.20	4,833,631.13	-	-	37.87	37.87	-	-	-	Self-raising	13,255,379.33
Circular Economy Multi-Building project	30,000,000.00	5,688,919.20	1,471,606.85	-	-	23.87	23.87	-	-	-	Self-raising	7,160,526.05
Circular Economy Cooling-heating-power project	-	9,367,913.34	1,550,926.16	1,234,653.87	-	-	80.00	-	-	-	Self-raising	9,684,185.63
Equipment improvement project	45,700,000.00	8,133,187.26	3,127,370.19	2,377,843.72	-	29.84	29.84	676,760.53	281,649.53	5.37	Self-raising and loans	8,882,713.73
combined heat and power project	9,380,000.00	-	2,505,000.00	-	-	26.71	26.71	-	-	-	Self-raising	2,505,000.00
Technical innovation project	346,337,000.00	111,423,167.31	15,305,692.74	-	-	36.59	36.59	9,384,321.48	3,029,124.62	4.77	Self-raising and loans	126,728,860.05
Sludge drying project	-	4,912,506.09	2,382,439.16	3,088,321.48	1,990,390.48	-	-	-	-	-	Self-raising	2,216,233.29
Other major projects		217,663,441.11	70,271,665.04	53,151,319.20	23,263,614.16			11,161,067.64	4,410,759.78			211,520,172.79
Total												

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

Unit: RMB

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	753,840.36	-	14,790,696.15	Note

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 allotted provision for impairment is RMB 14,790,696.15 Yuan.

Shenzhen Nanshan Power Co., Ltd.

Annotations of Financial Statements  
The Fiscal Year as of Dec. 31, 2010

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

(1) The statement of construction in progress follows:

Unit: RMB

Items	Amount 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	42,637,336.85	14,790,696.15	27,846,640.70	43,983,478.39	14,036,855.79	29,946,622.60
Circular Economy Multi-Building project	13,255,379.33	-	13,255,379.33	8,421,748.20	-	8,421,748.20
Circular Economy Cooling-heating-power project	7,160,526.05	-	7,160,526.05	5,688,919.20	-	5,688,919.20
Sludge drying project	3,953,628.40	-	3,953,628.40	1,472,973.94	-	1,472,973.94
Technical innovation project	2,505,000.00	-	2,505,000.00	-	-	-
Others	2,044,833.29	-	2,044,833.29	785,741.36	-	785,741.36
Total	71,556,703.92	14,790,696.15	56,766,007.77	60,352,861.09	14,036,855.79	46,316,005.30

## (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	Number at Year-beginning	Increase this year	Transfer to Fixed Assets	Other deductions	Project input accounting for the budget (%)	Works programme	Accrued balance of capitalization of interests	Include: sum of capitalization of interests this year	Capitalization rate of interests this year(%)	Financial Sourcing	Number at Year-end
Oil alter gas project	74,400,000.00	43,983,478.39	12,390,510.67	13,736,652.21	-	94.23	94.23	-	-	-	Self-raising	42,637,336.85
Circular Economy Multi-Building project	35,000,000.00	8,421,748.20	4,833,631.13	-	-	37.87	37.87	-	-	-	Self-raising	13,255,379.33
Circular Economy Cooling-heating-power project	30,000,000.00	5,688,919.20	1,471,606.85	-	-	23.87	23.87	-	-	-	Self-raising	7,160,526.05
Sludge drying project	160,000,000.00	1,472,973.94	2,480,654.46	-	-	2.47	2.47	-	-	-	Self-raising	3,953,628.40
Technical innovation project	9,380,000.00	-	2,505,000.00	-	-	26.71	26.71	-	-	-	Self-raising	2,505,000.00
Informatization Construction project	-	771,905.99	1,316,328.93	-	57,237.00	-	-	-	-	-	Self-raising	2,030,997.92
Others	-	13,835.37	-	-	-	-	-	-	-	-	Self-raising	13,835.37
Total		60,352,861.09	24,997,732.04	13,736,652.21	57,237.00			-	-			71,556,703.92

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

Unit: RMB

Item	Number at Year-beginning	Increase this year	Deductions this year	Number at Year-end	Allotted Reasons
Oil alter gas project	14,036,855.79	753,840.36	-	14,790,696.15	See notes of consolidation construction in progress

## (V) Financial Statements Item Notes - Continued

## 15. Intangible Assets- Continued

## Consolidation

Unit: RMB

I. Total gross Book value	Book balance at beginning of year	Increase this year	Deductions this year	Book balance at the Year-end
Include: land occupancy right	86,523,977.29	9,312,166.00(note 1)	-	95,836,143.29
software	86,288,069.88	9,312,166.00	-	95,600,235.88
II. Total accumulated amortization	235,907.41	-	-	235,907.41
Include: land occupancy right	23,220,724.99	3,263,423.08(note 2)	-	26,484,148.07
software	23,058,358.88	3,215,896.52	-	26,274,255.40
III. Total net book value of intangible assets	162,366.11	47,526.56	-	209,892.67
I. Total gross Book value	63,303,252.30			69,351,995.22
Include: land occupancy right(Note 3)	63,229,711.00			69,325,980.48
software	73,541.30			26,014.74
IV. Total provision for impairment	5,115,063.71	-	-	5,115,063.71
Include: land occupancy right	5,115,063.71	-	-	5,115,063.71
software	-	-	-	-
V. Total book value of intangible assets (Note 4)	58,188,188.59			64,236,931.51
Include: land occupancy right	58,114,647.29			64,210,916.77
software	73,541.30			26,014.74

Note 1: Due to acquisition, the increase in this year is RMB 9,312,166.00Yuan.

Note 2: Amortization amount of intangible assets in this year is RMB 3,263,423.08 Yuan.

Note 3: Up to December 31, 2010, the title document of land occupancy right counting for RMB 693,506.00 Yuan of our company is still in transaction. (December 31, 2009 : 25,541,929.28 Yuan)

## (V) Financial Statements Item Notes – Continued

## 14. 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	6,964,522.00	9,312,166.00	-	16,276,688.00
Include: land occupancy right	6,766,891.00	9,312,166.00	-	16,079,057.00
software	197,631.00	-	-	197,631.00
II. Total accumulated amortization	5,595,586.74	1,362,361.36	-	6,957,948.10
Include: land occupancy right	5,471,328.36	1,315,003.48	-	6,786,331.84
software	124,258.38	47,357.88	-	171,616.26
III. Total net book value of intangible assets	1,368,935.26			9,318,739.90
Include: land occupancy right	1,295,562.64			9,292,725.16
software	73,372.62			26,014.74
IV. Total provision for impairment	-	-	-	-
Include: land occupancy right	-	-	-	-
software	-	-	-	-
V. Total book value of intangible assets	1,368,935.26			9,318,739.90
Include: land occupancy right	1,295,562.64			9,292,725.16
software	73,372.62			26,014.74

Note 1: Due to liquidation, the deductions in this year are RMB 9,312,166.00Yuan.

Note 2: Amortization amount of intangible assets in this year is RMB 1,362,361.36 Yuan.

## 15. 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	465,561.90	19,451.70	211,800.96	-	273,212.64	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	284,795.36	-	113,200.92	-	171,594.44	Inapplicable

## (V) Financial Statements Item Notes – Continued

## 16. 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	983,843.73	1,265,274.86
Bad debt provision for Other receivable	1,012,702.11	5,660,976.83
Provision for Inventory	749,081.41	2,754,958.61
Payable employees' wages and salaries	1,014,310.56	6,615,681.71
Impairment for intangible assets	625,000.00	4,227,197.41
Impairment for long-term equity investment	239,467.33	85,752.83
Other	4,624,405.14	20,609,842.25

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

Unit: RMB

Items	Number at the Year-end	Amount at beginning of year
Deductible losses	560,035,409.20	608,544,241.93
Deductible temporary difference	168,277,128.89	102,455,898.74
Total	728,312,538.09	711,000,140.67

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
2010	-	189,977,850.96	
2011	77,662,096.83	77,662,096.83	-
2012	37,464,387.00	37,464,387.00	-
2013	67,627,487.41	97,206,825.85	-
2014	206,233,081.29	206,233,081.29	-
2015	171,048,356.67	-	-
Total	560,035,409.20	608,544,241.93	-

## (V) Financial Statements Item Notes – Continued

## 16. Deferred income tax assets – Continued

## Consolidation - Continued

## (4) List of deductible temporary different items

Unit: RMB

Items	Temporary difference amount
<b>Number at the Year-end:</b>	
Deductible temporary different items:	
Bad debt provision for Account receivable	4,971,783.44
Bad debt provision for Other receivable	4,050,808.43
Provision for Inventory	3,121,172.54
Payable employees' wages and salaries	4,226,294.00
Impairment for long-term equity investment	2,500,000.00
Others	997,780.57
Total	19,867,838.98
<b>Amount at beginning of year:</b>	
Deductible temporary different items:	
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

## Parent Company

## (1) Realized deferred income tax assets

Unit: RMB

Items	Amount at the Year-end	Amount at beginning of year
Deferred income tax assets		
Bad debt provision for Other receivable	-	6,020,589.39
Provision for Inventory	-	1,710,923.51
Payable employees' wages and salaries	-	5,615,440.75
Impairment for long-term equity investment	-	3,602,197.41
Total	-	16,949,151.06

## (V) Financial Statements Item Notes - Continued

## 16. Deferred Income Tax Assets - Continued

## Parent Company - Continued

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

Unit: RMB

Items	Amount at the Year-end	Amount at beginning of year
Deductible losses	197,881,277.89	184,195,364.50
Deductible temporary difference	88,406,580.75	21,617,921.17
Total	286,287,858.64	205,813,285.67

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
2010	-	-	-
2011	-	-	-
2012	-	-	-
2013	-	-	-
2014	184,195,364.50	184,195,364.50	-
2015	13,685,913.39	-	-
Total	197,881,277.89	184,195,364.50	-

## (4) List of deductible temporary different items

Unit: RMB

Items	Temporary difference amount
<b>Number at the Year-end</b>	
Bad debt provision for Other receivable	-
Provision for Inventory	-
Payable employees' wages and salaries	-
Total	-
<b>Amount at beginning of year</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

## (V) Financial Statements Item Notes—Continued

## 17. Details for Asset Impairment

## Consolidation

Unit: RMB

Project	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	36,298,076.88	278,021.50	1,680,000.00	-	34,896,098.38
2. Stock decline preparation in value	61,830,305.41	5,718,263.06	1,128,922.47	495,519.12	65,924,126.88
3. Long-term equity investment impairment preparation	21,817,300.00	-	-	19,317,300.00	2,500,000.00
4. Fixed assets impairment preparation	28,328,133.00	5,620,433.76	-	967,429.38	32,981,137.38
5. Impairment preparation of construction being built	14,036,855.79	753,840.36	-	-	14,790,696.15
6. Intangible assets impairment preparation	5,115,063.71	-	-	-	5,115,063.71
7. Other depreciation reserve	-	1,633,199.83	-	-	1,633,199.83
Total	167,425,734.79	14,003,758.51	2,808,922.47	20,780,248.50	157,840,322.33

## Parent Company

Unit: RMB

Project	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	11,481,059.43	5,718,263.06	-	-	17,199,322.49
3. Long-term equity investment impairment preparation	19,317,300.00	-	-	19,317,300.00	-
4. Depreciation reserve of fixed assets	-	5,620,433.76	-	-	5,620,433.76
5. Impairment preparation of construction being built	14,036,855.79	753,840.36	-	-	14,790,696.15
Total	68,917,572.77	12,092,537.18	-	19,317,300.00	61,692,809.95

## 18. Other non-current assets

## Consolidation

Unit: RMB

Project	Number at Year-end	Number at Year-beginning
LNG liquefied natural gas project (note)	21,273,223.68	-

Note: The project is jointly constructed by Weimei Power Co., Ltd. and Guangdong Dapeng Liquefied Natural Gas Co., Ltd. The ownership belongs to both parties. At present, the project has realized the preset usable status. Weimei Power Co., Ltd. is expected to transfer into other non-current assets project.



