



2011 Annual Report

Report Ref.: 2012—012

April 24, 2012

Important Prompt

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

Director Huangpu Han and director Jiang Xiaojun failed to attend the meeting for public reasons, and authorized director Yu Chunling and vice board chairman Sun Yulin to attend the meeting and exercise voting power respectively. The board meeting has reviewed and passed the whole text of the 2010 annual report.

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

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

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

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I. Brief Introduction to the Company

- (I) Legal Name In Chinese: 深圳南山热电股份有限公司
Legal Name in English: SHENZHEN NANSHAN POWER CO., LTD
- (II) Corporate representative: Yang Haixian
- (III) Secretary of board of directors: Hu Qin
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Fax: (0755) 26003684
Email: investor@nspower.com.cn
Contact address: Building 16 and 17, Hantang Mansion, Huaqiao Town, Nanshan District, Shenzhen, China
- (IV) Registered address: No. 2097, Moon bay Blvd, Nanshan District, Shenzhen, China
Postal code: 518052
Business address: Building 16 and 17, Hantang Mansion, Huaqiao Town, Nanshan District, Shenzhen, China
Postal code: 518053
Website: <http://www.nsrld.com.cn>
Email: public@nspower.com.cn
- (V) Designated newspapers for information disclosure: Secutimes, China Securities Journal and Hong Kong Commercial Daily
Website designated by China Securities Regulatory Committee for publishing the annual report: <http://www.cninfo.com.cn>
The annual report is prepared and kept by: Secretariat of board of directors
- (VI) Stock Exchange: Shenzhen Stock Exchange
Short name and code of share: SND A 000037
SND B 200037
- (VII) Other information
Initial registration date: April 6th, 1990
Initial registered address: Nanshan Jiaojia, Nanshan District, Shenzhen
- (IV) Registration address after alternation: No. 2097, Moon bay Blvd, Nanshan District, Shenzhen, China
Number of the business license for corporate: 440301501125497
Tax registration number: YSWZ 440305930100069 No. (14)
Code of organization: 61881512-1
The accounting firm designated by the Company: Deloitte
Business address: Building 30, Bund Center, No. 222. East Yan An Road, Shanghai, China
- (VIII) Explanation:
Company, and the Company: SHENZHEN NANSHAN POWER CO., LTD
Server Company: Shenzhen server Petrochemical Supplying Co., Ltd. with 50% shares held by the Company
New Electric Power Company: Shenzhen New Electric Power Industry Co., Ltd with 100% shares held by the Company
Singapore Company: Shennan Energy (Singapore) Co., Ltd with 100% shares held by the Company
HONGKONG SYNDISOME CO.,LTD: Hong Kong Syndidome Co., Ltd
Shenzhen Nanshan Power Engineering Co., Ltd. : Shenzhen Nanshan Power Gas Turbine Engineering Technology Co., Ltd with 100% shares held by the Company
Shenzhen Nanshan Power (Zhongshan) Co., Ltd: Shenzhen Nanshan Power (Zhongshan) Electrical Power Co., Ltd with 80% shares held by the Company
Shenzhen Nanshan Power (Dongguan) Company: Shenzhen Nanshan Power (Dongguan) Weimei Electrical Power Co., Ltd with 70% shares held by the Company
Shenzhen Nanshan Power (Zhongshan) Environmental Protection Company: Shenzhen Nanshan Power Environmental Protection Co., Ltd. with 100% shares held by the Company
Energy Environmental Protection Company: Shenzhen Energy Environment Engineering Co., Ltd. with 10% shares held by the Company



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

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

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

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

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

Jiangxi Xinchang Company: CPI JIANGXI XINCHANG POWER GENERATION CO.,LTD. with 30% shares held by the Company

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

CSRC: China Securities Regulatory Committee

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

Shenzhen Stock Exchange: Shenzhen Stock Exchange

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

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

II. Abstract of Accounting Data and Business Data

(I) Main Accounting Data of the year

(Unit:RMB Yuan)

Item	Amount
Operating profit	-1,489,309,387.55
Total profit	22,255,754.48
Net profit of the shareholders of the public list company	17,529,063.37
Net profit of the shareholders of the public listed company excluding non-recurring profit and loss	-288,696,800.75
Net cash flow generated by operational activities	272,285,341.26

Item and value excluding non-recurring profit and loss

(Unit: RMB)

Items	Amount
Net profit	9,031,612.15
Less: Income from disposal of non-current assets	113,277,953.88
Governmental subsidy charged to the gain or loss of the present period (excluding the governmental subsidy closely related to enterprise's business, and enjoyed based on norm or fixed amount according to national uniform standard)	245,208.34
Carry-back of accounts receivable depreciation reserve conducted depreciation test separately	1,185,260.28
Reimbursement of VAT for import of natural gas	214,622,872.15
Other non-operating income and expenditure except for the abovementioned items	4,988,236.41
Influenced amount of income tax of non-recurring profit or loss	-8,532,710.17
Net (loss) / profit attributing to the parent company after deduction of non-recurring profit or loss	-316,755,208.74



Where:	
Attributed to the stockholders of parent company	-288,696,800.75
Influenced amount of minor stockholders' equity (after tax)	-28,058,407.99

(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 abroad.

(III) Main Accounting Data and Financial Index of the Past Three Years**1. Main Accounting Data of the Latest Three Years**

(Unit: RMB Yuan)

Item	2011	2010	2009
Operating income	2,415,817,730.35	1,601,730,465.30	1,867,829,757.71
Total profit	22,255,754.48	-98,645,669.78	131,976,361.23
Net profit of the shareholders of the public listed company	17,529,063.37	-114,638,678.20	74,088,210.90
Net profit of the shareholders of the public listed company excluding non-recurring profit and loss	-288,696,800.75	-240,261,931.27	55,625,824.88
Net cash flow generated by operational activities	272,285,341.26	25,897,944.97	348,353,702.91
Item			
Total assets	5,452,746,682.91	5,278,954,349.90	4,926,596,324.59
Equity of shareholders of the public listed company	1,753,371,551.83	1,735,842,488.46	1,850,481,166.66
Capital share	602,762,596.00	602,762,596.00	602,762,596.00

2. Main Financial Index of the Latest Three Years

Items	2011	2010	2009	
			Before adjustment	After adjustment
Basic earnings per share (RMB/share)	0.03	-0.19	0.12	0.12
Diluted earnings per share (RMB/share)	Inapplicable	Inapplicable	Inapplicable	Inapplicable
Basic earnings of each share excluding non-recurring profit and loss (RMB/share)	-0.48	-0.40	0.09	0.09
The weighted average net assets returns ratio (%)	1.00	-6.38	4.09	4.09
The weighted average net assets returns ratio excluding non-recurring profit and loss (%)	-16.55	-13.37	3.07	3.07
Net cash flow generated by each share of operational activities (RMB/share)	0.45	0.04	0.58	0.58
Item	End of 2011	End of 2010	End of 2009	
			Before adjustment	After adjustment
Net asset of each share of the shareholders of the public listed company (RMB)	2.91	2.88	3.06	3.07

(IV) Attached Table of the Profit Statement in the Reporting Period

Profit in the reporting period	Weighted average net assets income rate (%)	Earnings per share	
		Basic earnings of per share	Diluted earnings per share



Net profit attributed to common stockholders of the Company	1.00	0.03	Inapplicable
Net profit attributed to common stockholders of the Company after deduction of non-recurring profit and loss	-16.55	-0.48	Inapplicable

(V) Statement of asset depreciation reserve

Items	Opening book balance	Increase of current year	Decrease of current year		Closing book balance
			Carried back	Charge-off	
I. Bad debt reserve	34,896,098.38	2,361,004.16	1,185,260.28	-	36,071,842.26
II. Inventory depreciation reserve	65,924,126.88	15,854,028.57	-	3,599,675.45	78,178,480.00
III. Long-term equity investment depreciation reserve	2,500,000.00	-	-	-	2,500,000.00
IV. Fixed asset depreciation reserve	32,981,137.38	6,265,762.65	-	2,654,224.03	36,592,676.00
V. Depreciation reserve of construction in progress	14,790,696.15	226,400.00	-	-	15,017,096.15
VI. Intangible assets depreciation reserve	5,115,063.71	-	-	-	5,115,063.71
VII. Other depreciation reserves	1,633,199.83	-	-	1,633,199.83	-
Total	157,840,322.33	24,707,195.38	1,185,260.28	7,887,099.31	173,475,158.12

III. Information on Capital Stock Alteration and Stockholders**(I) Capital stock alteration**

1. Table of capital stock alteration (As of December 31, 2011)

(Unit: share)

Contents	Before the alternation		shares Increased or decreased in the alternation (+,-)	After the alternation	
	Number	Ratio (%)		Number	Ratio (%)
I. Shares with limited sales conditions	18,263	0.003		18,263	0.000
1. Shares held by state					
2. Shares held by state-owned corporate	0	0		0	0
3. Shares held by other domestic capitals					
Wherein: shares held by other domestic non-state corporate					
Shares held by domestic natural persons					
4. Shares held by foreign capitals					
Wherein: shares held by foreign corporate					



Shares held by domestic natural persons					
5. Shares of executives	18,263	0.003		18,263	0.003
II. Shares with unlimited sales condition	602,744,333	99.998		602,744,333	99.998
1. Ordinary shares	338,894,012	56.22		338,894,012	56.24
2. Domestically limited foreign shares	263,850,321	43.77		263,850,321	43.77
3. Foreign share listed overseas					
4. Others					
III. Total shares	602,762,596	100	0	602,762,596	100

[Note] "Shares held by senior executives" among the shares with limited sales conditions at the end of the reporting period are the A shares held by deputy general manager Zhang Jie and supervisor Peng Bo, and B share held by supervisor Li Huiwen, and all the shares are frozen.

2. Alternation table of shares with limited sales conditions

(Unit: share)

Name of shareholder	Shares with limited sales at the beginning of the year	Shares with limited sales condition released in the year	Shares with limited sales condition increased in the year	Shares with limited sales condition at the end of the year	Reason for limited sales	Date for releasing limited sales
Zhang Jie	12,993	0	0	12,993	Legal conditions	-
Peng Bo	1,145	0	0	1,145	Legal conditions	
Li Huiwen	4,125	0	0	4,125	Legal conditions	
Total	18,263	0	0	18,263		

(II) Share Issuing and Listing

- The Company did not issue shares and derivative securities in the past three years.
- 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.
- There are no existing internal employee shares in the Company.