## (V) Financial Statements Item Notes-Continued

## 19. Short-term Loans

**Consolidation**

## 1. Short-term Borrowing Categories

Unit: RMB

Project	Number at Year-end	Number at the Beginning of the Year
Guaranteed loans (note)	700,000,000.00	770,000,000.00
Credit loans	2,412,400,000.00	1,649,120,000.00
Total	3,112,400,000.00	2,419,120,000.00

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 650,000,000.00 yuan.

**Parent Company**

## (1) Short-term loan classification

Unit: RMB

Project	Number at Year-end	Number at the Beginning of the Year
Credit loan	2,218,000,000.00	1,499,000,000.00

## 20. Notes Payable

**Consolidation**

Unit: RMB

Category	Number at Year-end	Number at Year-beginning
Commercial acceptance	-	45,960,000.00
Bank acceptance	-	22,250,216.75
Total	-	68,210,216.75

## (V) Financial Statements Item Notes—Continued

## 21. Account Payable

## Consolidation

1. The accounts payable details are as follows:

Unit: RMB		
Project	Number at Year-end	Number at Year-beginning
CNOOC Oil—Gas Power Group Co., Ltd.	41,806,080.04	-
Shenzhen South Harbor Power Engineering Co., Ltd.	9,160,098.52	16,862,051.29
Zhanjiang Hengyuan Transportation Co., Ltd.	1,502,327.83	-
Wuxi Shijia Heat Energy Equipment Co. Ltd.	1,362,469.80	-
Huasheng Filter (Shenzhen) Co., Ltd.	680,680.33	374,800.00
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
Other	6,603,782.09	110,174.26
Total	61,115,438.61	20,945,942.55

(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) Specification of large sum payable accounts with an account age of above 1 year

Supplier	Sum of Money	Accounts Receivable Age	Payment failure reason	Aftermath repayment sum of balance sheet
Shenzhen South Harbor Power Engineering Co., Ltd.	7,713,014.82	One to Two Years	The other party fails to urge payment	-

## Parent Company

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

Unit: RMB		
Project	Number at Year-end	Number at Year-beginning
Xiefu Oil Company	849,813.37	3,802,647.30
Huasheng Filter (Shenzhen) Co., Ltd.	611,111.10	-
Shenzhen South Harbor Power Engineering Co., Ltd.	-	1,461,538.47
Shenyang Lifa Hear Burning Machine Equipment Parts Co., Ltd.	-	1,050,025.64
Wuhan Steel Enterprise Electric Co., Ltd.	-	1,213,675.21
Other	288,636.61	851,508.01
Total	1,749,561.08	8,379,394.63

(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.

## (V) Financial Statements Item Notes-Continued

## 22. Advance Payment

**Consolidation**

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

Unit: RMB

Project	Number at Year-end	Number at Year-beginning
Advance construction amount	24,210,498.66	524,000.00
Pre-received unit capacity transfer expense	14,586,000.00	-
Advance fuel amount	477,842.60	65,000.00
Total	39,274,341.26	589,000.00

(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.

**Parent company**

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

Unit: RMB

Project	Number at Year-end	Number at Year-beginning
Pre-received unit capacity transfer expense	14,586,000.00	-

(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.

## 23. Salaries Payable to Staff

**Consolidation**

Unit: RMB

Project	Book Balance at Year beginning	Increase in current year	Reduction in current year	Book Balance at Year-end
1. Wages, bonuses, allowances and subsidies	29,972,433.98	85,083,985.16	79,920,360.70	35,136,058.44
2. Employee benefits	-	157,036.98	157,036.98	-
3. Social insurance	786,758.37	8,515,831.33	8,507,123.88	795,465.82
Including: Medical insurance	136,049.33	2,047,270.70	2,056,406.10	126,913.93
Endowment insurance	591,991.00	6,062,291.90	6,084,147.27	570,135.63
Unemployment insurance	20,179.19	171,346.31	154,594.71	36,930.79
Work injury insurance	38,538.85	214,047.53	192,589.44	59,996.94
Maternity insurance	-	20,874.89	19,386.36	1,488.53
4. Housing provident fund	1,747,767.86	6,594,315.60	6,513,248.00	1,828,835.46
5. Union funds and staff education expenses	1,586,952.32	2,134,614.64	2,006,229.61	1,715,337.35
6. Non-monetary welfare	-	222,007.79	222,007.79	-
7. Compensation for rescission of labor relationship	-	253,000.00	253,000.00	-
8. Enterprise annuities	11,113,100.00	4,169,410.43	9,355,590.17	5,926,920.26
VII. others	6,645.71	32,769.66	9,082.00	30,333.37
Total	45,213,658.24	107,162,971.59	106,943,679.13	45,432,950.70

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

## (V) Financial Statements Item Notes-Continued

## 23. Salaries Payable to Staff – Continued

## Parent Company

Unit: RMB

Project	Book Balance at Year beginning	Increase in current year	Reduction in current year	Book Balance at Year-end
1. Wages, bonuses, allowances and subsidies	14,262,713.60	47,500,000.00	40,764,447.58	20,998,266.02
2. Employee benefits	-	-	-	-
3. Social insurance	-	5,754,583.70	5,754,583.70	-
Including: Medical insurance	-	1,509,557.72	1,509,557.72	-
Endowment insurance	-	4,085,792.48	4,085,792.48	-
Unemployment insurance	-	63,905.72	63,905.72	-
Work injury insurance	-	95,327.78	95,327.78	-
Maternity insurance	-	-	-	-
4. Housing provident fund	1,099,730.52	4,676,119.00	4,676,119.00	1,099,730.52
5. Union funds and staff education expenses	792,386.60	1,236,002.79	1,223,740.44	804,648.95
6. Enterprise annuities	9,369,900.00	3,750,199.43	9,308,974.17	3,811,125.26
7. Others	-	-	-	-
Total	25,524,730.72	62,916,904.92	61,727,864.89	26,713,770.75

## 24. Tax Payable

## Consolidation

Unit: RMB

Project	Number at Year-end	Number at Year-beginning
Value added tax	(516,271,620.82)	(423,426,673.59)
Sales tax	2,038,956.43	4,841,923.21
Enterprise income tax	8,069,776.38	13,865,574.77
Individual income tax	1,646,774.92	1,389,494.34
Land use fee	1,137,583.80	-
Value-added tax of land	-	1,156,140.00
House property tax	1,770,165.58	1,474,480.07
others	414,945.62	557,566.77
Total	(501,193,418.09)	(400,141,494.43)

## Parent Company

Unit: RMB

Project	Number at Year-end	Number at Year-beginning
Value added tax	(437,582,282.82)	(359,972,821.02)
Sales tax	438,820.42	334,831.96
Individual income tax	948,841.34	721,302.99
Urban maintenance and construction tax	22,935.58	3,348.37
Additional education expense	9,273.67	-
Dike protection expense	4,369.59	-
Total	(436,158,042.22)	(358,913,337.70)

## (V) Financial Statements Item Notes-Continued

## 25. Interest Payable

## Consolidation

Unit: RMB

Project	Number at Year-end	Number at Year-beginning
Long-term loan interest of installment and interest charges	204,536.00	292,387.50
Interest payable of short-term loan	59,143,503.27	25,029,014.01
Total	59,348,039.27	25,321,401.51

## Parent Company

Unit: RMB

Project	Number at Year-end	Number at Year-beginning
Long-term loan interest of installment and interest charges	-	160,627.50
Interest payable of short-term loan	3,720,714.47	3,837,595.23
Total	3,720,714.47	3,998,222.73

## 26. Other Account Payable

## Consolidation

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

Unit: RMB

Project	Number at Year-end	Number at Year-beginning
Zhongshan Xingzhong Group Limited ("Xingzhong Group") (Note 1)	182,152,108.65	182,152,108.65
Zhongshan Finance Bureau (Note 2)	24,321,200.00	76,959,519.80
Project sum	15,750,790.11	24,247,488.14
Temporary option contract amount (Note 3)	13,905,656.99	14,329,299.79
Quality guarantee deposit	7,384,578.88	10,681,774.93
Shenzhen South Harbor Power Engineering Co., Ltd.	6,417,095.00	90,510.00
Board allowance	2,928,060.85	3,998,889.25
Nanjing Nangang Dynamic Equipment Installation Co., Ltd.	2,719,200.00	-
Hangzhou Boiler Plant Engineering Materials Co., Ltd.	2,486,189.74	263,100.00
Shenzhen Customs	2,200,000.00	-
Wuxi Shijia Heat Energy Equipment Co. Ltd.	1,088,000.00	154,500.00
Guanzhong Investment Limited, Zhongshan ("Guanzhong Investment Company")	-	1,567,958.00
Others	27,415,767.12	17,150,668.77
Total	288,768,647.34	331,595,817.33

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

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

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

## (V) Financial Statements Item Notes-Continued

## 26. Other Account Payable-Continued

**Consolidation** - Continued

- (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

- (3) Other account payable of more than one year is of RMB 241,111,842.78 yuan(December 31, 2009: RMB 310,632,262.81 yuan), which is mainly the money borrowed by Shenzhong Development Company from Xingzhong Group and Zhongshan Financial Department.

**Parent Company**

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

Unit: RMB

Project	Number at Year-end	Number at Year-beginning
New Power Company	470,222,997.74	334,269,727.50
Shenzhen South Harbor Power Engineering Co.,Ltd.	4,972,295.00	4,972,295.00
Quality guarantee amount	2,872,334.39	2,695,412.77
Board allowance	1,913,600.00	1,913,600.00
Xingde Sheng Company	1,768,797.13	1,822,054.03
Hangzhou Boiler Works Engineering Materials Co.,Ltd.	1,479,589.74	5,610,000.00
Environmental Protection Co., Ltd.	1,129,973.65	-
Shijia Energy Equipment Co.,Ltd., Wuxi	1,088,000.00	4,352,000.00
Xiehu Oil Compoany	1,030,238.37	1,062,898.35
Engineering Company	115,528.80	124,000.00
Others	3,935,591.11	6,885,626.22
Total	490,528,945.93	363,707,613.87

- (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

## 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

Project	Number at Year-end	Number at Year-beginning
Long-term loan due within one year	50,000,000.00	200,000,000.00

## (V) Financial Statements Item Notes-Continued

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

## Consolidation - Continued

## (2) Long-term loan due within one year

Unit: RMB

Project	Number at Year-end	Number at Year-beginning
Mortgage loan	-	90,000,000.00
Guarantee loan (note)	50,000,000.00	-
Credit loan	-	110,000,000.00
Total	50,000,000.00	200,000,000.00

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

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

## (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")	2009.9.1	2011.9.1	RMB	4.86	-	50,000,000.00

## Parent Company

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

Unit: RMB

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

## (2) Long-term loan due within one year

Unit: RMB

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

## (V) Financial Statements Item Notes-Continued

## 28. Long-term Loan

## Consolidation

## (1) Long-term loan classification

Unit: RMB

Project	Number at Year-end	Number at Year-beginning
Guarantee loan (note)	186,000,000.00	156,000,000.00

The annual interest of the above loan is from 4.86% to 5.94% (in 2009: from 4.86% to 5.99%).

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		Number at Year-beginning	
					Foreign currency amount	Amount of local currency	Foreign currency amount	Amount of local currency
China Merchants Bank Co.,Ltd. Shenzhen Jingtian Branch	2009.11.06	2017.09.20	RMB	5.35	-	36,000,000.00	-	46,000,000.00
Huaxia Bank, Shenzhen Branch	2010.02.01	2012.02.01	RMB	5.94	-	60,000,000.00	-	-
Huaxia Bank, Shenzhen Branch	2010.04.01	2012.04.01	RMB	5.94	-	40,000,000.00	-	-
Huaxia Bank, Shenzhen Branch	2010.04.01	2012.04.01	RMB	4.86	-	50,000,000.00	-	-
Total						186,000,000.00		46,000,000.00

## 29. Other Non-current Liabilities

## Consolidation

Unit: RMB

Project	Book Balance at Year-end	Book Balance at Year beginning
National debt subsidy of sludge drying project	5,100,000.00	3,600,000.00
Circulation economy support fund of sludge drying project	250,000.00	250,000.00
Total	5,350,000.00	3,850,000.00



## (V) Financial Statements Item Notes-Continued

## 30. Capital Stock

## Consolidation and Parent Company

Unit: RMB

Project	Number at Year-beginning	Change of this year			Umt. RMB
		Sent shares	Others (Note)	Subtotal	Number at Year-end
In 2010:					
I.Shares with selling restrictions					
1.State-owned shares	-	-	-	-	-
2. Shares held by state-owned companies	-	-	-	-	
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	12,993.00	-	-	-	12,993.00
II. Shares without selling restrictions					
1.RMB denominated ordinary shares	338,895,157.00	-	-	-	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.Sthers	-	-	-	-	-
Shares without selling restrictions in total	602,749,603.00	-	-	-	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	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

Note: 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	Number at Year-beginning	Increase in current year	Reduction in current year	Number at Year-end
<b>Year of 2010:</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 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

**Parent Company**

Unit: RMB

Item	Number at Year-beginning	Increase in current year	Reduction in current year	Number at Year-end
<b>Year of 2010:</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
<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

## (V) Financial Statements Item Notes-Continued

## 32. Surplus reserve

## Consolidation and Parent Company

Unit: RMB

Item	Number at Year-beginning	Increase in current year	Reduction in current year	Number at Year-end
<b>Year of 2010:</b>				
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
<b>Year of 2009:</b>				
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
<b>Year of 2010:</b>		
Before adjustment: Undistributed profits at the end of previous year	547,986,755.29	
Adjustment: Total sum of undistributed profit at beginning of year (Note 1)	3,193,490.26	
After adjustment: undistributed profit at beginning of year	551,180,245.55	
Plus: current year's net profit attributable to stockholders of the parent company	(114,638,678.20)	
Minus: extraction of the legal surplus reserve (Note 2)	-	
common stock dividend payable	-	
Undistributed profit at the end of year (Note 3)	436,541,567.35	
<b>Year of 2009:</b>		
Before adjustment: Undistributed profits at the end of previous year	473,871,306.65	
Adjustment: Total sum of undistributed profit at beginning of year (Note 1)	3,207,109.13	
After adjustment: undistributed profit at beginning of year	477,078,415.78	
Plus: current year's net profit attributable to stockholders of the parent company	74,101,829.77	
Minus: extraction of the legal surplus reserve (note 2)	-	
common stock dividend payable	-	
Undistributed profit at the end of year (note 3/4)	551,180,245.55	

Note 1: As shown in annotation (II) 24, the group has made tracing adjustment to the modification of accounting policies with excessive subsidiary losses according to No. 4 Interpretation Document of Accounting Principle for Business Enterprises. It has affected an undistributed profit of RMB 3,193,490.26 Yuan at the beginning of 2010 and affected an undistributed profit of RMB 3,207,109.13 Yuan at the beginning of 2009.

Note 2: 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.

## (V) Financial Statements Item Notes-Continued

## 33. Undistributed profit – Continued

**Consolidation - Continued**

Note 3: As of December 31, 2010, the balance amount of this group's undistributed profit including the surplus reserve extracted by subsidiary company is RMB129,360,135.71 (it is RMB125,750,852.14 on December 31, 2009).

Note 4: Being reviewed and approved by the 40th meeting of 5th board of directors, this company will not distribute profit and will not transfer capital surplus into stock capital in 2010.

## 34. Operating Income, Operating Cost

**Consolidation**

## (1) Operating income

Unit: RMB

Item	Amount in current year	Amount in last year
Main business income	1,598,409,186.21	1,866,489,083.65
Other business income	3,321,279.09	1,340,674.06
Operating cost	2,239,345,909.35	1,939,542,550.54

## (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	1,573,346,745.72	2,227,284,398.08	1,843,414,312.79	1,932,047,007.90
Engineering service	24,168,960.49	10,292,026.88	23,074,770.86	6,286,174.50
Other income	893,480.00	-	-	-
Total	1,598,409,186.21	2,237,576,424.96	1,866,489,083.65	1,938,333,182.40

## (3) Main business (by types of products)

Unit: RMB

Product name	Amount in current year		Amount in last year	
	Operating income	Operating cost	Operating income	Operating cost
Sales of electricity	1,560,159,384.89	2,210,206,019.75	1,833,716,261.24	1,918,545,971.58
Sales of heating power	10,943,567.41	14,880,927.70	9,698,051.55	13,501,036.32
Sales of fuel oil	2,243,793.42	2,197,450.63	-	-
Engineering service	24,168,960.49	10,292,026.88	23,074,770.86	6,286,174.50
Other income	893,480.00	-	-	-
Total	1,598,409,186.21	2,237,576,424.96	1,866,489,083.65	1,938,333,182.40

## (V) Financial Statements Item Notes-Continued

## 34. Operating Income, Operating Cost - Continued

## Consolidation - Continued

## (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	1,591,909,186.21	2,234,953,049.75	1,849,951,884.43	1,931,263,951.61
Abroad	6,500,000.00	2,623,375.21	16,537,199.22	7,069,230.79
Total	1,598,409,186.21	2,237,576,424.96	1,866,489,083.65	1,938,333,182.40

## (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	1,545,029,147.96	96.46
China National Electric Equipment Corporation	10,000,000.00	0.62
Tianchen Engineering Co., Ltd, China	6,500,000.00	0.41
Energy Dynamic General Plant of Wuhan Iron & Steel Co., Ltd.	3,776,000.00	0.24
Shenzhen Zhonglian Silk Co., Ltd.	2,737,527.32	0.17
Total	1,568,042,675.28	97.90

## Parent company

## (1) Operating income

Unit: RMB

Item	Amount in current year	Amount in last year
Main business income	385,171,238.11	377,520,239.49
Other business income	41,800,634.74	29,372,413.16
Operating cost	765,825,140.43	512,034,925.14

## (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	385,171,238.11	764,932,810.44	377,520,239.49	511,763,163.92

## (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	383,410,977.08	758,156,861.40	375,459,120.23	509,174,043.16
Sales of heating power	1,760,261.03	6,775,949.04	2,061,119.26	2,589,120.76
Total	385,171,238.11	764,932,810.44	377,520,239.49	511,763,163.92

## (V) Financial Statements Item Notes-Continued

## 34. Operating income, operating cost- continued

## Parent company - continued

## (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	385,171,238.11	764,932,810.44	377,520,239.49	511,763,163.92

## (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	383,410,977.08	89.80
Shenzhen Nanshan Meat Processing	472,182.74	0.11
Zhongcai Energy Management Service Ltd	405,168.14	0.10
Shenzhen University	269,530.97	0.06
Shenzhen Hengfeng Haiyue International Hotel	258,516.81	0.06
Total	384,816,375.74	90.13

## 35. Business tax and surcharges

## Consolidation

Unit: RMB

Item	Amount in current year	Amount in last year	Calculation and payment standard
Business tax	6,047,498.46	9,511,956.52	3% or 5% of Taxable income
Tax on City Maintenance and Construction	1,183,686.70	795,384.52	1% or 7% of paid turnover tax
Others	131,957.38	158,754.25	
Total	7,363,142.54	10,466,095.29	

## Parent company

Unit: RMB

Item	Amount in current year	Amount in last year	Calculation and payment standard
Business tax	3,519,708.86	4,107,975.75	3% or 5% of taxable income
Tax on City Maintenance and Construction	53,744.42	31,182.41	1% or 7% of paid turnover tax
Total	51,970.85	-	
	3,625,424.13	4,139,158.16	

## (V) Financial Statements Item Notes-Continued

## 36. Management fee

## Consolidation

Unit: RMB

Item	Amount in this period	Amount in previous period
Wages	34,589,977.46	34,432,756.03
Tax	7,612,290.47	6,685,906.05
Rental expenses	6,635,278.50	5,508,725.54
Entertainment fees	5,238,625.72	4,883,784.11
Intermediary organs fees	4,275,658.85	9,462,211.44
Fleet cost	3,837,816.94	3,372,818.13
Board of directors' expenses	3,202,198.76	6,984,853.69
Housing provident fund	2,924,475.00	2,549,233.37
Depreciation expense	2,436,676.40	3,853,979.49
Amortization of intangible assets	2,202,783.34	2,638,081.97
Project verification expense	2,079,368.48	134,522.05
Enterprise annual expense	1,901,300.02	1,632,315.64
Environmental protection expense	1,831,180.96	1,906,097.24
Welfare expense	1,606,501.90	1,329,122.51
Corporate culture cost	1,578,280.85	1,501,727.42
Property management fee	1,425,781.46	1,749,829.38
Office expenses	1,156,724.97	547,349.12
Endowment insurance	1,057,475.80	1,946,381.49
Communication Expenses	914,866.59	790,677.05
Traveling fees	867,725.05	883,243.04
Stock certificate expense	849,235.80	658,892.60
Medical insurance	705,904.97	1,099,169.53
Union funds	539,898.53	485,353.60
Staff education expenses	385,374.76	136,139.62
Amortization of long-term deferred expenses	211,800.96	113,200.92
Inventory profits and losses	(2,752,528.13)	1,453.06
Others	8,611,753.79	4,448,774.98
Total	95,926,428.20	99,736,599.07