(III) Shareholders and Actual Controllers

- At the end of the reporting period, the total number of the Company's shareholders is 44,421, including 28,735 A share shareholders, decreased by 391 over the previous year, and 15,686 is B share shareholders, decreased by 456 over the previous year.
- Shareholding information of the shareholders (As of December 31, 2011) (Unit: share)

Total stockholders	44,421				
Shareholding of the top ten shareholders					
Name of shareholder	Nature of stockholders	Shareholding ratio	Total number of shareholders	Number of shares with limited sales condition	Number of shares which are pledged or frozen
Shenzhen Guangju Investment Holding Co., Ltd	State-owned corporate	16.72%	100,769,712	0	0
Hong Kong Nanhai Foreign Firm (International) Co., Ltd	Overseas corporate	15.28%	92,123,248	0	0
Shenzhen Energy Corporation	State-owned corporate	10.80%	65,106,130	0	0
Tengda Property Co., Ltd	Overseas corporate	8.20%	49,426,518	0	0



Shenzhen Nanshan Power Co., Ltd.			Full Text of Annual Report 2011		
State Grid Shenzhen Energy Development Group Co., Ltd	State-owned corporate	5.97%	35,999,805	0	0
Yan Tiangong	Domestic natural person	0.53%	3,201,310	0	Unknown
Li Weiping	Domestic natural person	0.39%	2,376,301	0	Unknown
Jinbang Securities Co., Ltd.	Overseas corporate	0.25%	1,500,000	0	Unknown
Wu Shuhua	Domestic natural person	0.22%	1,351,400	0	Unknown
Naito Securities Co., Ltd.	Overseas corporate	0.20%	1,214,586	0	Unknown
Shareholding condition of the top ten shareholders with unlimited sale condition					
Name of shareholder	Number of shares with unlimited sales condition		Type of share		
Shenzhen Guangju Investment Holding Co., Ltd	100,769,712		RMB common share		
Hong Kong Nanhai Foreign Firm (International) Co., Ltd	92,123,248		Domestically listed foreign share		
Shenzhen Energy Corporation	65,106,130		RMB common share		
Tengda Property Co., Ltd	49,426,518		Domestically listed foreign share		
State Grid Shenzhen Energy Development Group Co., Ltd	35,999,805		RMB common share		
Yan Tiangong	3,201,310		Domestically listed foreign share		
Li Weiping	2,376,301		Domestically listed foreign share		
Jinbang Securities Co., Ltd.	1,500,000		Domestically listed foreign share		
Wu Shuhua	1,351,400		RMB common share		
Naito Securities Co., Ltd.	1,214,586		Domestically listed foreign share		
Explanations on the incidence relation and consistent actions of the above shareholders	1. Shenzhen Energy Corporation holds 100% shares of Hong Kong Nanhai Foreign Firm (International) Co., Ltd 2. The Company does not know whether the above social public shareholders have incidence relation or belong to the persons acting in concert or not.				

3. Information of dominant shareholders and actual controllers

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

4. The first majority shareholder of the Company

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

In the reporting period, 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 remains as the first majority shareholder of the Company.

Legal representative: Gao Zimin; date of foundation: July 15, 1985; registration capital: 955,555,556 RMB; business type: limited liability company; business scope: 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 (handled as per SMGSZZ No. 147 Document), 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.

Chart of property right and control relationship between major stockholders and the Company:

Explanation of the names in the diagram below:

The Company: Shenzhen Nanshan Power Co., Ltd

Shenzhen Energy Group: Shenzhen Energy Corporation

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

Guangju Industry: Shenzhen Guangju Industry Co., Ltd.

Hong Kong Tengda: Tengda Property Co., Ltd



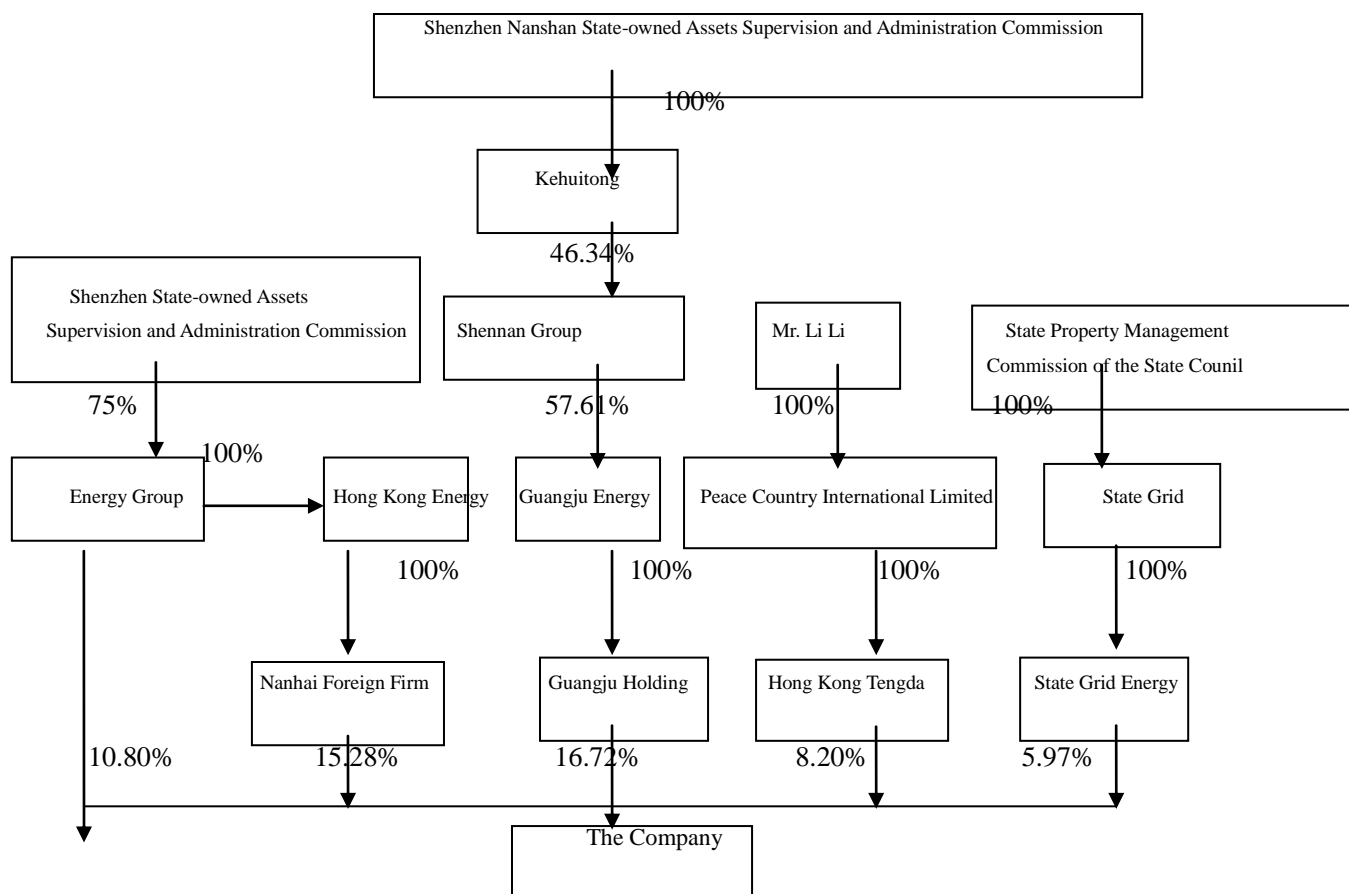
State Grid Energy: State Grid Shenzhen Energy Development Group Co., Ltd

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

Guangju Energy: Shenzhen Guangju Energy Co., Ltd

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

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



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

- (1) Shenzhen Guangju Investment Holding Co., Ltd, which was established on May 31, 1989 with a registration capital of 0.111 billion RMB, holds 16.72% of shares; its corporate representative is Wang Jianbin and its property is liability limited company. Its operating scope includes industrial projects and power investment (the detailed projects are additionally reported or declared).
- (2) Hong Kong Nanhai Foreign Firm (International) Co., Ltd, established on May 15, 1985 holds 15.28% of shares; and its operating scope is investment.

IV. Directors, Supervisors, Senior Managers and Employees

(I) Basic Information

1. Board Members



Name	Post	Gender	Age	Starting date	Ending date	Shareholding at the beginning of the year	Shareholding at the beginning of the year	Alternation cause	Pretax reward sum got from the Company in the reporting period (ten thousand RMB)	Whether getting from the shareholder unit or other associated unit or not
Yang Haixian	President	Male	55	2011.5	2014.5	0	0		74.13	No
Li Hongshe	Vice-president	Male	48	2011.5	2014.5	0	0		0	Yes
Sun Yulin	Vice-president	Male	60	2011.5	2014.5	0	0		0	Yes
Fu Bo	Director General manager	Male	49	2011.5	2014.5	0	0		66.85	No
Huangpu Han	Director	Male	57	2011.5	2014.5	0	0		0	Yes
Yu Chunling	Director	Female	46	2011.5	2014.5	0	0		0	Yes
Zhou Qun	Director	Male	47	2011.5	2014.5	0	0		0	Yes
Chen Lihong	Director	Female	48	2011.5	2014.5	0	0		0	Yes
Jiang Xiaojun	Director	Male	47	2011.5	2014.5	0	0		0	Yes
Li Zheng	Independent director	Male	54	2011.5	2014.5	0	0		6.94	No
Wang Xiaodong	Independent director	Male	51	2011.5	2014.5	0	0		6.94	No
Wang Junsheng	Independent director	Male	51	2011.5	2014.5	0	0		6.94	No
Wu Xiaolei	Independent director	Female	47	2011.5	2014.5	0	0		11.90	No
Tang Tianyun	Independent director	Male	51	2011.5	2014.5	0	0		6.94	No
Pan Chengwei	Independent director	Male	65	2011.5	2014.5	0	0		6.94	No
Total						0	0		187.58	

[Note] The standard of allowance for independent directors is 100,000 Yuan/ year (after tax) for each person. After re-election in May 2011, the allowance for new independent directors in 2011 was 58,300 Yuan/ person (after tax). Where, independent director Wu Xiaolei was re-elected, and acquired allowance for independent directors 100,000 Yuan (after tax) in 2011.

2. Current members of the board of supervisors

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 reporting period (ten thousand RMB)	Whether getting from the shareholder unit or other associated unit or not
Zhao Xiangzhi	Chief supervisor	Male	53	2011.5	2014.5	0	0		0	Yes
Ma Fengming	Supervisor	Female	49	2011.5	2014.5	0	0		0	Yes
Ji Yuanhong	Supervisor	Female	47	2011.5	2014.5	0	0		0	Yes
Wang Difei	Supervisor	Male	43	2011.5	2014.5	0	0		0	Yes
Zheng Dalei	Employee supervisor	Male	47	2011.5	2014.5	0	0		37.67	No



Peng Bo	Employee supervisor	Male	38	2011.5	2014.5	1,527	1,527	Note	35.40	No
Li Huiwen	Employee supervisor	Female	49	2011.5	2014.5	5,500	5,500	note	35.96	No
Tao Lin	Employee supervisor	Male	44	2011.5	2014.5	0	0		31.90	No
Total						7,027	7,027		140.93	

[Note] The shares held by employee supervisor Peng Bo was purchased from a secondary market before he worked as employee supervisor of the Company; wherein 382 shares have met the conditions of releasing restrictions on sale and 1,145 shares still belong to legal shares restricted to be sold. The shares held by employee supervisor Li Huiwen was purchased from a secondary market before he worked as employee supervisor of the Company; wherein 1,375 shares have met the conditions of releasing restrictions on sale and 4,125 shares still belong to legal shares restricted to be sold.