## (V) Financial Statements Item Notes-Continued

## 36. Management fee- Continued

## Parent company

Unit: RMB

Item	Amount in this period	Amount in previous period
Wages	20,899,999.99	20,111,520.00
Rental expenses	5,026,431.84	4,408,158.00
Board of directors' expenses	2,943,891.76	6,630,446.12
Intermediary organs fees	2,767,958.31	6,535,861.99
Housing provident fund	2,732,475.00	2,411,633.37
Entertainment fees	2,182,666.08	2,057,256.39
Tax	2,064,538.77	1,356,726.08
Fleet cost	1,861,744.66	1,541,267.65
Enterprise annual expense	1,650,087.70	1,632,315.64
Welfare expense	1,095,493.10	1,121,606.20
Property management fee	1,020,821.00	1,024,176.00
Corporate culture cost	890,370.60	909,759.00
Amortization of intangible assets	865,252.66	862,056.09
Stock certificate expense	849,235.80	658,892.60
Depreciation expense	836,630.08	1,315,632.79
Endowment insurance	802,780.57	1,015,858.97
Union funds	418,000.00	402,230.40
Medical insurance	394,631.67	392,393.14
Staff education expenses	354,935.44	180,177.30
Amortization of long-term deferred expenses	113,200.92	113,200.92
Others(note)	(31,454,629.22)	(34,845,376.39)
Total	18,316,516.73	19,835,792.26

Note: The expense is the management expense amortized according to the unit power generation volume of Shenzhen New Power Industry Co., Ltd. based on Assets Trusteeship Business Contract of Power Generator of Shenzhen New Power Industry Co., Ltd. signed between this company and Shenzhen New Power Industry Co., Ltd. on December 23<sup>rd</sup>, 2003.

## 37. Financial expenses

## Consolidate

Unit: RMB

Item	Current-year incurred amount	Last-year incurred amount
Interest expenditure	170,566,720.97	168,780,817.49
Less: Capitalized interest expense	43,671,973.12	43,612,798.97
Less: Interest income	3,212,235.52	2,952,034.68
Exchange differences	2,559,927.62	1,605,705.71
Other	2,055,364.03	1,161,256.29
Total	128,297,803.98	124,982,945.84



## (V) Financial Statements Item Notes-Continued

## 37. Financial expenses – Continued

## Parent company - Continued

Unit: RMB

Items	Current-year incurred amount	Last-year incurred amount
Interest expenditure	99,980,043.30	82,870,414.79
Less: Capitalized interest expense	-	-
Less: Interest income	59,047,383.09	54,490,598.37
Exchange differences	2,229,377.65	1,115,071.69
Other	1,494,764.97	520,444.96
Total	44,656,802.83	30,015,333.07

## 38. Return on Investment

## Consolidate and 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
Long-term equity return on Investment calculated by equity method	(49,082,776.11)	(10,099,664.59)
Investment benefits due to treatment of long-term stock right investment	(47,678.00)	-
Total	(49,130,454.11)	(9,833,574.79)

## (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 Wenenergy Company Limited, Tongling	-	266,089.80	It has been transferred in this 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	(49,082,776.11)	(10,099,664.59)	The losses of Jiangxi Xinchang Co., Ltd. in this period have increased.

Repatriation of investment income has no significant restrictions.

## (V) Financial Statements Item Notes-Continued

## 39. Assets Impairment Loss

## Consolidation

Unit: RMB

Item	Amount in current year	Amount in last year
1. Loss on bad debts	(1,401,978.50)	(1,713,301.95)
2. Loss of inventory valuation	4,589,340.59	7,350,261.76
3. Impairment loss of long-term equity investment	-	2,943,700.00
4. Impairment loss of fixed assets	5,620,433.76	-
5. Impairment loss of the project under construction	753,840.36	14,036,855.79
6. Impairment loss of intangible assets	1,633,199.83	-
total	11,194,836.04	22,617,515.60

## Parent company

Unit: RMB

Item	Amount in current year	Amount in last year
1. Loss of inventory valuation	5,718,263.06	4,637,365.43
2. Impairment loss of long-term equity investment	-	2,943,700.00
3. The fixed asset impairment loss	5,620,433.76	-
4. Impairment loss of the project under construction	753,840.36	14,036,855.79
total	12,092,537.18	21,617,921.22

## 40. 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	11,234,912.70	34,359,867.16
Including: profits of the fixed assets disposed of	11,234,912.70	8,177,536.34
Profits of the intangible assets disposed of	-	26,182,330.82
Profits on debts restructuring	-	223,000.00
Government subsidy	650,709,673.81	437,522,414.32
Natural gas import VAT return expense (note 1)	140,642,403.84	-
Compensation expense of unit capacity	25,678,800.00	-
Others	4,051,057.71	287,998.04
Total	832,316,848.06	472,393,279.52

Note 1: It is a natural gas import VAT return expense of RMB 69,721,295.94 Yuan obtained by the company in this year from Guangdong Trade Corporation of CNOOC Gas & Power Group and natural gas import VAT return expense of RMB 70,921,107.90 Yuan obtained by Shenzhen New Power Co., Ltd. and Weimei Power Co., Ltd. from Guangdong Dapeng Liquefied Natural Gas Co., Ltd.

## (V) Financial Statements Item Notes-Continued

## 40. Non-operating income - Continued

## Consolidation - Continued

## (2) Details on government subsidy

Unit: RMB

Item	Amount in current year	Amount in last year	Instructions
Income of fuel subsidies	320,502,966.41	-	Note 1
Income of fuel processing fee subsidies	330,156,707.40	437,352,183.32	Note 2
Energy-saving fund	50,000.00		
Support funds from the Nanshan District, Shenzhen Financial Bureau	-	170,231.00	
Total	650,709,673.81	437,522,414.32	

Note 1: According to relevant calculation measures stipulated Shen Fu Ban [2010] No. 74 *Notification of Shenzhen People's Government on Printing and Distributing the "Temporary Charging Plan of Gas and Fuel Processing Expense for Subsidy to Peak Power Generation of Local Gas Turbine Power Plant"*, [2010] No. 207 *Reply of Shenzhen Committee of Science, Industry and Informatization on Making Clear 2010 Power Generation Subsidy Plan of Shenzhen Gas Turbine Power Plant* and Shen Fu Ban [2009] No. 54 *Notification of Shenzhen People's Government on Printing and Distributing the "Interim Measures of Power Generation Subsidy Management of Shenzhen Local Fuel (Gas) Unit"*, the company has confirmed 2010 fuel subsidy income of RMB 320,502,966.41 Yuan.

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 RMB 330,156,707.40 for the fuel processing fee (it's RMB 437,352,183.32 in year of 2009).

**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
Including: profits of the intangible assets	-	6,225,283.12
Government subsidy	320,502,966.41	170,231.00
Natural gas import VAT return expense	69,721,295.94	-
Others	716,447.10	20,000.00
Total	390,940,709.45	6,415,514.12

## (2) Details on government subsidy

Unit: RMB

Item	Amount in current	Amount in last year	Instructions
Income of fuel subsidies	320,502,966.41	-	see notes to consolidated non-operating income
Support funds from the Nanshan District, Shenzhen Financial Bureau	-	170,231.00	
Total	320,502,966.41	170,231.00	

## (V) Financial Statements Item Notes-Continued

## 41. Non-operating expense

## Consolidation

Unit: RMB

Item	Amount in current year	Amount in last year
Loss of the fixed assets disposed of	16,537.00	71,006.08
Loss on disposal of inventories	477,348.21	-
Others	80,020.00	51,231.57
Total	573,905.21	122,237.65

## Parent company

Unit: RMB

Item	Amount in current year	Amount in last year
Loss of the fixed assets disposed of	-	11,248.63
Others	-	15,578.00
Total	-	26,826.63

## 42. 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	7,430,010.28	13,549,596.33
Deferred tax adjustment	17,357,751.77	(1,583,246.69)
Total	24,787,762.05	11,966,349.64

Income Tax Expense and Reconciliation of Accounting Profit are as follow:

Unit: RMB

Item	Amount in current year	Amount in last year
Accounting profit	(98,645,669.78)	131,976,361.23
Income tax expense calculated by tax rate of 20 % (last year: 20%)	(21,702,047.35)	26,395,272.25
The tax impact on non-deductible expense	555,815.88	6,313,561.05
Tax impact on tax-free income	8,387,699.16	(27,930,137.02)
Tax impact on unrecognized deductible tax losses and deductible temporary differences	18,045,285.60	37,776,656.40
Use previous tax impact on unrecognized deductible tax losses and deductible temporary differences	(7,400,516.36)	(29,320,571.79)
The changes of opening deferred tax/debt balance caused by tax rate adjustment	(176,102.80)	(701,110.15)
The impact of inconsistent tax rates in the subsidiary companies of other areas	10,128,476.87	(567,321.10)
Taxpaying influence of deferred income tax assets confirmed in previous year on in this period turnover	16,949,151.05	-
Income tax expense	24,787,762.05	11,966,349.64

## (V) Financial Statements Item Notes-Continued

## 42. Income Tax Expense – continued

## Parent company

Unit: RMB

Item	Amount in current year	Amount in last year
Current income tax calculated in accordance with the tax law and relevant provisions	-	-
Deferred tax adjustment	16,949,151.06	(2,193,028.22)
Total	16,949,151.06	(2,193,028.22)

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)	(75,734,293.11)	(184,195,364.50)
Income tax expense calculated by tax rate of 20% (last year: 20%)	(16,661,544.48)	(36,839,072.90)
The tax impact on non-deductible expense	192,074.62	156,243.84
Tax impact on tax-free income	10,798,210.74	1,966,714.96
Tax impact on unrecognized deductible tax losses and deductible temporary differences	5,671,259.12	33,184,227.56
Taxpaying influence through deductible losses and temporary difference un-confirmed in previous year	-	-
The changes of opening deferred tax / debt balance caused by tax rate adjustment	-	(661,141.68)
Taxpaying influence of deferred income tax assets confirmed in previous year on in this period turnover	16,949,151.06	-
Income Tax Expense	16,949,151.06	(2,193,028.22)

## 43. 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	(114,638,678.20)	74,088,210.90
Including: net profits attributable to continuing operations	(114,638,678.20)	74,088,210.90
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

## 43. 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	(0.19)	0.12
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	(0.19)	0.12
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	-	-
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.**

## 44. 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	223,691,620.79	344,180,183.32
Margin recovery	-	34,358,791.77
Received government subsidies	1,550,000.00	3,250,000.00
Interest income	3,740,184.55	2,952,034.68
Received repayment of the Hehe Investment Development Co., Ltd	-	2,682,024.00
Natural gas import VAT return expense	140,642,403.84	-
Compensation expense of unit capacity	25,678,800.00	-
Others	4,714,040.32	7,274,192.69
Total	400,017,049.50	394,697,226.46

## (V) Financial Statements Item Notes-Continued

## 44. Item notes to Statement of Cash Flow – continued

**Consolidation** - continued

## (2) Paying cash concerning with other operating activities

Unit: RMB

Item	Amount in current year	Amount in last year
Rental expenses	6,635,278.50	5,705,489.52
Entertainment fees	5,238,625.72	4,735,064.86
Fleet cost	3,837,816.94	3,578,926.38
Intermediary organs fees	4,275,658.85	9,445,199.69
Others	1,869,727.54	40,422,487.72
Total	21,857,107.55	63,887,168.17

**Parent company**

## (1) Receiving cash concerning with other operating activities

Unit: RMB

Item	Amount in current year	Amount in last year
interest income	18,589,836.20	6,115,046.41
Natural gas import VAT return expense	69,721,295.94	-
received government subsidies	154,881,892.79	170,231.00
others	2,416,799.11	651,684.64
total	245,609,824.04	6,936,962.05

## (2) Paying cash concerning with other operating activities

Unit: RMB

Item	Amount in current year	Amount in last year
Rental expenses	5,026,431.84	4,004,702.00
Intermediary organs fees	2,767,958.31	6,535,861.99
Entertainment fees	2,182,666.08	1,885,981.39
Fleet cost	1,861,744.66	1,541,267.65
Bank charges	1,494,764.97	520,444.96
Property management fee	1,020,821.00	1,024,176.00
Corporate culture cost	890,370.60	909,759.00
Others	3,370,010.75	4,960,385.44
Total	18,614,768.21	21,382,578.43

## (3) Receiving cash concerning with other investment activities

Unit: RMB

Item	Amount in current year	amount in last year
Group lending funds	265,076,059.57	268,940,171.00

## (V) Financial Statements Item Notes-Continued

## 44. Item notes to Statement of Cash Flow - continued

## Parent company - continued

## (4) Paying cash concerning with other investment activities

Unit: RMB

item	amount in current year	amount in last year
Group lending funds	418,080,000.00	240,000,000.00

## 45. Additional information of the cash flow statement

## Consolidate

## (1) Additional information of the cash flow statement

Unit: RMB

Additional information	Current yearAmount	Last yearAmount
<b>1. Regulate the net profit into the cash flow of operating activities:</b>		
Net profit	(123,433,431.83)	120,010,011.59
Add: Asset impairment preparation	11,194,836.04	22,617,515.60
Depreciation of fixed assets and investment real estate	178,247,111.12	190,623,828.39
Amortization of intangible assets	3,263,423.08	3,976,732.12
Amortization of long-term deferred expenses	211,800.96	363,659.91
Loss from disposing fixed assets, intangible assets and other long-term assets(return)	(11,218,375.70)	(34,288,861.08)
Financial expenses(return)	127,368,970.33126,89 4,747.85	125,168,018.52
Investment loss (return)	49,130,454.11	9,833,574.79
Decrease of deferred income tax assets(increase)	15,985,437.11	(1,583,246.69)
Decrease of inventory(increase)	(11,760,843.34)	(59,562,936.55)
Decrease of receivable operating items(increase)	(199,972,199.01)	102,764,639.88
Increase of payable operating items(decrease)	(13,119,237.90)	(131,346,233.57)
Other	-	(223,000.00)
Net amount of cash flow produced by operating activities	25,897,944.9725,423, 722.49	348,353,702.91
<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	591,386,814.04	356,362,100.63
Less: Year-beginning balance of cash and cash equivalents	356,362,100.63	372,348,923.52
Net increase of cash and cash equivalents	235,024,713.41	(15,986,822.89)



## (V) Financial Statements Item Notes-Continued

## 45. Additional information of the cash flow statement - Continued

## Consolidate - Continued

## (2) Composition of cash and cash equivalents

Unit: RMB

Items	Number at Year-end	Number at
I . Cash	591,386,814.04	356,362,100.63
Wherein: Cash on hand	207,875.16	438,380.21
Bank deposit which can be paid at any time	590,685,309.79	355,352,771.06
Other currency capital which can be paid at any time	493,629.09	570,949.36
II . Year-end balance of cash and cash equivalents	591,386,814.04	356,362,100.63

## Parent company

## (1) Additional information of the cash flow statement

Unit: RMB

Additional information	Current yearAmount	Last yearAmount
<b>1. Regulate the net profit into the cash flow of operating activities:</b>		
Net profit	(92,683,444.17)	(182,002,336.28)
Add: Asset impairment preparation	12,092,537.18	21,617,921.22
Fixed asset depreciation	50,430,765.04	47,074,805.90
Amortization of intangible assets	1,362,361.36	2,056,859.73
Amortization of long-term deferred expenses	113,200.92	113,200.92
Loss from disposing fixed assets, intangible assets and other long-term assets(return)	-	(6,214,034.49)
Financial expenses(return)	99,981,483.7299,980,043.30	82,870,414.79
Investment loss (return)	49,130,454.11	9,833,574.79
Decrease of deffered income tax assets(increase)	16,949,151.06	(2,193,028.22)
Decrease of inventory(increase)	22,760,110.30	306,914.84
Decrease of receivable operating items(increase)	(211,190,292.78)	(23,532,256.55)
Increase of payable operating items(decrease)	58,721,834.02	(103,421,225.37)
Net amount of cash flow produced by operating activities	7,666,720.34 7,668,160.76	(153,489,188.72)
<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	269,369,131.18	35,564,935.05
Less: Year-beginning balance of cash and cash equivalents	35,564,935.05	29,272,846.21
Net increase of cash and cash equivalents	233,804,196.13	6,292,088.84

## (V) Financial Statements Item Notes-Continued

## 45. Additional information of the cash flow statement - Continued

## Parent company - Continued

## (2) Composition of cash and cash equivalents

Unit: RMB

Items	Number at Year-end	Number at Year-beginning
I . Cash	269,369,131.18	35,564,935.05
Wherein: Cash on hand	48,656.09	105,156.36
Bank deposit which can be paid at any time	268,895,495.56	35,249,007.51
Other currency capital which can be paid at any time	424,979.53	210,771.18
II . Year-end balance of cash and cash equivalents	269,369,131.18	35,564,935.05

## (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
BNP P P/PANDA INVESTMENT COMPANY LIMITED	Shareholders with significant impact on the company	Not applicable
HONGKONG NAM HOI (INTERNATIONAL) LTD	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	192189185
Dongguan Weimei Ceramics Industrail Park Co., Ltd ("Weimei Ceramics Co., Ltd")	Minority shareholders of the subsidiary	72919361X
Xingzhong Group	Minority shareholders of the subsidiary	733112675
Guanzhong Investment Co., Ltd	Minority shareholders of the subsidiary before September 30, 2009	733096986
Shenzhen Mawan Power Co., Ltd ("Mawan Power Co., Ltd")	Subsidiary of Energy Group	618816706
Moon Bay Oil Co., Ltd	Subsidiary of Energy Group	618849428
Shenzhen Energy Group Stock Co., Ltd. (hereinafter referred to as "Energy Stock")	Subsidiary of Energy Group	19224115-8
Directors and other senior management of the company	Key management	Not applicable

## (VI) Related parties and related transactions – Continued

## 5. Related transactions

## Consolidate

## (1) Commodity purchasing and selling, related transactions in which labor services are provided and received

Form of purchasing commodities/acceptable labor

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 (%)
Mawan Power Co., Ltd	Purchasing commodity	Fuel	Accord to the price released by the authority or refer to the market price	21,140,652.48	0.98	-	-
Mawan Power Co., Ltd	Labor service receiving	Oil pipe cost	Accord to the price released by the authority or refer to the market price	181,955.27	100.00	496,826.01	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	877,857.45	100.00	2,390,102.62	100.00

## (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
Borrowing					
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
Borrowing					
Xingzhong Group	125,316,816.85	2008.11.19	2010.12.31	125,316,816.85	Note
Xingzhong Group	23,750,000.00	2009.10.15	2010.12.31	23,750,000.00	Note
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	

Note: Borrowed respectively on Oct. 15, 2007 and Nov. 19, 2007 for one year, and extended after becoming due.

**(VI) Related parties and related transactions - Continued****5. Related transactions - Continued****Consolidate - Continued****(3) Key management reward**

Unit: RMB

Name of item	Current-year incurred amount	Last-year incurred amount
Key management reward	7,162,700.00	6,362,000.00

**(4) Capital occupation cost**

Unit: RMB

Related parties	Type of related 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 (%)
Xingzhong Group	Capital occupation cost	Interest expenditure	Note	9,906,544.84	100.00	9,806,614.16	100.00

Note: The capital occupation cost is calculated by the current capital loan interest rate of the bank of the same level.

**(5) Receivable and payable accounts of the related parties**

## Payable expense to associated parties

Unit: RMB

Name of item	Related parties	Year-end balance	Year-beginning balance
Accounts payable	Mawan Power Co., Ltd	-	49,171.39
Other accounts payable	Energy Group	-	1,176,443.10
	Weimei Ceramics Co., Ltd	-	200,000.00
	Guangzhong Investment Co., Ltd	-	1,567,958.00
	Xingzhong Group	182,152,108.65	182,152,108.65
Deposit received	Energy Stock	14,586,000.00	-
Interest payable	Xingzhong Group Limited	32,106,381.85	22,199,837.01

**(VI) Related parties and related transactions - Continued****5. Related transactions - Continued****Parent company**

(1) Commodity purchasing and selling, related transactions in which labor services are provided and received

Form of purchasing commodities/acceptable labor

Unit: RMB

Related parties	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	Fuel purchasing	Accord to the price released by the authority or refer to the market price	9,560,336.80	0.77	153,768,956.40	17.31
Xiefu Oil Supply Co., Ltd	Warehousing and transportation cost	Accord to the price released by the authority or refer to the market price	12,102,818.98	100.00	20,116,567.26	100.00
New Power Co., Ltd	Fuel purchasing	Accord to the price released by the authority or refer to the market price	211,480,735.73	16.95	323,888,372.16	36.45
Engineering Co., Ltd	Engineering construction	Accord to the price released by the authority or refer to the market price	-	-	1,250,062.14	100.00
Mawan Power Co., Ltd	Oil pipe cost	Accord to the price released by the authority or refer to the market price	181,955.27	100.00	496,826.01	100.00
Mawan Power Co., Ltd	Fuel purchasing	Accord to the price released by the authority or refer to the market price	21,140,652.48	1.69	-	-
Moon Bay Oil Co., Ltd	Wharf charge	Accord to the price released by the authority or refer to the market price	877,857.45	100.00	2,390,102.62	100.00
Zhongshan Power Co., Ltd	Fuel purchasing	Accord to the price released by the authority or refer to the market price	17,499,373.95	1.40	-	-