3. Current senior managers

Name	Post	Gender	Age	Starting date	Ending date	Shareholding at the beginning of the year	Shareholding at the beginning of the year	Alternation cause	Pretax reward sum got from the Company in the reporting period (ten thousand RMB)	Whether getting from the shareholder unit or other associated unit or not
Fu Bo	Managing director	Male	49	2011.5	2014.5	0	0		66.85	No
Lin Qing	Deputy general manager	Female	47	2011.5	2014.5	0	0		59.59	No
Ji Ming	Deputy general manager	Male	55	2011.5	2014.5	0	0		59.56	No
Zhang Jie	Deputy general manager	Female	43	2011.5	2014.5	17,325	17,325	Note	59.59	No
Zhu Wei	Deputy general manager	Male	54	2011.5	2014.5	0	0		59.76	No
Wang Rendong	Chief engineer	Male	50	2011.5	2014.5	0	0		59.66	No
Lu Xiaoping	Chief financial officer	Male	49	2011.5	2014.5	0	0		59.56	No
Hu Qin	Secretary to the board of directors	Female	44	2011.5	2014.5	0	0		44.90	No
Total						17,325	17,325		469.47	

[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. Incumbency of current directors and supervisors at stockholders' units

Name	From	Post	Working period
Yang Haixian	Shenzhen Energy Corporation	Party committee member and director	From September 2008 till now
Li Hongsheng	Shenzhen Guangju Energy Co., Ltd	Managing director of Shenzhen Guangju Energy Co., Ltd.	Since October 2009
Sun Yulin	State Grid Shenzhen Energy Development Group Co., Ltd	Bureau-level researcher of State Grid International Development Co., Ltd.	Since 2010
Huangpu Han	Shenzhen Energy Corporation	Deputy general manager	Since May 2006
Yu Chunling	Shenzhen Energy Corporation	General manager of Shenzhen Energy (Hong Kong) International Co., Ltd.	Since 2009



Zhou Qun	Shenzhen Energy Corporation	Board chairman of Shenzhen Energy Finance Co., Ltd.	Since 2006
Chen Lihong	Shenzhen Guangju Investment Holding Co., Ltd.	Deputy general manager	Since 2005
Jiang Xiaojun	State Grid Shenzhen Energy Development Group Co., Ltd.	State Grid International Development Co., Ltd. Deputy general manager	Since 2009
Zhao Xiangzhi	Shenzhen Energy Corporation	Chief accountant	Since April 2001
Ma Fengming	Shenzhen Energy Corporation	Employee supervisor	Since November 2011
Ji Yuanhong	Shenzhen Guangju Investment Holding Co., Ltd.	Deputy general manager, secretary to the board of directors	Since May 2008
Wang Difei	State Grid Shenzhen Energy Development Group Co., Ltd.	Director of Shenzhen Business Office, State Grid International Development Co., Ltd.	Since 2005

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

(1) Board members

Mr. Yang Haixian, born in 1956, president, senior economic engineer, senior administration engineer and MBA, used to hold a position of deputy regimental commander of PLA, had has successively worked as 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 Group Co., Ltd, 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, born in 1963, vice board chairman, master of engineering of Tianjin University, had has successively worked as 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 chief financial officer of Shenzhen Guangju Energy Co., Ltd, director and executive deputy general manager of Shenzhen Guangju Energy Co., Ltd, and now acts as managing director of Shenzhen Guangju Energy Co., Ltd, as well as the director of Shenzhen Nanshan Petroleum (Group) Co., Ltd.

Mr. Sun Yulin, born in 1951, vice president and senior engineer, had has successively worked as 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; Party group member and deputy general manager of Shenzhen State Power Technology Development Co., Ltd., party committee secretary and deputy general manager of State Grid Shenzhen Energy Development Group Co., Ltd as well as deputy director of State Grid Shenzhen-based Economic Development Liaison Office from 2000 to 2007; and deputy general manager and Party group member (bureau level) of State Grid International Development Co., Ltd. from 2008 to 2010. And now, he is a bureau-level researcher of State Grid International Development Co., Ltd..

Mr.. Fu Bo, managing director and MBA, born in 1962, 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, has successively worked as 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.

Mr. Huang Fuhan, born in 1954, director, senior engineer and master of engineering, 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, has successively worked as 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 acts as deputy general manager of Shenzhen Energy Co., Ltd.

Miss Yu Chunling, born in 1965, director, senior engineer, on-job postgraduate of economics of Beijing University, graduated from the specialty of power plant construction structure engineering, Wuhan University of Hydraulic and Electrical Engineering, has successively worked as technician and civil engineering contract engineer of engineering department of Guangdong Nuclear Power Heying Co., Ltd, project manager of Shenzhen Energy Investment Holding Co., Ltd, vice business director, business director of office as well as minister of fuel trade department, minister and party branch secretary of planning and developing department as well as director and party branch secretary of pumped-storage preparing office of Shenzhen Energy Group Co., Ltd, and now acts as general manager of Shenzhen Energy (Hong Kong) International Co., Ltd.

Mr. Zhou Qun, born in 1964, director, 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, has successively worked as assistant engineer, office director, deputy director general, assistant minister of secretariat of board of directors, had successively worked as secretary of board of directors, general manager assistant and office director of Shenzhen Energy Group Co., Ltd, preparing office director of Shenzhen Pumped-storage Power Station, president of Huizhou City Gas Co., Ltd., president of Huizhou Fengda Power Co., Ltd, and executive director and general manager of Shenzhen Energy Investment Holding Co., Ltd, and now holds the posts of party committee member of Shenzhen Energy Group Co., Ltd as well as board chairman of Shenzhen Energy Finance Co., Ltd. (revised)

Miss Chen Lihong, born in 1963, director, and accountant, graduated from junior college, has ever worked for Shenzhen Nanshan Petroleum (Group) Co., Ltd, and Shenzhen Guangju Energy Co., Ltd as financial manager and general manager assistant successively, and now acts as deputy general manager of the Company. She is a supervisor of the fourth and fifth board of supervisors of Shenzhen Nanshan Power Co., Ltd.

Mr. Jiang Xiaojun, born in 1964, director, doctoral postgraduate, senior accountant, has ever acted as deputy manager of financial department of China Power Investment Co., Ltd. (China Power International Co., Ltd.); manager of financial and property right management department of Shenzhen State Power Technology Development Co., Ltd.; manager in Shenzhen Economic Development Liaison Division and deputy chief accountant of State Power Corporation; chief accountant of Shenzhen State Power Technology Development Co., Ltd.; chief accountant of State Grid Shenzhen Energy Development Group Co., Ltd.; and chief accountant of State Grid International Development Co., Ltd.. He is now a deputy general manager and Party organization member of State Grid International Development Co., Ltd.

Mr. Li Zheng, born in 1957, independent director, bachelor of law science, and practicing lawyer, worked as full-time lawyer at Zhejiang Jinhua Law Firm in 1983; acted as senior researcher at China (Shenzhen) Comprehensive Development and Research Institute in May 1991, and doubled as part-time lawyer of China Legal Service Center and Shenzhen Tianping Law Firm during this period; acted as partner and practicing lawyer of Guangdong Renren Law Firm in 1996; and has acted as practicing lawyer of Guangdong Shentiancheng Law Firm since August 2010.

Mr. Wang Xiaodong, independent director, has dealt with law business since 1987. He obtained attorney's license in 1988, and the Certificate of Qualification for Lawyer to Deal with Securities Legal Business issued by China Securities Regulatory Committee and the Ministry of Justice in 1993. Later from May 2008 to April 2010, he acted as a member of the Tenth and Eleventh Issuance Audit Committee under China Securities Regulatory Commission; from 1989 to 2004, he acted as lawyer and partner of Dandong Foreign-involved, Shenzhen Xinda, Shenzhen Jingtian Law Firm, and Guangdong Bohe Law Firm respectively; since 2005, he has been a lawyer partner of GrandHall Legal Group (Shenzhen) Law Firm, and where, from May 2008 to April 2010, he acted as a full-time member of the Tenth and Eleventh Issuance Audit Committee under China Securities Regulatory Commission.

Mr. Wang Junsheng, born in 1960, independent director and senior economists, began to work in September 1978, and has ever acted as section chief of Materials Division, Asian Games Village Department, the 11th Asian Games Organization Committee; the manager of comprehensive operation department of Beijing International Power Development and Investment Co., Ltd.; and deputy general manager of China Industrial Trust Investment Co., Ltd. Now, he is a researcher of China Economic and

Technical Research and Consulting Co., Ltd., and doubles as standing director of the Society of Management Science of China; part-time professor of the Government Management College, Central University of Finance and Economics; part-time professor of the School of Finance and Economy, China Renmin University; part-time professor of Financial College, Hunan University; part-time professor of Economic Management College, Beijing University of Technology; and deputy director researcher of Economic Research Center, National Academy of Education.

Miss Wu Xiaolei, born in 1964, independent director, doctor of economic, and ICMC, owns the bachelor of arts, MB A and doctor of economic. She entered the capital market in 1991, has ever held the posts of senior management in many famous listed companies and large-scale enterprise groups. She was appointed by CMB to hold the posts of director and executive vice-president of CMB International Capital Corporation Limited in 2005. Now, she 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.

Mr. Tang Tianyun, born in 1960, independent director and senior accountant, has ever worked as Chinese certified public accountant at Shekou Zhonghua Certified Public Accountants. From 1991 to 2006, he successively acted as director and doubled as secretary to the board of directors, chief financial officer and deputy general manager of Huayuan Industry (Group) Co., Ltd.; since 2007, he has acted as director general of financial development strategy of Qingdao Haier Investment and Development Co., Ltd.; and since June 2009, he has successively assumed as director and senior vice president of Haier New York Life Insurance Co., Ltd.

Mr. Pan Chengwei, born in 1946, independent director, joined in China Ocean Shipping (Group) Company in 1965, and successively acted as general manager of the group's financial department, general manager of financial department of COSCO (Hong Kong) Group Co., Ltd., managing director of COSCO (Hong Kong) Real Estate Co., Ltd, managing director of COSCO (Hong Kong) Industry and Trade Co., Ltd., and chief representative of Shenzhen Representative Office of COSCO (Hong Kong) Group. From 1997 to 2004, he acted as director of Shenzhen Shennan Petroleum (Group) Co., Ltd.; from 2001 to 2004, he acted as director and chief financial officer of Shenzhen Guangju Energy Co., Ltd.; and from 2005 to 2008, he acted as managing director of COSCO (Cayman) Fuqing Co., Ltd., and doubled as fuel futures compliance manager of COSCO. Now, he is retired.

(2) Members of the board of supervisors

Mr. Zhao Xiangzhi, born in 1958, chief supervisor and senior accountant, acted as deputy section chief of Financial Division of State-operated No. 5127 Factory in 1990; deputy section chief (section chief level) of Planning Division and secretary to CPC branch of State-operated No. 5127 Factory in 1992; deputy chief accountant and section chief of financial division of China Yanxing Shenzhen Co., Ltd. in 1993-1996; chief financial officer accredited by Shenzhen Investment Management Co., Ltd. to the Energy Group, as well as director, disciplinary committee member, director general of audit department, and supervisor of Shenzhen Energy Group successively in 1996-2003; and manager of financial management department of Shenzhen Energy Corporation and chairman of the board of supervisors of Shenzhen Energy Investment Co., Ltd. in 2003-2007. Since 2007, he has acted as board chairman and secretary to Party committee of Shenzhen Guangshen Shajiao B Power Co., Ltd., and disciplinary committee member of Shenzhen Energy Group Co., Ltd.; and since May 2011, he has acted as chief accountant of Shenzhen Energy Group Co., Ltd.

Miss Ma Fengming, born in 1962, supervisor, master postgraduate, senior accountant and certified public accountant, acted as lecturer in university, practicing certified public accountant of CPA firm, and financial principal of foreign-funded enterprise in 1989-1995; and successively acted as accountant of Audit Supervision Department of Shenzhen Energy Corporation, manager of Financial Department of Mawan Power Generation General Factory, director accountant of Planning Investment Department, vice manager of Audit Supervision Department, and deputy manager of Audit Department of Shenzhen Energy Group Co., Ltd. in 1995-2008. Now, she is an employee director and senior audit management manager of Audit Management Department of Shenzhen Energy Group Co., Ltd.; director of Shenzhen Moon Bay Oil and Post Affairs Co., Ltd.; supervisor of State Power Nanning Power Generation Co., Ltd.; supervisor of Shenzhen Energy Corporation; and supervisor of Shenzhen Shenneng Energy Management Co., Ltd.

Miss Ji Yuanhong, born in 1967, supervisor and economists, worked at Shenzhen FIYTA (Group) Co., Ltd. from July 1989 to 1999. Since August 1999, she has acted secretary to the board of directors of Shenzhen Guangju Energy Co., Ltd.; since May 2008, she has acted as deputy general manager of Shenzhen Guangju Energy Co., Ltd.; and since March 2012, she has acted as director of Shenzhen Guangju Energy Co., Ltd.