Form of sold commodities/provided labor

Unit: RMB

Related parties	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 (%)
New Power Co., Ltd	Flue gas cost	Accord to the price released by the authority or refer to the market price	2,699,107.20	100.00	1,574,246.40	100.00
New Power Co., Ltd	Unit operation and trust labor service charge	Accord to the price released by the authority or refer to the market price	29,557,385.50	100.00	27,142,166.76	100.00
New Power Co., Ltd	Sold thermal power	Accord to the price released by the authority or refer to the market price	72,825.19	0.02	-	-
Engineering Co., Ltd	Training fee	Accord to the price released by the authority or refer to the market price	-	-	300,000.00	100.00
Zhongshan Power Co., Ltd.	Sold materials	Accord to the price released by the authority or refer to the market price	5,528,376.07	1.29	-	-
Weimei Power Co., Ltd.	Sold materials	Accord to the price released by the authority or refer to the market price	2,407,094.01	0.56	-	-
Weimei Power Co., Ltd.	Leased materials	Accord to the price released by the authority or refer to the market price	907,197.48	0.21	-	-

## (VI) Related parties and related transactions - Continued

## 5. Related transactions - Continued

## Parent company - Continued

## (2) Related trust

Form of trusteeship management:

Unit: RMB

Name of trustor	Name of trustee	Asset trust	Starting date of the trust	Ending date of the trust	Trust return determination bases	Trusteeship benefits confirmed in the year
New Power Co., Ltd	The company	No. 2, 10 and 11 generator units	2010.01.01	2010.12.31	Calculated and determined by 0.025yuan/KWh of power generation	29,557,385.50
New Power Co., Ltd	The company	No. 2, 10 and 11 generator units	2009.01.01	2009.12.31	Calculated and determined by 0.025yuan/KWh of power generation	27,142,166.76

## (3) Related guarantee

Provide guarantee

Unit: RMB

Guarantor	The guaranteed party	Guarantee amount	Starting date of the guarantee	Due date of the guarantee	Has the guarantee been fulfilled?
The company	Weimei Power Co., Ltd	60,000,000.00	2010.02.01	2012.02.01	No
The company	Weimei Power Co., Ltd	40,000,000.00	2010.04.01	2012.04.01	No
The company	Zhongshan Power Co., Ltd	50,000,000.00	2009.09.01	2011.09.01	No
The company	Zhongshan Power Co., Ltd	50,000,000.00	2010.04.01	2012.04.01	No
The company	Environmental Protection Co., Ltd.	30,000,000.00	2010.03.30	2011.03.30	No
The company	Weimei Power Co.	40,000,000.00	2010.04.15	2011.02.03	No
The company	Weimei Power Co.	27,000,000.00	2010.04.20	2011.02.03	No
The company	Weimei Power Co.	40,000,000.00	2010.05.19	2011.02.03	No
The company	Weimei Power Co.	25,000,000.00	2010.06.04	2011.02.03	No
The company	Weimei Power Co.	22,000,000.00	2010.06.21	2011.02.03	No
The company	Weimei Power Co.	40,000,000.00	2010.06.24	2011.02.03	No
The company	Weimei Power Co.	40,000,000.00	2010.07.09	2011.02.03	No
The company	Weimei Power Co.	22,000,000.00	2010.07.15	2011.02.03	No
The company	Weimei Power Co.	44,000,000.00	2010.07.28	2011.02.03	No
The company	Zhongshan Power Co., Ltd	25,000,000.00	2010.08.26	2011.08.26	No
The company	Zhongshan Power Co., Ltd	40,000,000.00	2010.09.20	2011.09.20	No
The company	Zhongshan Power Co., Ltd	35,000,000.00	2010.09.26	2011.09.26	No
The company	Weimei Power Co., Ltd	80,000,000.00	2010.04.01	2011.04.01	No
The company	Weimei Power Co., Ltd	100,000,000.00	2010.12.29	2011.12.29	No
The company	Environmental Protection Co., Ltd	36,000,000.00	2009.11.06	2017.09.20	No
The company	Zhongshan Power Co.	5,000,000.00	2010.10.28	2011.10.28	No
The company	Zhongshan Power Co.	35,000,000.00	2010.11.05	2011.11.05	No
The company	Zhongshan Power Co.	50,000,000.00	2009.11.27	2010.05.27	Yes
The company	Zhongshan Power Co.	50,000,000.00	2009.12.25	2010.06.25	Yes
The company	Zhongshan Power Co.	240,000,000.00	2009.04.16	2010.04.16	Yes
The company	Zhongshan Power Co.	20,000,000.00	2009.06.21	2010.06.21	Yes
The company	Zhongshan Power Co., Ltd	60,000,000.00	2009.06.16	2010.06.16	Yes
The company	Weimei Power Co., Ltd	300,000,000.00	2009.08.03	2010.08.03	Yes

## (VI) Related parties and related transactions - Continued

## 5. Related transactions - Continued

## Parent company - Continued

## (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	2011.11.17	60,000,000.00	Entrusted loan
<b>Lending</b>						
Shenzhong Co., Ltd	Development	70,040,000.00	2009.10.14	2010.03.31	70,040,000.00	It has expired and extended period is under progress.
Shenzhong Co., Ltd	Development	48,750,000.00	2009.04.25	2010.03.31	48,750,000.00	It has expired and extended period is under progress.
Shenzhong Co., Ltd	Development	7,500,000.00	2009.04.05	2010.03.31	7,500,000.00	It has expired and extended period is under progress.
Shenzhong Co., Ltd	Development	375,950,450.55	2009.11.18	2010.03.31	375,950,450.55	It has expired and extended period is under progress.
Shenzhong Co., Ltd	Development	43,005,307.50	2009.12.28	2010.03.31	43,005,307.50	It has expired and extended period is under progress.
Shenzhong Co., Ltd	Development	46,280,000.00	2009.01.01	2009.12.31	46,280,000.00	It has expired and extended period is under progress.
Shenzhong Co., Ltd	Development	23,000,000.00	2009.05.19	2010.03.31	23,000,000.00	It has expired and extended period is under progress.
Shenzhong Co., Ltd	Development	43,000,000.00	2009.10.09	2010.03.31	43,000,000.00	It has expired and extended period is under progress.
Shenzhong Co., Ltd	Development	4,875,000.00	2009.08.29	2010.03.31	-	It has been recovered in advance on 2010.01.08.
Weimei Power Co., Ltd		10,000,000.00	2008.10.28	2010.03.31	-	It has been recovered in advance on 2010.01.08.
Weimei Power Co., Ltd		140,000,000.00	2009.07.28	2010.01.27	-	Entrust the bank to release the loan to the related parties
Weimei Power Co., Ltd		140,000,000.00	2010.01.27	2010.07.27	-	Entrust the bank to release the loan to the related parties
Weimei Power Co., Ltd		63,080,000.00	2010.07.26	2011.07.26	63,080,000.00	Entrust the bank to release the loan to the related parties
Weimei Power Co., Ltd		50,000,000.00	2010.07.29	2011.07.29	-	Entrust the bank to release the loan to the related parties. It has been repaid on 2010.11.30.
Zhongshan Power Co., Ltd		50,000,000.00	2009.03.25	2010.03.31	50,000,000.00	It has expired and extended period is under progress.
Zhongshan Power Co., Ltd		40,437,227.87	2008.09.26	2010.03.31	40,437,227.87	It has expired and extended period is under progress.
Zhongshan Power Co., Ltd		28,000,000.00	2009.01.11	2010.03.31	28,000,000.00	It has expired and extended period is under progress.
Zhongshan Power Co., Ltd		100,000,000.00	2009.12.24	2010.12.23	24,923,940.43	Entrust the bank to release the loan to the related parties
Zhongshan Power Co., Ltd		180,000,000.00	2010.04.14	2011.04.14	180,000,000.00	Entrust the bank to release the loan to the related parties
Zhongshan Power Co., Ltd		50,000,000.00	2010.06.12	2011.06.12	50,000,000.00	Entrust the bank to release the loan to the related parties
Zhongshan Power Co., Ltd		40,000,000.00	2010.09.20	2011.09.20	40,000,000.00	Entrust the bank to release the loan to the related parties
Zhongshan Power Co., Ltd		35,000,000.00	2010.09.28	2011.09.28	35,000,000.00	Entrust the bank to release the loan to the related parties

Shenzhen Nanshan Power Co., Ltd.

Annotations of Financial Statements  
The Fiscal Year as of Dec. 31, 2010

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## (VI) Related parties and related transactions - Continued

## 5. Related transactions - Continued

## Parent company - Continued

## (4) Capital lending and borrowing of related parties - Continued

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	2009.11.21	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	
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	-	
Weimei Power Co., Ltd	23,200,000.00	2009.02.22	2009.08.31	-	
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	-	
Weimei Power Co., Ltd	20,000,000.00	2009.06.04	2009.08.05	-	
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

## (5) Key management reward

Unit: RMB

Name of item	Current-year incurred amount	Last-year incurred amount
Key management reward	7,162,700.00	6,362,000.00

## (VI) Related parties and related transactions - Continued

## 5. Related transactions - Continued

## Parent company - Continued

## (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	2,270,800.00	2.27	945,517.81	1.14
Xiefu Oil Supply Co., Ltd	Capital occupation cost	Interest income	Note	-	-	2,426,375.00	4.45
Zhongshan Power Co., Ltd	Capital occupation cost	Interest income	Note	21,258,779.30	36.00	12,353,985.92	22.67
Weimei Power Co., Ltd	Capital occupation cost	Interest income	Note	4,869,834.11	4.87	10,141,470.23	18.61
Shenzhong Development Co., Ltd	Capital occupation cost	Interest income	Note	31,850,582.38	31.86	28,915,645.81	53.07

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. In 2010, it has failed to purchase fuel to Xiefu Oil Supply Co., Ltd. and failed to pay an agent service expense (the agent service expense in 2009 is RMB 1,232,816.09 Yuan).

## (8) Receivable and payable accounts of the related parties

Receivable expense from associated parties:

Unit: RMB

Name of item	Related parties	Year-end balance	Year-beginning balance
Other receivables	Xiefu Oil Supply Co., Ltd	6,280,847.20	6,279,664.17
	Zhongshan Power Co., Ltd	181,927,622.99	169,415,458.71
	Weimei Power Co., Ltd	7,778,446.81	24,060,195.84
	Environmental Protection Co., Ltd	-	366,631.30
	Shenzhong Development Co., Ltd	693,061,355.80	666,085,773.42
	Shenzhen Nanshan Singapore Co., Ltd	31,072.34	31,072.34
	Xingdesheng Co., Ltd	19,596.65	-
Dividends receivable	New Power Co., Ltd	597,875,904.41	597,875,904.41
Other current assets	Zhongshan Power Co., Ltd	329,923,940.43	100,000,000.00
	Weimei Power Co., Ltd	63,080,000.00	140,000,000.00

## (VI) Related parties and related transactions - Continued

## 5. Related transactions - Continued

## Parent company - Continued

## (8) Receivable and payable accounts of the related parties - Continued

## Payable expense to associated parties

Unit: RMB

Name of item	Related parties	Year-end balance	Year-beginning balance
Deposit received	Energy Stock	14,586,000.00	-
Interest payable	Engineering Co., Ltd	-	1,723,625.23
Accounts payable	Xie fu Oil Supply Co., Ltd	849,813.37	3,802,647.30
	Mawan Power Co., Ltd	-	49,171.39
Other accounts payable	Xie fu Oil Supply Co., Ltd	1,030,238.37	1,062,898.35
	New Power Co., Ltd	470,222,997.74	334,269,727.50
	Engineering Co., Ltd	115,528.80	124,000.00
	Xingdesheng Co., Ltd	1,768,797.13	1,822,054.03
	Energy Group	-	511,408.69
	Environmental Protection Co., Ltd	1,129,973.65	-
Short-term loans	Engineering Co., Ltd	60,000,000.00	60,000,000.00

## (VII) Contingency

In March 2008, the company has signed 165723967102.11 and 165723968102.11 contract confirmation letter (hereinafter referred to as “confirmation letter”) with Jierun Corporation.