Mr. Wang Difei, born in 1968, supervisor and accountant with a bachelor degree, had successively worked as accountant of financial department, Zhejiang Provincial Electric Power Industry Bureau, deputy manager of accounting department, Zhejiang Beilun Power Generation Plant, deputy manager of State Grid Shenzhen Science and Technology Industrial Trade Company, Ningbo Branch, deputy general manager of Guiguan Heshan Power Generation Co., Ltd of China Datang Corporation, manager of planning development department and human resource department of State Grid Shenzhen Science and Technology Development Co., Ltd as well as manager of the general manager working department of State Grid Shenzhen Energy Development Group Co., Ltd, and now holds the posts of Shenzhen business office director of State Grid International Development Limited.

Mr. Zheng Dalei, born in 1964, employee supervisor and senior engineer, graduated from the major of Thermal Engineering Measurement and Automation of Northeast China Institute Of Electric Power Engineering. He worked at Heilongjiang Fulaerji Power Generation General Factory, Thermal Engineering Branch in 1985-1990; worked at Qiqihaer No. 2 Machine Tool Factory, Equipment Division in 1990-1994; worked at Shenzhen Nanshan Power Co., Ltd. as special personnel and manager of thermal control department, director of thermal control branch, and director of electric control branch successively since 1994; acted as chief engineer of Shenzhen Nanshan Power Zhongshan Company in 2003-2007; and has acted as chief engineer of Nanshan Thermal Power Plant since April 2007. In 2007, 2008 and 2010, he was titled as Excellent Management Cadre of the Company respectively.

Mr. Peng Bo, born in 1973, employee supervisor, engineer, master postgraduate, graduated from the major of Electric System Automation of Huazhong University of Science and Technology, and then obtained the diploma of postgraduate and academic degree of master in the major of business management from the same university. Since 1994, he has successively acted as the Company's engineer of gas turbine thermal control examination and repair specialty, supervisor in charge of labor and capital, assistant to office director, and deputy manager of HR Department, etc. Since April 2007, he has acted as Manager of HR Department. Now, he is a supervisor of the subordinated company Shenzhong Real Estate Company. In 2007, he was titled as Excellent Management Cadre of the Company; and in 2008, he was titled as excellent CPC member by Guangju Energy Party Committee.

Miss Li Huiwen, born in 1962, employee supervisor, accountant, graduated from the major of Accounting, Jiangxi College of Finance and Economy. She worked at Financial Division of Nanchang Machine Tool Repair and Manufacturing Factory in 1980-1989; and acted as chief accountant of Shenzhen Changming Garment Manufacturing Co., Ltd. in 1989-1993. Later since 1993, she has successively acted as principal in charge of accounting of the Financial Department of the Company, and chief financial officer of subordinated Xiefu Company, etc. Since May 2005, she has always acted as chief financial officer and manager of financial department of subordinated enterprise Shenzhen Nanshan Power Dongguan Company. In 2007 and 2009, she was titled as Excellent Management Cadre of the Company respectively.

Mr. Tao Lin, born in 1967, employee supervisor, economist and MBA, graduated from the major of Electric System and Automation of Shanghai Jiaotong University, and later studied for MBA of Tsinghua University. From July 1989 to February 1991, he worked at Dalian Electric Bureau; from February to December 1991, he worked at Shenzhen Mawan Electric Power Co., Ltd. Since January 1992, he has successively acted the Company's office secretary, office director, secretary to the board of directors, as well as general manager of subordinated enterprise Xiefu Company, etc. Since April 2007, he has always acted as director and general manager of the subordinated enterprise Shenzhen Nanshan Power Shenzhong Real Estate. In 2007, he was titled as Excellent Manager of the Company.

(3) Senior managers

Mr. Fu Bo is managing director. For details, see the previous director resume.

Miss Lin Qing, deputy general manager, born in 1964, senior engineer with a master degree, 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 manager assistant of Shenzhen Energy Corporation, etc, since December 1991, and now acts as deputy general manager of the Company as well as president of Xiefu Company.

Mr. Ji Ming, deputy general manager, born in 1956, senior engineer and master of management, was successively graduated from Changchun University of Science and Technology as well as Fudan

University, held the post of Shenzhen Nanshan Petroleum (Group) Co., Ltd from 1994 to 1999, held the posts of deputy general manager 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 Co., Ltd. as well as director of Singapore Company.

Miss Zhang Jie, deputy general manager, born in 1968, Master of Psychology of Beijing University, 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, has successively worked as 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, graduated from Guangdong Electric Power School, used to work in Guangdong Xinfengjiang Power Plant; then in 1985, he studied in Nanjing Institute of Technology and obtained a junior college degree; since 1990 he has successively worked as assistant minister of development department, minister of supply department and general manager assistant of the Company, obtained on-job master degree during this period; and since August 2003, he has held the post of deputy general manager of the Company.

Mr. Wang Rendong, chief engineer, born in 1961, 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 chief engineer of the Company since December 2006, and now holds the concurrent posts of president and managing director of Shenzhen Nanshan Power Engineering Co., Ltd. , as well as director of Shenzhen Nanshan Power (Dongguan) Company and Singapore Company.

Mr. Lu Xiaoping, chief financial officer, 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 chief financial officer of the Company since August 2003, and now holds the concurrent posts of director of Shenzhong Real Estate Company and Shenzhong Property Company.

Miss Hu Qin, born in 1967, secretary of board of directors, engineer and economist, 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. She has ever acted as the counselor of Thermal Power Engineering Department of Wuhan University of Hydraulic and Electrical Engineering (Wuhan University now); successively worked at the engineering department, operating department, office and investment department of the Company. Since March 2005, she has acted as secretary of board of directors as well as director of secretariat of board of directors of the Company, and now doubles as director of New Power Company and independent director of Shenzhen Wanxun Automatic Control Co., Ltd.

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 reporting period, the senior managers of the Company all get paid in the Company.

The allowance paid by the Company to independent directors in the reporting period is as shown in "IV. Directors, Supervisors, Senior Management Personnel and Employees". Related expenses incurred by independent directors for work, including expenses for traffic, accommodation, investigation, survey

and meeting, etc., shall be undertaken by the Company separately.

Besides board chairman Yang Haixian, managing director Fu Bo, employee supervisors Zheng Dalei, Peng Bo, Li Huiwen and Tao Lin who acquire remuneration from the Company, Li Hongsheng, Sun Yulin, Huangpu Han, Yu Chunling, Zhou Qun, Chen Lihong, Jiang Xiaojun among the members of the board of directors, as well as Zhao Xiangzhi, Ma Fengming, Ji Yuanhong, Wang Difei among the members of the board of supervisors acquire remuneration from the Company.

Related expenses incurred by directors and supervisors for duty performance, including expenses for traffic, accommodation, investigation, survey and meeting, etc., shall be undertaken by the Company separately.

The pretax remuneration of the current director, Supervisor, Senior Manager in the reporting period is 7,311,300 RMB in total.

7. Off-post and recruitment situation

(1) On Jan. 13, 2011, Mr. Wang Jianbin resigned from the posts of the Company's vice board chairman and director for reason of work.

(2) On May 25, 2011, at the 2nd Interim Meeting of Stockholders' Conference in 2011, Yang Haixian, Li Hongsheng, Sun Yulin, Fu Bo, Huangpu Han, Yu Chunling, Zhou Qun, Chen Lihong, and Jiang Xiaojun were elected as members of the Company's Sixth Board of Directors; Zhao Xiangzhi, Ma Fengming, Ji Yuanhong, Wang Difei were elected as members of the Sixth Board of Supervisors, and they formed the Company's Sixth Board of Supervisors together with the four employee representative supervisors elected at the Workers' Congress on May 13, 2011.

(3) On May 25, 2011, at the 1st Meeting of the Sixth Board of Directors, director Yang Haixian was elected as chairman of the Sixth Board of Directors; directors Li Hongsheng and Sun Yulin were elected as vice chairman of the Sixth Board of Directors; Miss Hu Qin was employed as secretary to the Sixth Board of Directors. At the 1st Meeting of the Sixth Board of Directors, Zhao Xiangzhi was elected as chief supervisor of the Sixth Board of Supervisors.

(4) On July 8, 2011, at the 2nd Meeting of the Sixth Board of Directors, Mr. Fu Bo was employed as the Company's general manager, with an office term of three years; Miss Lin Qing, Mr. Ji Ming, Miss Zhang Jie, and Mr. Zhu Wei were elected as the Company's deputy general managers; Mr. Wang Rendong was elected as the Company's chief engineer; and Mr. Lu Xiaoping was elected as the Company's chief financial officer. Their office term is three years respectively.

(II) Employees

As of Dec. 31, 2011, the Company had 327 employees on payroll (excluding those from controlling subsidiaries), slightly less than that in 2010. Specialty composition: 74 operating personnel, 64 examination and repair personnel, 18 materials supply personnel, 18 financial personnel, and 65 administrative personnel; education degree: 98 persons having education background of junior college degree, 109 persons holding bachelor's degree, and 27 persons holding master's degree and above.

The Company executes the social insurance system of Shenzhen, and needs not to undertake expenses for employees having left and retired.

V. Corporate Governance Structure

(I) Corporate governance

In the reporting period, according to the requirements of related laws and rules, like Company Law, Securities Law, Rules for Governing Listed Companies, Administrative Measures for Information Disclosure of Listed Companies, and Rules for Listing of Stocks with Shenzhen Stock Exchange, etc., the Company has perfected its corporate governance structure constantly, persisted in law-abiding business operation and management. The Company's corporate governance structure meets the requirements of the abovementioned laws and rules actually. In the reporting period, the Company's governance is as shown below:

1. Establishment of internal control system

(1) In 2011, the Company perfected its financial accounting management system according to the requirements of related financial laws and rules, and combining with its own actual situations. In the reporting period, the Company combed through the existing financial accounting management systems, perfected partial accounting systems in shortage, and drafted the System of Investigating the Responsibilities for Behaviors Violating Financial Accounting Management System, Measures for Management of Fixed Assets, Regulations on Management of Intangible Assets, Fund Plan Management

System, Financial Seals Management System, and Guaranty Management System, etc., which will be issued and executed after being examined and approved by the Company or the board of directors.

2. Special governance in reporting period

(1) According to the requirements on the Company's reelection of the board of directors and the board of supervisors in the Opinions of Supervision on Shenzhen Nanshan Power Co., Ltd. (SZJGSZ [2011] No. 7) issued by Shenzhen Securities Regulatory Commission, the Company convened special meeting of major stockholders in time, and researched and made related program for re-election of the board of directors and the board of supervisors. On March 11, 2011, the Company held the 39th Meeting of the Fifth Board of Directors, and deliberated and passed the Proposal on Recommending Director Candidates for the Company's Sixth Board of Directors. On the same date, the Company held the 32nd Meeting of the Fifth Board of Supervisors, and deliberated and passed the Proposal on Recommending Supervisor Candidates for the Company's Sixth Board of Supervisors. On May 25, 2011, the Company held the 2nd Interim Meeting of Stockholders' Conference in 2011, elected members for the Company's Sixth Board of Directors and Sixth Board of Supervisors, completed the re-election of the board of directors and the board of supervisors smoothly, and selected the board chairman and vice board chairman, as well as the chairman and vice chairman of the board of supervisors. On July 8, at the 2nd Meeting of the Sixth Board of Directors, the Company employed a new management team.

(2) According to the Notification on Well Performing the Work Related to Internal Control Specification Pilots of Listed Companies in Shenzhen issued by Shenzhen Securities Regulatory Commission, the Company has established special working body, made Plan for Implementation of Internal Control Specification, and employed a professional consulting company by means of competitive tendering to participate in risk evaluation and internal control system building. As of the end of 2011, the Company has completed the internal control diagnosis, risk identification, flow sorting out, and internal control system formulation, etc. aiming at the Company and its 9 subordinated companies involved in consolidated financial statements, and realized the internal control specification construction flow with "diagnosis- combing through - optimization - solidification" as main line; meanwhile, under the instruction of professional consulting institution, the Company has designed internal control self-evaluation mechanism, and developed internal control self-evaluation.

(3) According to the Notification on Examination of Shenzhen Nanshan Power Co., Ltd. issued by Shenzhen Securities Regulatory Commission, the Company has accepted the field examination of Shenzhen Securities Regulatory Commission in terms of corporate governance, information disclosure, and basic financial accounting work, etc. since 2008. The Company has paid much attention to and cooperated actively with this tour inspection, organized related special meetings and provided various documents according to requirements. At present, the Company is rectifying the problems existing according to the tour inspection opinions issued by Shenzhen Securities Regulatory Commission.

(4) According to the Notification on Fulfilling the Spirit of "Special Meeting on Information Disclosure of Listed Companies in Shenzhen" issued by Shenzhen Securities Regulatory Commission, the Company organized directors, supervisors and senior managers to attend the "Training on Preventing and Controlling Behaviors Violating Laws and Rules Such As Inside Transaction, etc." on Oct. 14, 2011, and submitted training report and record to Shenzhen Securities Regulatory Commission after completion of training.

(5) Problems existing and rectification measures

① Organize to fulfill rectification according to the requirements of the Opinions of Supervision on Field Examination of Shenzhen Nanshan Power Co., Ltd. issued by Shenzhen Securities Regulatory Commission.

② Description about reporting non-open information to the number one major stockholder

A) The Company's production technology department sends the daily power generation to the number one major stockholder's power asset management department directly; after being examined and approved by the principal of the Company's production technology department and leader in charge, the production technology department submits power production barrier report, accident report, and monthly safety briefing to the number one major stockholder on the 15th day of each month.

B) According to the requirements of the Notification on Printing and Issuing Procedure Document "Management of Property Right Representatives Dispatched by the Group" (SN[2009] No. 45) issued by the number one major stockholders, before the meetings of the board of directors/ supervisors, the secretary office under the board of directors will submit the proposals discussed and revised at the work meeting of general manager to the directors/ supervisors dispatched by the number one major stockholder, and meanwhile, file such proposals with its property right legal department and administrative management department.

The Company has made a written commitment to Shenzhen Securities Regulatory Commission on disclosing non-standard governance and submitting the name list of non-open information graspers. Meanwhile, the Company's number one major stockholder has signed the Written Commitment on Strengthening Non-open Information Management. In the reporting period, in the precondition of requiring related transistors to strictly fulfill the responsibility of confidentiality, the Company has filed the information on non-open information submission and name list of non-open information graspers with Shenzhen Securities Regulatory Commission before the 10th day each month.

(II) Duty performance of independent directors

In the reporting period, strictly in accordance with the Company Law, Rules for Governing Listed Companies, Guiding Opinions on Establishing Independent Director System in Listed Companies, Regulations on Strengthening the Protection of Rights and Interests of Social Public Stock Holders, Working System of Independent Directors, etc., as well as the Articles of Association, all independent directors of the Company have performed their duties in earnest, given full play to their functions as independent directors, and maintained the lawful rights and interests of all stockholders, especially plentiful medium-sized and minor stockholders.

1. Establishment and perfection of related work systems of independent directors

The Company made the Work System of Independent Directors and Work System for Annual Report of Independent Directors of the Company in May 2002 and April 2008 respectively.

2. Duty performance of independent directors

The Company has 6 independent directors at present, exceeding 1/3 of total directors, and this meets the requirement of Guiding Opinions on Establishing Independent Director System in Listed Companies issued by China Securities Regulatory Committee. In the reporting period, the Company's independent directors have performed duties in a loyal way according to the regulations of the Working System of Independent Directors, and Working System for Annual Report of Independent Directors, etc. They have examined the major associated transactions and other important matters requiring the opinions of independent directors, presented written opinions of independent directors, deliberated all the proposals submitted to the board of directors in earnest, and voted through all the proposals.

(1) They have attended all the meetings of the board of directors held by the Company, deliberated related proposals, and signed for confirmation of resolutions made at the meeting.

The Company has held 14 meetings of the board of directors in the present year, including 3 meetings adopting voting by communication. The information on attendance of independent directors:

Name of independent directors of the fifth board of directors	Required number of attendees	Actual number of attendees	By communication	By entrusting others	Absent	Failing to attend meeting personally for twice continuously or not
Huang Jianxin	6	5	1	1	0	No
Zhou Chengxin	6	5	1	1	0	No
Xu Jing'an	6	5	1	1	0	No
Yu Xiufeng	6	5	1	2	0	Yes
Wu Xiaolei	6	5	1	0	0	No
Name of independent directors of the sixth board of directors	Required number of attendees	Actual number of attendees	By communication	By entrusting others	Absent	Failing to attend meeting personally for twice continuously or not
Li Zheng	8	6	2	0	0	No
Wang Xiaodong	8	6	2	0	0	No
Wang Junsheng	8	6	2	0	0	No
Wu Xiaolei	8	6	2	1	0	No
Tang Tianyun	8	6	2	1	0	No
Pan Chengwei	8	6	2	1	0	No



Independent director Yu Xiufeng failed to attend the 40th and 41st Meetings of the Fifth Board of Directors personally for reason of business, and authorized independent director Zhou Chengxin to attend and exercise voting power on behalf of him.

(2) Independent directors have participated in the auditing of the Company's annual report actively, and brought forward precious opinions and suggestions on the compilation of annual report.

(3) Independent directors have issued independent opinions on the Company's internal control self-evaluation, external guaranty, and associated transactions, etc. in 2011.

(4) Independent directors have paid close attention to progress of the contract for oil options, made necessary solutions to coping with jurisdiction when requiring the Company to seek for settlement through negotiation, and fulfilled the obligation of information disclosure in earnest according to the requirements of regulatory department at all levels.

(III) Separation of the Company from the number one major stockholder in terms of business, asset, personnel, institution, and financial affairs, etc. in the reporting period

The Company's number one major stockholder exercises its rights as an investor through stockholders' conference according to laws. The Company is completely separated from the number one major stockholders in terms of business, asset, personnel, institution, and financial affairs, etc., and owns independent and complete ability of business and autonomous operation.

1. In terms of business, the Company is completely independent of the number one major stockholder. The number one major stockholder and its subordinated units deal with business same as or similar to that of the Company, but are completely separated from the Company in business operation and management.

2. In terms of asset, the Company's assets are independent and integrate, and the ownership of which is clear. In the reporting period, the number one major stockholder did not occupy or dominate the Company's assets, or interfere the Company's operation and management of assets.

3. In terms of personnel, the Company's personnel are independent of that of number one major stockholder. The Company's management personnel, financial principal and secretary to the board of directors don't assume any post at the number one major stockholder's unit.

4. In terms of institution, the Company's board of directors, board of supervisors, and other internal institutions operate independently. Number one major stockholder and its functional departments don't have superior-inferior relationship with the Company and its functional departments, have never sent any business-related plan and command to the Company and its subordinated institutions, or affect the independent operation and management of the Company and its subordinated institutions in any form.

5. In terms of financial affairs, the Company has established and perfected financial and accounting management systems, and executed independent accounting according to the requirements of related laws and rules. The Company's number one major stockholder has not intervened the Company's financial and accounting activities.

(IV) Assessment and excitation mechanism for senior management personnel

In the reporting period, the Company's board of directors has still adopted the proposal of rewarding and punishment linked with business performance, etc. for assessing and exciting senior management personnel.

(V) Self-evaluation on the Company's internal control

For details, please refer to the Self-evaluation Report on Internal Control disclosed by the Company at www.cninfo.com.cn. Conclusion:

According to the regulations and requirements of the Basic Specifications for Enterprises' Internal Control and its supporting directions, and combining with daily supervision and special supervision, the Company's present internal control system could basically meet the Company's management requirements and development demand, ensure the authenticity, legality, and integrity of the Company's accounting documents; and provide effective guarantee for the safety and integrity of the Company's properties. The Company could file and disclose related information in an authentic, correct, integrate and timely way according to the information disclosure contents and format regulated in related laws, rules and articles of association.

In the reporting period, the Company has obtained certain achievements in internal control, but still has space for improvement in terms of corporate governance, accounting, and information disclosure, etc. Next step, we will hammer at the following work:

(I) Perfect the internal control system continuously, and execute related internal control systems

strictly according to the requirements of the Basic Specifications for Enterprises' Internal Control and related documents; revise and perfect the Company's internal control systems, optimize business flow, and improve the internal control systems continuously according to the changes in related laws and rules as well as upon the demand of the Company's development in time.

(II) Take effective actions to further strengthen the normalization and standardization of related accounting of financial statements, make definite accounting policies meeting the Company's actual situations, and perfect related departments' responsibility of instruction and supervision.

(III) Strengthen the examination and supervision on fulfillment of internal control systems, execute normative operation continuously, and rectify any defect discovered in time; strengthen the learning and training of internal control specifications and systems, raise the executive force, further prevent and control risks, and promote the sustained and healthy development of the Company.

VI. Brief Introduction to Stockholders' Conference

In the reporting period, the Company held six interim meetings of stockholders' conference, and 2010 annual meeting of stockholders' conference, as shown below:

(I) The 1st interim meeting of stockholders' conference 2011

On Jan. 13, 2011, the Company held the 1st interim meeting of stockholders' conference 2011. The resolutions of this meeting were published at the Company's specified newspapers, and discloses at the website specified by China Securities Regulatory Commission on Jan. 14, 2011 (the specified newspapers for the Company's information disclosure: China Securities Journal, Securities Times and Hong Kong Commercial Daily; Internet website specified by China Securities Regulatory Commission: <http://www.cninfo.com.cn>, same below).

(II) The annual meeting of stockholders' conference 2011

On May 10, 2011, the Company held the annual meeting of stockholders' conference 2010. The resolutions of this meeting were published at the Company's specified newspapers, and discloses at the website specified by China Securities Regulatory Commission on May 11, 2011.

(III) The 2nd interim meeting of stockholders' conference 2011

On May 25, 2011, the Company held the 2nd interim meeting of stockholders' conference 2011. The resolutions of this meeting were published at the Company's specified newspapers, and discloses at the website specified by China Securities Regulatory Commission on May 26.

(IV) The 3rd interim meeting of stockholders' conference 2011

On July 27, 2011, the Company held the 3rd interim meeting of stockholders' conference 2011. The resolutions of this meeting were published at the Company's specified newspapers, and discloses at the website specified by China Securities Regulatory Commission on July 28, 2011.

(V) The 4th interim meeting of stockholders' conference 2011

On Sept. 30, 2011, the Company held the 4th interim meeting of stockholders' conference 2011. The resolutions of this meeting were published at the Company's specified newspapers, and discloses at the website specified by China Securities Regulatory Commission on Oct. 1, 2011.

(VI) The 5th interim meeting of stockholders' conference 2011

On Oct. 14, 2011, the Company held the 5th interim meeting of stockholders' conference 2011. The resolutions of this meeting were published at the Company's specified newspapers, and discloses at the website specified by China Securities Regulatory Commission on Oct. 15, 2011.

(VII) The 6th interim meeting of stockholders' conference 2011

On Dec. 18, 2011, the Company held the 6th interim meeting of stockholders' conference 2011. The resolutions of this meeting were published at the Company's specified newspapers, and discloses at the website specified by China Securities Regulatory Commission on Dec. 20, 2011.