The first copy of confirmation letter has a validity from March 3<sup>rd</sup>, 2008 to December 31<sup>st</sup>, 2008; it is composed of three option contract. Once the floating price (arithmetical average of closing settlement price of monthly light crude oil option contract in New York commodity transaction office within each decision validity) is higher than 63.50 USD/bucket, the company can obtain 300,000 USD benefits each month (200,000 buckets × 1.50 USD/bucket); once the floating price is lower than 63.50 USD/bucket and higher than 62.00 USD/bucket, the company can obtain (floating price – 62.00 USD/bucket) × 200,000 buckets as benefits; once the floating price is lower than 62.00 USD/bucket, the company has to pay USD expense to Jierun Corporation each month equivalent to (62.00 USD/bucket—floating price) × 400,000 buckets.

The second copy of confirmation letter has a validity from January 1<sup>st</sup>, 2009 to October 31<sup>st</sup>, 2010; it is composed of three option contract. Jierun Corporation has owned the implementation selection right before 18:00 on December 30<sup>th</sup>, 2009. Once the floating price is higher than 66.50 USD/bucket, the company can obtain 340,000 USD benefits each month (200,000 buckets × 1.70 USD/bucket); once the floating price is higher than 64.80 USD/bucket and lower than 66.50 USD/bucket, the company can obtain (floating price – 64.80 USD/bucket) × 200,000 buckets as benefits each month; once the floating price is lower than 64.50 USD/bucket, the company has to pay USD expense to Jierun Corporation each month equivalent to (64.50 USD/bucket—floating price) × 400,000 buckets.

**(VII) Contingency – Continued**

Between April—October 2008, Jierun Corporation has depended on the above two confirmation letters and paid 2.10 million USD (converted to RMB 14,352,083.46 Yuan) to our company. Our company has calculated received expense into “other payable”.

On November 6<sup>th</sup>, 2008, Jierun Corporation has sent a letter to the company and maintained that company has expressed fulfillment failure of the transaction according to the announcement on October 21<sup>st</sup>, 2008 and meeting opinions on October 29<sup>th</sup>, 2008 and has constituted breach of contract. It has thus announced transaction termination. The company has replied to Jierun Corporation and expressed that company has never expressed fulfillment failure of the transaction and maintained that Jierun Corporation has personally rescinded the contract and refused to pay payable expense under the first copy of confirmation letter until October 2008—it has constituted breach of contract and the company has announced transaction termination. Although the two parties have terminated the confirmation letter and transaction by different reasons, yet they do not have any discrepancy in the termination fact of confirmation letter and transaction. After the transaction termination, Jierun Corporation has sent a letter and required the company to compensate for the transaction termination losses; at the same time, it has sent a letter to express hope for dispute settlement through commercial measures. The company has replied a letter and refused to accept Jierun Corporation’s compensation requirements; at the same time, it has sent another letter for negotiation. Later, the two parties have launched out numerous negotiations but failed to reach any common consensus. On November 27<sup>th</sup>, 2009, the company has received the letter from Allen and Overy LLP. The letter has described the above matters and required the company to compensate for Jierun Corporation’s losses of 79,962,943.00 USD and interest of 3,736,958.66 USD until November 27<sup>th</sup>, 2009. The company has replied a letter on January 25<sup>th</sup>, 2010 and refused to accept the losses compensation requirements. On March 31<sup>st</sup>, 2011, Jierun Corporation has sent another letter to the company and announced default expense of 79,962,943.00 USD and interest as of November 6<sup>th</sup>, 2008. It is willing to continue to cooperate with the company for settlement of this issue and has invited the company to raise settlement suggestions. At the same time, Jierun Corporation has emphasized its reservation of all the rights to this matter. The company has replied a letter on April 6<sup>th</sup>, 2011 and refused to accept Jierun Corporation’s losses compensation requirements and is willing to accept Jierun Corporation’s invitation and launch out negotiation under the prerequisite of not affecting their rights. Once the company management level judge negotiation failure, it does not eliminate dispute settlement possibility through judicial measures.

The board of directors in the company has maintained based on independent lawyer’s legal opinions to the above matters:

- (1) Two confirmation letters and transaction have been terminated by both parties;
- (2) The progress of this matter has numerous uncertain elements. At present stage, it is impossible to estimate the future possible solutions and results;
- (3) In view of reasonable and reliable estimation failure of ultimate result, it can not confirm expected liabilities in 2010 financial statement.

The board of directors in the company has verified relevant accounting treatment in a timely manner according to the progress of above matters.

**(VIII) Commitments**  
**Consolidate****1. Capital commitments**

Unit: RMB

Items	Number at Year-end	Number at Year-beginning
Contracted but not confirmed in the financial statements yet		
-Commitment for purchasing and constructing long-term assets	22,732,380.00	46,710,139.28
-Foreign investment commitments	-	36,370,000.00
Total	22,732,380.00	83,080,139.28

## (VIII) Commitments - Continued

**Consolidate** - Continued

## 2. Operating lease commitments

At the balance sheet date, the irrevocable operating lease contracts that the group signs with foreign enterprises as as follows:

Unit: RMB		
Items	Number at Year-end	Number at Year-beginning
Minimum lease payment of irrevocable operating lease:		
1 <sup>st</sup> year after the balance sheet date	4,394,861.29	9,741,270.00
2 <sup>nd</sup> year after the balance sheet date	1,376,850.00	1,376,850.00
3 <sup>rd</sup> year after the balance sheet date	1,389,536.63	1,376,850.00
Future years	66,616,466.43	68,006,003.05
Total	73,777,714.35	80,500,973.05

**Parent company**

## 1. Capital commitments

Unit: RMB		
Items	Number at Year-end	Number at Year-beginning
Contracted but not confirmed in the financial statements yet		
-Commitment for purchasing and constructing long-term assets	4,032,585.38	19,547,276.55
-Foreign investment commitments	-	36,370,000.00
Total	4,032,585.38	55,917,276.55

## 2. Operating lease commitments

At the balance sheet date, the irrevocable operating lease contracts that the company signs with foreign enterprises as as follows:

Unit: RMB		
Items	Number at Year-end	Number at Year-beginning
Minimum lease payment of irrevocable operating lease:		
1 <sup>st</sup> year after the balance sheet date	1,753,100.00	6,224,720.00
Total	1,753,100.00	6,224,720.00

## (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 December 23 <sup>rd</sup> , 2010, the company has convened 38 <sup>th</sup> meeting of 5 <sup>th</sup> session of board of directors; the meeting has audited and adopted the <i>Agenda on Increasing Registered Capital to Shenzhen Energy Environmental Protection Co., Ltd.</i> , agreed to increase a registered capital of 61.05 million Yuan and input in two periods. The first period has increased a registered capital of RMB 47.8810 million Yuan for 2 <sup>nd</sup> phase project construction of Baoan. It has to complete payment before January 31 <sup>st</sup> , 2011; the second period has increased a registered capital of RMB 13.1690 million Yuan—it is expected to input within thirty (30) days upon environmental assessment of Nanshan 2 <sup>nd</sup> phase project. On Jan. 31, 2011, the company paid RMB 4,788.10 yuan for the investment according to the above resolution.	No impact on the 2010 financial status and operation results	Not applicable
Investment	The company has paid a capital of RMB 8.96 million Yuan to environmental protection company on January 25 <sup>th</sup> , 2011.	No impact on the 2010 financial status and operation results	Not applicable

## (X) Other important matters

## 1. Financial expenses

## Consolidate

Unit: RMB

Items	Amount of capitalized borrowing cost in current year	Capitalization rate
Inventory	39,261,213.34	5.31
Projects under construction	4,410,759.78	4.97
Subtotal of current-period capitalized borrowing cost	43,671,973.12	
Borrowing cost included into profit and loss of the current period	126,894,747.85	
Total borrowing cost of the current period	170,566,720.97	

## 2. 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.

## (X)Other important matters - Continued

## 2. Segment report-Continued

## (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	Current year	Last year	Current year	Last year	Current year	Last year	Current year
Business income														
Foreign trade income	1,574,029,394.14	1,841,791,819.27	2,855,478.19	2,381,649.22	-	-	24,168,960.49	23,000,289.22	676,632.48	656,000.00	-	-	1,601,730,465.30	1,867,829,757.71
Inter-segment trade income	50,980,191.84	28,943,998.90	48,280,291.20	378,803,497.92	-	-	400,000.00	4,507,766.99	8,842,667.56	-	(108,503,150.60)	(412,255,263.81)	-	-
Total segment business income	1,625,009,585.98	1,870,735,818.17	51,135,769.39	381,185,147.14	-	-	24,568,960.49	27,508,056.21	9,519,300.04	656,000.00	(108,503,150.60)	(412,255,263.81)	1,601,730,465.30	1,867,829,757.71
Total statement business income	1,625,009,585.98	1,870,735,818.17	51,135,769.39	381,185,147.14	-	-	24,568,960.49	27,508,056.21	9,519,300.04	656,000.00	(108,503,150.60)	(412,255,263.81)	1,601,730,465.30	1,867,829,757.71
Subdivisional expense	2,308,545,723.04	2,008,148,394.78	48,798,735.87	358,491,983.56	1,869,851.41	3,237,475.75	10,402,129.90	9,742,277.65	2,576,178.22	3,215,461.22	(113,428,226.80)	(409,264,274.31)	2,258,764,391.64	1,973,571,318.65
Subdivisional business profits (losses)	(683,536,137.06)	(137,412,576.61)	2,337,033.52	22,693,163.58	(1,869,851.41)	(3,237,475.75)	14,166,830.59	17,765,778.56	6,943,121.82	(2,559,461.22)	4,925,076.20	(2,990,989.50)	(657,033,926.34)	(105,741,560.94)
Management expense	55,576,484.22	59,118,914.69	8,072,342.86	5,016,155.51	8,142,739.17	10,285,322.65	5,818,345.22	5,480,413.96	18,316,516.73	19,835,792.26	-	-	95,926,428.20	99,736,599.07
Financial expenses	84,071,406.43	94,170,725.21	103,100.67	1,730,928.67	4,967,564.21	3,222,602.87	(3,367,965.80)	(3,678,412.29)	42,339,675.95	29,510,522.13	184,022.52	26,579.25	128,297,803.98	124,982,945.84
Investment return	-	-	-	-	-	-	-	-	(49,130,454.11)	(9,833,574.79)	-	-	(49,130,454.11)	(9,833,574.79)
<b>Business profit</b>	(823,184,027.71)	(290,702,216.51)	(5,838,410.1)	15,946,079.40	(14,980,154.79)	(16,745,401.27)	11,716,451.17	15,963,776.89	(102,843,524.97)	(61,739,350.40)	4,741,053.68	(3,017,568.75)	(930,388,612.63)	(340,294,680.64)
Non-business income	401,127,815.30	437,352,183.32	8,189,147.59	385,470.38	32,059,175.72	28,240,111.70	-	-	390,940,709.45	6,415,514.12	-	-	832,316,848.06	472,393,279.52
Non-business expenditure	82,090.00	57,713.30	20.00	6,232.00	477,348.21	57,985.45	14,447.00	306.90	-	-	-	-	573,905.21	122,237.65
<b>Total profit</b>	(422,138,302.41)	146,592,253.51	2,350,717.58	16,325,317.78	16,601,672.72	11,436,724.98	11,702,004.17	15,963,469.99	288,097,184.48	(55,323,836.28)	4,741,053.68	(3,017,568.75)	(98,645,669.78)	131,976,361.23
Income tax	6,334,193.92	(2,193,028.22)	131,919.99	3,117,500.74	45,018.34	8,903,908.70	2,699,793.41	3,120,369.13	16,949,151.06	-	(1,372,314.67)	(982,400.71)	24,787,762.05	11,966,349.64
<b>Net profit</b>	(428,472,496.33)	148,785,281.73	2,218,797.59	13,207,817.04	16,556,654.38	2,532,816.28	9,002,210.76	12,843,100.86	271,148,033.42	(55,323,836.28)	6,113,368.35	(2,035,168.04)	(123,433,431.83)	120,010,011.59