VII. Report of the Board of Directors

(I) Retrospection upon the Company's business operation in the reporting period

The Company's business scope covers production and operation of power supply and heat supply, as well as related technical consulting and technical services for power plants (stations). The Company owns three solely-funded or controlling gas turbine power plants in Shenzhen, Zhongshan and Dongguan, and the three power plants are all the main power sources in central electric charge areas in Pearl River Delta; meanwhile, the Company has participated in the investment and construction of nuclear power projects.

In 2011, under the circumstances that the reform of 9E gas-turbine electric rate reform of

Guangdong Province was not completed yet, the power generation cost and grid-connected electric rate were still in serious reverse position, the provincial and municipal electric rate subsidy was in serious lagging state, and the national energy-conservation and environmental-protection policies became increasingly strict, the Company was faced with the austere situation of suffering from loss once again. The new board of directors put forward the objectives of “surely preventing the Company from loss” and “ensuring the safety of the Company’s capital chain”, and required the Company to organize the fulfillment of such objectives comprehensively. Under the great supports of stockholders, and after joint efforts of the whole staff, the Company realized in 2011 the sales income of 2,415,817,700 Yuan (RMB, same below), non-operating income of 1,516,790,900 Yuan, gross profit of 22,255,800 Yuan, and net profit attributed to the parent company of 17,529,100 Yuan; completed the business objective of turning loss into profit in 2011, and guaranteed the Company’s survival and development.

In the reporting period, the Company has completed power generation of 3.732 billion kwh accumulatively, increased by 39.62% over the same period of last year, and completed 107.52% of annual planned index. Where, Nanshan Thermal Power Factory (including New Power) completed power generation of 2.094 billion kwh (totally power generation with natural gas as fuel), increased by 17.05% over the same period of last year; the grid-connected electricity was 2.041 billion kwh, accounting for 48.16% of Shenzhen low-voltage thermal power adjustment, and around 25% market share of this factory’s installed capacity; Shenzhen Nanshan Power Zhongshan Company completed power generation of 818 million kwh, increased by 1473.08% over the same period of last year; ShenNan Dongguan Company completed power generation of 820 million kwh, decreased by 1.44% over the same period of last year.

As of Dec. 31, 2011, the Company’s consolidated gross assets reached up to 5452746700 Yuan, increased by around 3.29% over the beginning of year; the Company’s stockholders’ equity was 1887811000 Yuan, and where, the stockholders’ equity attributed to the parent company was 1753371600 Yuan, decreased by around 2.31% over the previous year.

In 2011, the Company realized sales income of 2415817700 Yuan, increased by 50.83% over the previous year; non-operating income of 1516790900 Yuan, and gross profit of 22255800 Yuan, increased by 120901500 Yuan over the previous year; the net profit attributed to the parent company of 17529100 Yuan, increased by 132167800 Yuan over the previous year, mainly due to the increase of power generation and income from reimbursement of tax for purchasing of natural gas, as well as income from transfer of stock equity in Jiangxi Xinchang Company and Energy Environmental Protection Company, with earning per share of 0.03 Yuan, increased by 0.22 Yuan over the previous year.

2. Composition of operating income and operating profit in reporting period

(Unit: Ten thousand Yuan)

By industry or product	Operating income	Operating cost	Gross interest rate (%)	Increase or decrease of operating income over the previous year (%)	Increase or decrease of operating cost over the previous year (%)	Increase or decrease of gross profit rate over the previous year (%)
Electric power production	217,665.47	337,708.27	-55.15	39.51	52.79	-13.48
Heating power production	833.84	1,325.15	-58.92	-23.81	-10.95	-22.94
Project contracting	5,255.68	3,782.39	28.03	117.46	267.51	-29.39
Sludge treatment	2,792.93	1,491.78	46.59	-	-	-
Others	15,033.85	14,662.85	2.47	2,227.76	3,596.21	-36.26

(Unit: Ten thousand Yuan)

By area	Operating income	Increase or decrease of operating income over the previous year
Shenzhen	143, 882. 81	26. 40
Zhongshan	48, 781. 53	1, 456. 46
Dongguan	46, 072. 35	8. 25

Abroad	2,845.08	3,377.05
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3. Main suppliers and customers

The Company's core business is power production. The main raw materials for power generation are natural gas, and spare products and parts for equipment maintenance, etc. In 2011, the gross purchasing amount of the Company's top five suppliers was 3390623000 Yuan, accounting for 97.47% of annual gross purchasing amount. In Shenzhen, the Company's gross sales amount of power was 1299467000 Yuan, and the electric power was completely sold to Guangdong Grid Corporation Shenzhen Power Supply Bureau; in Zhongshan, the gross sales amount of power was 458628100 Yuan, and the electric power was completely sold to Guangdong Grid Corporation; in Dongguan, the gross sales amount of power was 418284200 Yuan, and the electric power was completely sold to Guangdong Grid Corporation.

4. Financial condition

(1) Changes of asset-liability structure in the reporting period

(Unit: Yuan)

Item	Dec. 31, 2011		Dec. 31, 2010		Growth rate of proportion among total assets %
	Amount	Proportion among total assets %	Amount	Proportion among total assets %	
Total assets	5,452,746,682.91		5,278,954,349.90		
Monetary fund	695,095,052.12	12.75	601,386,814.04	11.39	1.36
Accounts receivable	934,640,019.03	17.14	518,392,276.69	9.82	7.32
Advance payment	31,576,397.23	0.58	13,529,901.89	0.26	0.32
Other accounts receivable	124,599,842.72	2.29	20,450,149.23	0.39	1.90
Inventory	1,258,195,597.25	23.07	1,352,372,212.06	25.62	-2.55
Long-term equity investment	37,315,000.00	0.68	306,208,274.30	5.80	-5.12
Fixed assets	2,227,103,579.26	40.84	2,169,226,270.73	41.09	0.25
Construction in progress	46,866,969.48	0.86	196,729,476.64	3.73	-2.87
Intangible assets	63,807,538.62	1.17	64,236,931.51	1.22	-0.05
Short loan	3,265,824,953.89	59.89	3,112,400,000.00	58.96	0.93
Notes payable	43,820,200.00	0.80			0.80
Accounts payable	214,748,889.66	3.94	61,115,438.61	1.16	2.78
Taxes payable	-521,900,793.90	-9.57	-501,193,418.09	-9.49	-0.08
Other accounts payable	358,597,380.00	6.58	288,768,647.34	5.47	1.11
Long-term loan	26,000,000.00	0.48	186,000,000.00	3.52	-3.04

(1) Monetary fund increased over the beginning of year, mainly because of many cash inflows from operating activities and investment activities in the present year;

(2) Accounts receivable increased over the beginning of year, mainly because of increase of subsidies receivable;

(3) Advance payment increased over the beginning of year, mainly because of the increase of advance payment or purchasing natural gas;

(4) Other accounts receivable increased over the beginning of year, mainly because of the accounts receivable for transfer of stock equity in Jiangxi Xinchang Company in the present year;

(5) Inventory decreased over the beginning of year, mainly because of disposal of fuel oil in the present year;

(6) Long-term equity investment decreased over the beginning of year, mainly because of the transfer of stock equity in Jiangxi Xinchang Company and Energy Environmental Protection Company in the present year;

(7) Fixed assets decreased over the beginning of year, mainly because of the increase of fixed assets in the present year;

(8) Construction in progress decreased over the beginning of year, mainly because of that sludge drying project is transferred into fixed assets in the present year;

(9) Short loan increased over the beginning of year, mainly because of the increase of bank loans;



(10) Notes payable increased over the beginning of year, mainly because of the new bills opened in the present year;

(11) Accounts payable increased over the beginning of year, mainly because of the increase of accounts payable for fuel gases in the present year;

(12) The balance of taxes payable in the present year was negative, mainly because of the increase of VAT payable debit amount;

(13) Other accounts payable increased over the beginning of year, mainly because of the increase of construction cost payable;

(14) Long-term loan decreased over the beginning of year, mainly because of the decrease of long-term loans in the present year.

(2) Changes in financial data like operating expenses, management expenses, financial costs, and income tax, etc. in the reporting period

(Unit: Yuan)

Item	2011	2010	Increase/ decrease ratio %
Operating expense	818,301.34	860,503.71	-4.90%
Management expense	97,538,885.64	95,926,428.20	1.68%
Financial costs	204,297,949.90	128,297,803.98	59.24%
Loss on asset depreciation	23,521,935.10	11,194,836.04	110.11%
Return on investment	23,329,325.70	-49,130,454.11	Increase by RMB 51,459,800 Yuan
Non-operating income	1,516,790,851.26	832,316,848.06	82.24%
Non-operating expenditure	5,225,709.23	573,905.21	810.55%
Income tax	13,224,142.33	24,787,762.05	-46.65%

[Note] Main reasons for changes over the previous year:

(1) Financial costs increased over the previous year, mainly because of the increase of interest expenditure in the present year;

(2) Loss on asset depreciation increased over the previous year, mainly because of the increase of inventory depreciation reserve and fixed asset depreciation reserve in the present year;

(3) Return on investment increased over the previous year, mainly because of the transfer of stock equity in Jiangxi Xinchang Company and Energy Environmental Protection Company in the present year;

(4) Non-operating income increased over the previous year, mainly because of the increase of income from the fuel subsidies and reimbursement of VAT for import of natural gas;

(5) Non-operating expenditure increased over the previous year, mainly because of the increase of fixed assets retired in the present year.

(6) Income tax decreased over the previous year, mainly because of the decrease of carry back of deferred income tax asset in the present year.

(3) Change of financial data about cash flow of the Company in the reporting period

(Unit: Yuan)

Item	2011		2010		Increase or decrease percent of structure proportion %
	Amount	Structure proportion %	Amount	Structure proportion %	
Cash inflow from operating activities	3,958,355,123.14	44.96	2,688,135,460.20	40.07	4.89
Where: Cash received from selling commodities and providing labor services	2,862,823,434.28	72.32	2,288,118,410.70	85.12	-12.80
Cash outflow from operating activities	3,686,069,781.88	42.05	2,662,237,515.23	41.12	0.93



Where: Cash paid for purchasing commodities and receiving labor services	3,458,138,395.82	93.82	2,398,061,926.94	90.08	3.74
Net cash flow from operating activities	272,285,341.26	717.82	25,897,944.97	11.02	706.80
Net cash flow from investment activities	72,743,109.23	191.77	-165,100,769.06	-70.25	262.02
Net cash flow from financing activities	-306,341,205.69	-807.60	374,701,759.98	159.43	-967.03

In 2011, the Company's consolidated net cash flow was 37932200 Yuan, where,

The net cash flow from operating activities was 272285300 Yuan. Precisely, the cash inflow from operating activities was 3958355100 Yuan, including 2862823400 Yuan received from electric rate income and providing labor services, 870805700 Yuan received from fuel subsidy income, and 214622900 Yuan received from reimbursement of VAT for import of natural gas, etc.; in addition, the cash outflow from operating activities was 3686069800 Yuan, including 3458138400 Yuan paid for raw materials and labor services received, 122494600 Yuan paid to employees, and 85020700 Yuan for payment of various taxes, etc.

The net cash flow from investment activities was 72743100 Yuan. Precisely, the cash inflow from investment activities was 239592100 Yuan, including 110682600 Yuan received as fee for transfer of stock equity in Jiangxi Xinchang Company, 123078900 Yuan received as fee for transfer of stock equity in Energy Environmental Protection Company, and 5830600 Yuan received from disposal of assets; in addition, the cash outflow from investment activities was 166849000 Yuan, including 118968000 Yuan paid for investing in the projects like DLN low-nitrogen combustion reconstruction, sludge drying, and cycling economy composite, etc., and 47881000 Yuan paid for capital increase of Shenzhen Nanshan Power Environmental Protection Company at the beginning of year.

The net cash flow from financing activities was -306341200 Yuan, mainly because of the repayment of bank loans and the increase of financing cost.

5. Business operation and achievements of main controlling companies and equity-participation enterprises

(1) New Power Company: Its main business scope covers afterheat utilization technology development, and power generation with afterheat, its registered capital is 113.85 million Yuan, and the Company holds 75% shares in it. On Dec. 31, 2011, this company's gross asset was 1270568800 Yuan, increased by 41.33% over the beginning of year; the net asset was 185330300 Yuan, decreased by 1.58% over the beginning of year. In 2011, this company realized income from main businesses of 404234100 Yuan, decreased by -44.77% over the previous year; and the net profit was -2971500 Yuan.

(2) Shenzhen Nanshan Power Zhongshan Company: Its main business scope covers gas turbine power generation, afterheat power generation, power supply and heat supply (excluding heat supply pipeline) projects, its registered capital is 396.80 million Yuan, and the Company holds 55% shares of it. On Dec. 31, 2011, the Company's gross asset was 1119126300 Yuan, increased by 13.74% over the beginning of year; the net asset was -197105000 Yuan, decreased by 45.21% over the beginning of year. In 2011, the Company realized income from main businesses of 487815300 Yuan, decreased by 2.41% over previous year; and the loss was -61371200 Yuan, decreased by 57.66% over the previous year, mainly due to clean energy transportation of "oil altered into gas" and the great decrease in overhaul of generator sets and power generation.

(3) Shenzhen Nanshan Power Dongguan Company: Its main business scope covers gas turbine power generation, afterheat power generation, and power supply, etc., its registered capital is USD35.04 million, and the Company holds 70% shares of it. On Dec. 31, 2011, the Company's gross asset was 1155502300 Yuan, decreased by 2.31% over the beginning of year; the net asset was 323148400 Yuan, decreased by 33.66% over the beginning of year. In 2011, the Company realized income from main businesses of 460723500 Yuan, increased by 8.25% over previous year; and the net profit was 14969600 Yuan, decreased by 70.49% over the previous year.

(4) Shenzhen Nanshan Power Engineering Co., Ltd.: Its main business scope covers technical consulting service of fuel gas- steam combined circular power plant (station) construction engineering, and examination & repair and maintenance of operating equipment of fuel gas-steam combined circular power plants (stations), its registered capital is 10 million Yuan, and the Company holds 60% shares of it. On Dec. 31, 2011, the Company's gross asset was 170279300 Yuan, decreased by 2.37% over the beginning of year; the net asset was 58635600 Yuan, decreased by 58.28% over the beginning of year. In 2011, the Company realized income from main businesses of 54715800 Yuan, increased by 122.70% over

previous year; and the net profit was 11868300 Yuan, decreased by 23.80% over the previous year.

(5) Xiefu Company: Its main business scope covers the purchasing and sale of diesel oil, heavy oil and lubricating oil, its registered capital is 53.30 million Yuan, and the Company holds 50% shares of it. On Dec. 31, 2011, the Company's gross asset was 101959300 Yuan, decreased by 1.67% over the beginning of year; the net asset was 84719900 Yuan, increased by 2.18% over the beginning of year. In 2011, the Company realized income from main businesses of 35992300 Yuan, decreased by 29.61% over previous year; and the net profit was 1697200 Yuan, increased by 5.82% over the previous year.

(6) Shenzhong Real Estate Company: Its main business scope covers real estate development, realty management, sale of self-possessed commodities, rental, and real estate investment, etc., and the Company holds 75% shares of it. On Dec. 31, 2011, the Company's gross asset was 1055633500 Yuan, increased by 0.87% over the beginning of year; the net asset was 81288600 Yuan, increased by 1.23% over the beginning of year. In 2011, the Company realized gross profit of 985100 Yuan.

(7) Shenzhong Real Estate Company: Its main business scope covers real estate development, realty management, sale of self-possessed commodities, rental, and real estate investment, etc., and the Company holds 75% shares of it. On Dec. 31, 2011, the Company's gross asset was 136167300 Yuan, increased by 0.63% over the beginning of year; the net asset was 69432600 Yuan, decreased by 9.7% over the beginning of year. In 2011, the Company realized gross profit of -7456000 Yuan.

(8) Shenzhen Nanshan Power Environmental Protection Company: Its main business scope covers cycling economy operation and sludge drying project, its registered capital is 97 million Yuan, and the Company holds 70% shares of it. On Dec. 31, 2011, the Company's gross asset was 155503600 Yuan, the net asset was 74650400 Yuan, and financial cost was 4161500 Yuan. In 2011, the Company realized gross profit of -3716700 Yuan.

(II) Prospect on Future Development

1. Business environment analysis

In 2012, China suffers from greater pressure of downward economic growth, so does Guangdong Province. The growth rate of GDP drops back from 10% in 2011 to 8.5%. The growth rate of industrial electricity consumption of the whole province is estimated to drop from 10.7% in 2011 to 6.6%, and the space is limited for power generation enterprises to relieve operation pressure by dint of the growth in electricity quantity. The power generation cost of 9E combustion engine and the electricity rate are still in reverse position, the deep-layer conflicts like electricity price formation mechanism, etc. are not solved thoroughly, and demand of grids on peak power generation has dropped greatly, so the Company is still faced with extremely austere operation environment.

However, along with the stable and rapid growth of our economy, China has taken accelerating the cultivation of strategic emerging industries as pioneering and pillar industries, and provided opportunities for power generation industry to solidify and expand the industrial advantages of energy conservation and environmental protection, etc. As one of the national second batch of cycling economic pilot units, the Company's subordinated company Nanshan Thermal Power Factory will raise its profit-making level by making the best of cycling economic projects with obvious effect of comprehensive energy utilization, such as cooling-heating-power supply, and sludge drying, etc. Dongguan Gaobu Power Plant and Zhongshan Nanlang Power Plant will accelerate the construction of thermal-electricity generation after completing oil-altered-to-gas engineering of generator sets, and further raise the Company's core competitiveness. Meanwhile, along with China's recovery of examination and approval on nuclear power, Jiangxi Pengze Nuclear Power Project participated by the Company will optimize the Company's industrial structure, and create conditions for the Company's sustainable development.

2. Key work in 2012

In the face of the extremely difficult operation situation this year, the key point for ensuring the Company's stable and sustained operation in 2012 is to lower the cost effectively, control various expenditures strictly, ensure the safety of funds, and strive for timely realization of subsidies and tax preferences. So, the Company will focus on the following work in 2012:

(1) Strengthening comprehensive safety governance, and ensuring the overall safety of the Company

Year 2012 is the Company's year of normalized environmental protection management. The Company must persist in the guideline of "safety first, prevention prevailing, and comprehensive governance" in safety work, firmly set up the concept of "people based, and safety development", strengthen the enterprise's responsibility as safety production entity, further build up high-efficiency and perfect safety management and control system, raise the systemization, normalization and standardization level of safety work, realize safe and environmental-protection production, and provide important

guarantee for the Company's production operation and sustainable development.

(2) Accelerating the adjustment and optimization of industrial structure, raising the profit-making level, and the ability of survival and sustainable development

As one of the national second batch of cycling economic pilot units, the Company has formed the industrial chain of comprehensive cascade energy utilization along with that sludge drying project and cooling-heating-power supply demonstration project are put into commercial operation successively. In 2012, the Company will accelerate structure adjustment and optimization, strengthen supply guarantee ability, construct a safe, stable, economical and clean system of modern energy industry, and raise the profit-making level and sustainable development ability.

(3) Strengthening financial budget, fulfilling the preferential policies of allowance for power generation and tax reimbursement for natural gas, and ensuring the safety of capital chain

Ensuring the safety of capital chain is still one of the important works in the Company's operating activities in 2012. The Company will make effort to expand financing channel, strengthen uniform management of capital in the system, and get done with risk monitoring in advance. Meanwhile, the Company will strengthen budgetary management continuously, control expenditure of cost strictly, strengthen the dunning for electricity rate subsidies and tax preferences, and relieve capital pressure.

(4) Optimizing the Company's normative governance, and further raising the Company's governance level

In 2012, according to the requirements of supervision on listed companies, the Company will boost the internal control construction actively, further optimize normative management, and raise its overall governance level. The Company will get done with the Company's inside transaction prevention and control practically, establish and perfect financial principal management system, complete the internal control construction related to financial reports on time, and disclose self-evaluation report in semi-annual report 2012 according to requirements of Shenzhen Securities Regulatory Commission. Meanwhile, according to the Supervision Opinions on Field Examination of Shenzhen Nanshan Power Co., Ltd. (SZJGSZ [2012] No. 21) issued by Shenzhen Securities Regulatory Commission, the Company will organize rectification aiming at some non-normative behaviors of the Company in terms of corporate governance, information disclosure, internal control, financial management, and accounting since 2008, and ensure the effective execution of resolutions made by stockholders' conference and board of directors.

(III) Investments

1. Investment of funds raised

In the reporting period, the Company didn't raise fund, and didn't have the situation that the fund raised before the reporting period was extended to use in the reporting period.

2. Investment of non-raised funds

None.

(IV) Description of the board of directors about the items not involved in non-standard audit report of CPA Firm

In 2011, for the Contract for Options of Oil Products signed by and between the Company and Jierun (Singapore) Private Corporation ("Jierun Corporation") in March 2008, the auditor presented an audit report with qualified opinions on emphasized matters (for matters involved, please refer to "IX. Important Matters (VII) Major Contracts and Implementation --- 5. The Company's major disputes in the reporting period).

Based on the legal opinions of independent practicing lawyer on the abovementioned matter, the board of directors considers that, 1) two confirmation letters and transaction have been terminated by both parties; 2) the Company does not know any information on or basic evidence proving that the disputes on the contract for options have been submitted to judicial procedures, there are many uncertain factors in the progress of this matter, and it's unavailable to estimate the subsequential development progress, amount of loss, and possible result of the disputes on the contract for options; and 3) whereas the final result cannot be estimated reasonably and reliably, the estimated liability shall not be confirmed in the financial statements 2011.

The matter involved in non-standard qualified opinion does not obviously violate the regulations of accounting standard, systems and related information disclosure specifications.

The Company will follow up the treatment of this matter, and maintain stockholders' rights and interests practically. The Company's board of directors will check the abovementioned stand point and related accounting treatment in time according to related progress of this matter. Also, the Company will

implement the obligation of information disclosure in time aiming at the progress of the abovementioned matter.

(V) Daily work of the board of directors

1. Meetings

In the reporting period, the board of directors held 14 meetings in total, as shown below:

(1) On Jan. 13, 2011, the Company organized to hold the interim meeting of the fifth board of directors. The resolutions of this meeting were published at the Company's specified newspapers, and discloses at the website specified by China Securities Regulatory Commission on Jan. 15, 2011 (the specified newspapers for the Company's information disclosure: China Securities Journal, Securities Times and Hong Kong Commercial Daily; Internet website specified by China Securities Regulatory Commission: <http://www.cninfo.com.cn>, same below).

(2) On Mar. 11, 2011, the Company organized to hold the 39th meeting of the fifth board of directors. The resolutions of this meeting were published at the Company's specified newspapers, and discloses at the website specified by China Securities Regulatory Commission on May 4, 2011.

(3) On Apr. 13, 2011, the Company organized to hold the 31st meeting of the fifth board of directors. The resolutions of this meeting were published at the Company's specified newspapers, and discloses at the website specified by China Securities Regulatory Commission on Apr. 15, 2011.

(4) On Apr. 21, 2011, the Company organized to hold the 41st meeting of the fifth board of directors. The resolutions of this meeting were published at the Company's specified newspapers, and discloses at the website specified by China Securities Regulatory Commission on Apr. 23, 2011.