## (X) Other important matters – Continued

## 2. Segment report - Continued

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		Current year	Last year	Current year	Last year	Current year	Last year
Total subdivisional assets	3,582,479,751.19	6,186,700,498.01	371,605,020.14	370,290,210.57	1,181,805,033.59	1,228,173,429.51	316,989,922.55	268,430,487.37	3,261,317,945.58	-	(3,435,243,323.15)	(3,126,998,300.87)	5,278,954,349.90	4,926,596,324.59
Total subdivisional liabilities	(1,836,510,433.07)	4,030,754,524.27	40,784,255.24	41,682,323.26	1,024,612,894.65	1,087,537,944.95	107,040,636.33	71,323,411.91	6,681,686,619.00	-	(2,671,117,973.06)	(2,360,593,662.44)	3,346,495,999.09	2,870,704,541.95
Additional information:														
Depreciation and amortization expenses	177,507,241.00	191,067,303.96	6,921,264.13	7,293,075.38	305,402.35	1,150,947.90	498,420.22	610,768.46	1,815,083.66	113,200.92	(5,325,076.20)	(5,271,076.20)	181,722,335.16	194,964,220.42
Interest income	7,184,449.93	6,772,295.82	31,081.69	3,991,164.74	3,582,142.30	7,437,692.60	3,979,149.75	3,699,748.70	58,513,979.16	54,490,598.37	(70,078,567.31)	(73,439,465.55)	3,212,235.52	2,952,034.68
Interest expenditure	87,870,425.29	99,813,221.23	-	5,249,338.71	8,538,307.19	10,647,930.09	584,539.38	-	99,980,043.30	82,870,414.79	(70,078,567.31)	(73,412,886.30)	126,894,747.85	125,168,018.52
Impairment loss confirmed in the current period	12,092,537.18	18,673,415.79	(1,128,922.47)	(4,824,207.25)	1,633,199.83	-	(1,401,978.50)	912,603.50	-	2,943,700.00	-	4,912,003.56	11,194,836.04	22,617,515.60
Investment benefits confirmed by long-term stock right investment as verified through equity method	-	-	-	-	-	-	-	-	(49,082,776.11)	(9,833,574.79)	-	-	(49,082,776.11)	(10,099,664.59)
Capital expenditure														
Wherein: Expenditure for projects under construction	49,825,059.85	46,171,131.76	-	56,400.00	-	-	13,775,038.28	103,680,764.51	7,621,566.91	13,878,976.49	(950,000.00)	(1,550,062.14)	70,271,665.04	162,237,210.62
Expenditure for purchasing fixed assets	18,756,364.61	6,663,095.41	-	5,385.00	30,882.00	9,900.00	94,300.00	2,303,469.00	16,120.00	17,648.29	(400,000.00)	(1,800,000.00)	18,497,666.61	7,199,497.70
Expenditure for purchasing intangible assets	-	576,713.72	-	-	-	-	-	-	9,312,166.00	-	-	-	9,312,166.00	576,713.72



## (X) Other important matters – Continued

**3. 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.

**1.1Market 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, 2010, 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	Number at Year-end	Number at Year-beginning
Cash and cash equivalents-USD	10,993,828.41	10,962,565.09
Cash and cash equivalents-Euro	8,963.88	9,972.18
Cash and cash equivalents-HKD	4,639,415.66	4,838,162.48
Cash and cash equivalents-SGD	113,361.80	246,237.16
Other receivables-USD	2,684,814.93	287,521.51
Other receivables-HKD	434,063.79	199,289.02
Other receivables-SGD	15,679.80	137,323.76
Accounts payable-USD	52,281.05	53,903.31
Other accounts payable-USD	13,172,461.88	14,666,163.09
Other accounts payable-HKD	508,226.00	1,528,966.79
Other accounts payable-SGD	1,485,283.10	1,408,681.83

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.

## (X) Other important matters – Continued

**3. Financial instruments and risk management - Continued**

## (1) Risk management goals and policies – Continued

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) 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.

1.2. Credit risk

At Dec. 31, 2010, 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, 2010, the bank credit line that the group has not used is RMB 1,412,600,000.00yuan (RMB 1,343,666,836.25 yuan at Dec. 31, 2009).

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	601,386,814.04	-	-
Receivables	518,392,276.69	-	-
Notes receivable	700,000.00	-	-
Other receivables	20,450,149.23	-	-
Short-term borrowings	(3,246,899,161.22)	-	-
Accounts payable	(61,115,438.61)	-	-
Other accounts payable	(288,768,647.32)	-	-
Long-term debt due within one year	(51,617,780.82)	-	-
Long-term borrowings	(10,024,931.62)	(158,430,568.77)	(39,311,297.75)

## (X) Other important matters – Continued

## 3、Financial instruments and risk management - Continued

## (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

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	5% appreciated to RMB	(183,593.81)	(183,593.81)	(48,832.20)	(48,832.20)
All foreign currency	5% depreciated to RMB	183,593.81	183,593.81	48,832.20	48,832.20

(X) Other important matters - Continued

**3. Financial instruments and risk management - Continued**

3.2. 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%	(21,400,000.00)	(21,400,000.00)	(21,630,000.00)	(21,630,000.00)
Floating interest rate borrowings	Interest rate goes down by 1%	21,400,000.00	21,400,000.00	21,630,000.00	21,630,000.00

(XI) Approval of financial statements

The consolidated financial statements of the company were approved by the board of directors of the company on Apr. [     ], 2011.

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Updates

The Fiscal Year as of Dec. 31, 2010

## 1. List of sporadic profits and losses

Unit: RMB

Items	Amount in current year	Remark
Treatment profits and losses of non-current capital	11,170,697.70	
Government subsidy calculated into period profits and losses (except for government subsidy related to enterprise business and in strict adherence to national unified standard quota or quantity)	50,000.00	
Debts re-organization profits and losses	-	
Depreciation reserve turnout of receivable expense under independent depreciation test	1,680,000.00	
Other non-operating income and expenditure except for above items	169,814,893.34	
Influential amount of income tax	(35,825,730.26)	
Influential amount of minority shareholder's equity (after-tax)	(21,266,607.71)	
Total	125,623,253.07	

## 2. Profitability rate and each share benefits of net assets

Unit: RMB

Profits in report period	Profitability rate of weighted average net assets (%)	Earnings per share	
		Basic earnings per share	Diluted earnings per share
Net profits belonging to company ordinary shareholders	(6.38)	(0.19)	Not applicable
Net profits belonging to company ordinary shareholders upon deduction of sporadic profits and losses	(13.378)	(0.40)	Not applicable

## 3. Specification of abnormal conditions and reasons concerning items of main accounting statements

Unit: RMB

	Item	Year of 2010	Year of 2009	Modification amplitude	Difference reason
1	Notes receivable	700,000.00	200,000.00	250.00%	The newly issued note in this year has increased the amount.
2	Accounts receivable	518,392,276.69	339,735,079.02	52.59%	It is due to increase in the receivable subsidy in this year.
3	Advance payment	13,529,901.89	4,419,870.02	206.12%	It is due to increase in the prepaid purchasing expense of natural gas in this year.
4	Other receivables	20,450,149.23	12,135,292.96	68.52%	It is due to increase in the receivable purchasing earnest money of natural gas in this year.
5	deferred income tax assets	4,624,405.14	20,609,842.25	(77.56%)	It is due to setoff and reduction in the assets of deferred income tax.
6	Notes payable	-	68,210,216.75	(100.00%)	The payable notes have been settled at the beginning of year.
7	Accounts payable	61,115,438.61	20,945,942.55	191.78%	It is due to increase in the payable gas expense in this year.
8	Advance Payment	39,274,341.26	589,000.00	6567.97%	It is due to increase in the pre-received project expense and unit capacity transfer expense in this year.
9	Interest payable	59,348,039.27	25,321,401.51	134.38%	It is due to increase in the payable consigned loan interest in this year.
10	Noncurrent liabilities due within one year	50,000,000.00	200,000,000.00	(75.00%)	It is due to reduction in the long-term loan maturity within one year.
11	Loss from depreciation of assets	11,194,836.04	22,617,515.60	(50.50%)	It is due to large sum inventory devaluation reserve withdrawn in the previous year and devaluation reserve of under-construction project.
12	Investment return	(49,130,454.11)	(9,833,574.79)	399.62%	It is due to increase in the investment losses of cooperative company in this year.
13	nonoperating income	832,316,848.06	472,393,279.52	76.19%	It is due to increase in the fuel subsidy income and natural gas import VAT return expense in this year.
14	nonoperating expenditure	573,905.21	122,237.65	369.50%	It is due to increase in the inventory wastage losses in this year.
15	Income tax expense	24,787,762.05	11,966,349.64	107.15%	It is due to setoff and reduction of assets of deferred income tax.
16	net profit attributable to stockholders of the parent company	(114,638,678.20)	74,101,829.77	(254.70%)	It is due to net losses in this year.
17	Minority interests	(8,794,753.63)	45,908,181.82	(119.16%)	It is due to reduction in the net profits of non-wholly owned subsidiary.

The following company responsible persons shall sign the supplementary information provided by the management level:

Legal Representative:

Accountant in Charge:

Accounting Principal:

April 13, 2011