(5) On Apr. 28, 2011, the Company organized to hold the interim meeting of the fifth board of directors (voting by communication). The resolutions of this meeting were published at the Company's specified newspapers, and discloses at the website specified by China Securities Regulatory Commission on Apr. 30, 2011.

(6) On May 20, 2011, the Company organized to hold the 42nd meeting of the fifth board of directors. The resolutions of this meeting were published at the Company's specified newspapers, and discloses at the website specified by China Securities Regulatory Commission on June 3, 2011.

(7) On May 25, 2011, the Company organized to hold the 1st meeting of the sixth board of directors. The resolutions of this meeting were published at the Company's specified newspapers, and discloses at the website specified by China Securities Regulatory Commission on Aug. 17, 2011.

(8) On July 8, 2011, the Company organized to hold the 2nd meeting of the sixth board of directors. The resolutions of this meeting were published at the Company's specified newspapers, and discloses at the website specified by China Securities Regulatory Commission on Oct. 16, 2011.

(9) On Aug. 5, 2011, the Company organized to hold the 3rd meeting of the sixth board of directors. The resolutions of this meeting were published at the Company's specified newspapers, and discloses at the website specified by China Securities Regulatory Commission on Aug. 9, 2011.

(10) On Sept. 8, 2011, the Company organized to hold the 4th meeting of the sixth board of directors. The resolutions of this meeting were published at the Company's specified newspapers, and discloses at the website specified by China Securities Regulatory Commission on Sept. 14, 2011.

(11) On Sept. 26, 2011, the Company organized to hold the interim meeting of the sixth board of directors (voting by communication). The resolutions of this meeting were published at the Company's specified newspapers, and discloses at the website specified by China Securities Regulatory Commission on Sept. 28, 2011.

(12) On Oct. 14, 2011, the Company organized to hold the 5th meeting of the sixth board of directors. The resolutions of this meeting were published at the Company's specified newspapers, and discloses at the website specified by China Securities Regulatory Commission on Oct. 15, 2011.

(13) On Oct. 19, 2011, the Company organized to hold the 6th meeting of the sixth board of directors (voting by communication). The resolutions of this meeting were published at the Company's specified newspapers, and discloses at the website specified by China Securities Regulatory Commission on Oct. 21, 2011.

(14) On Dec. 1, 2011, the Company organized to hold the 3rd interim meeting of the sixth board of directors (voting by communication). The resolutions of this meeting were published at the Company's specified newspapers, and discloses at the website specified by China Securities Regulatory Commission on Dec. 3, 2011.

2. Execution of the resolutions of stockholders' conference

In the reporting period, the Company's board of directors has developed the following work successively according to related resolutions of stockholders' conference: (1) providing guaranty for the

loans of its subordinated enterprises, etc.; (2) establishing a new board of directors and board of supervisors, and completing the re-election work; (3) paying remuneration for the year 2010 to audit institution; (4) employing audit institution for the year 2011; (5) transferring 10% stock equity in Shenshen Energy Environmental Protection Company; and (6) transferring 30% stock equity in CPI Jiangxi Xinchang Power Generation Co., Ltd.

3. Duty performance report of audit committee

In the reporting period, according to the requirements of supervisory institution as well as the Company's Detailed Rules for Implementation of Audit Committee, and Regulations on Annual Report of Audit Committee, the Company's audit committee under the board of directors has implemented its duty in earnest, assisted the board of directors to do work, and deliberated the Company's audit report in the reporting period as well as employment of CPA Firm, etc. Now, the work of audit committee is summarized as follows:

(1) In the reporting period, the audit committee held 3 meetings in total.

(2) Audit the Company's financial information, and supervise and urge the auditing of annual report.

① In the reporting period, the Company's audit committee and the annual audit institution Deloitte Touche Tohmatsu CPA Ltd negotiated with each other on important matters in auditing of financial statements 2010, and communicated with each other on the financial auditing problems encountered in work item by item. Meanwhile, the audit committee required the Company to get done with the annual audit 2010 strictly according to the requirements of supervisory department on list companies' compilation of annual report 2010, and to do various works for disclosure of annual report according to the schedule determined by Shenzhen Stock Exchange.

② Listen to and agree with the communication of Deloitte Touche Tohmatsu CPA Ltd with the governance level on the audit report 2010 at the audit completion stage.

③ Audit and agree with Audit Report 2010 (not signed) and the Special Description about Presenting the Audit Report with Qualified Opinions on Emphasized Matters of Shenzhen Nanshan Power Co., Ltd., and agree to submit them to the Company's board of directors for discussion.

(3) Bring forward proposal on continuous employment or replacement of audit institution.

It's proposed to employ Deloitte Touche Tohmatsu CPA Ltd as the Company's audit institution for year 2011 continuously.

(4) Deliberate the internal audit and internal control plan 2011.

The audit committee has deliberated and agreed with the Company's Plan for Internal Audit and Control 2011, which requires the Company to carry out independent and objective examination, supervision and evaluation on the authenticity, legality and efficiency of the financial revenue and expenditure, economic activities, and economic matters of each functional department and subordinated controlling enterprise. In terms of internal control, according to the requirements of Shenzhen Securities Regulatory Commission, the Company shall complete implementation of internal control in regulated time, employ professional consulting organ to participate in risk evaluation and internal control system building, complete internal control evaluation, and improve the internal control system continuously.

(5) Deliberate the proposal on remuneration for audit institution 2011.

Whereas the rise of Chinese CPI in recent years and the corresponding increase of audit work quantity in 2011, the audit committee has agreed to increase the auditing fee for year 2011 after careful analysis and investigation.

(6) Deliberate the proposal on terminating the Measures for Managing the Outlay of the Board of Directors.

Whereas some contents of the Company's Measures for Managing the Outlay of the Board of Directors don't meet related regulations, audit committee has agreed to terminate it after discussion at the meeting held on April 13, 2011, and has submitted the opinion to the board of directors for deliberation.

4. Duty performance report of remuneration and assessment committee

In the reporting period, the remuneration and assessment committee has developed work actively, performed duties in earnest, held special meetings to deliberate the Proposal on Remuneration Withdrawal and Assessment 2011 and the Duty Performance Report of Remuneration and Assessment Committee, and heard the Report on Execution of Remuneration Withdrawal and Assessment Program 2010. The remuneration and assessment committee considers that, the execution of remuneration in 2010 and the proposal on remuneration withdrawal 2011 meet the overall principle determined by the board of directors.

Also, the remuneration and assessment committee has also audited the remuneration of the Company's directors, supervisors and senior management personnel, and considered that, the Company's payment of remuneration to directors, supervisors and senior management personnel in the present year



according to the remuneration withdrawal principles and payment standards determined by the board of directors for the year 2010 meets the Company's related remuneration policies and assessment standards.

5. Profit distribution preplan 2011

As audited by Deloitte Touche Tohmatsu CPA Ltd, the net profit attributed to listed company's stockholders in year 2011 was 17,529,063.37 Yuan. In 2011, the Company did not withdraw surplus reserve.

In order to raise the Company's future earning power, its undistributed profit at the end of 2011, say total 454,070,630.72 Yuan was carried forward to next year by combining with the Company's current operation status, in order to supplement the current capital necessary for daily operation.

In 2011, the Company did not allocate profit, and did not have preplan for increase of capital stock with capital reserve.

Cash bonus in the previous three years of the Company (filled out)

(Unit: Yuan)

	Amount of cash bonus (tax included)	Net profit attributed to listed company's stockholders in the consolidated financial statements in bonus distribution year	Proportion among the net profit attributed to listed company's stockholders in the consolidated financial statements	Distributable profit in the year
2010	0.00	-114,638,678.20	0.00%	436,541,567.35
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
Proportion of accumulative cash bonus in the latest three years among the annual average net profit of latest years (%)				

6. Information disclosure

In the reporting period, the board of directors disclosed 75 various periodic and interim announcements correctly in time.

7. Execution of insider information graspers management system

The Company has made the Information Disclosure Management System and the Insider Information Graspers Registration System, and set forth the regulations on confidentiality of information. When reporting information to the outside according to laws, the Company requires related personnel to fill out the Insider Information Graspers Registration Form, and prompts related personnel to observe related laws and rules. In the reporting period, when filing periodic reports, the Company has submitted the Name List of Insider Information Graspers to Shenzhen Stock Exchange and Shenzhen Securities Regulatory Commission, and filed the Form of Non-open Information Provided to Major Stockholders to Shenzhen Securities Regulatory Commission respectively.

8. Statement on internal control responsibility

The board of directors hereby promises that, the Company's Self-evaluation Report on Internal Control 2011 is free of any false and misleading representation or major omissions, and the information disclosed is authentic, accurate and integrate.

VIII. Report of the Board of Supervisors

(I) Work of the Board of Supervisors

In line with national laws and rules as well as related regulations of the Articles of Association, the board of supervisors has performed various duties in earnest. In the reporting period, the board of supervisors held 13 meetings in total, attended all the meetings of the board of directors as non-voting delegate, audited important proposals and presented written opinions. The concrete information on meetings of the board of supervisors is as shown below:

1. On Jan. 13, 2011, the Company held the 31st meeting of the fifth board of supervisors, which deliberated and passed the Proposal on Change of Supervisors.

2. On Mar. 11, 2011, the Company held the 32nd meeting of the fifth board of supervisors, which deliberated and passed the Proposal on Recommending Candidates for Supervisors of the Company's Sixth Board of Supervisors.

3. On Apr. 13, 2011, the Company held the 33rd meeting of the fifth board of supervisors, which deliberated and passed the Work Report of the Board of Supervisors 2010, the Financial Settlement and Analysis Report 2010, the Profit Allocation Preplan 2010, The Whole Paper and Abstract of Annual

Report 2010, the Self-evaluation Report on Internal Control 2010, and the Proposal on the Company's Bank Credit Extension Scale, External Guaranty, Entrusted Bank Loan or Direct Loan of Fund in the System 2011.

4. On Apr. 21, 2011, the Company held the 34th meeting of the fifth board of supervisors, which deliberated and passed the First-quarter Financial Settlement Report 2011, and the Whole Paper and Text of the First-quarter Report 2011.

5. On Apr. 24, 2011, the Company held the interim meeting of the fifth board of supervisors, which deliberated and passed the Plan for Implementation of Internal Control Specification of Shenzhen Nanshan Power Co., Ltd.

6. On May 20, 2011, the Company held the 35th meeting of the fifth board of supervisors, which deliberated and passed the Proposal on Disposal of Bonus of Shenzhen Nanshan Power (Dongguan) Weimei Power Co., Ltd.

7. On May 25, 2011, the Company held the 1st meeting of the sixth board of supervisors, which deliberated and passed the Proposal on Electing Chief Supervisor of the Company.

8. On July 8, 2011, the Company held the 2nd meeting of the sixth board of supervisors, which deliberated and passed the Proposal on Increasing the Line of Entrusted Bank Loan or Direct Loan of Fund in the System.

9. On Aug. 8, 2011, the Company held the 3rd meeting of the sixth board of supervisors, which deliberated and passed the Semi-annual Financial Settlement and Analysis Report 2011, the Whole Paper and Abstract of Semi-annual Report 2011 (Chinese-English Version).

10. On Sept. 8, 2011, the Company held the 4th meeting of the sixth board of supervisors, which deliberated and passed the Proposal on Capital Increase of Shenzhen Nanshan (Zhongshan) Power Co., Ltd., and the Proposal on Increasing the Line of External Guaranty, Entrusted Bank Loan or Direct Loan of Fund in the System.

11. On Oct. 14, 2011, the Company held the 5th meeting of the sixth board of supervisors, which deliberated and passed the Proposal on Transferring 10% Stock Equity of Shenzhen Energy Environmental Protection Co., Ltd.

12. On Oct. 19, 2011, the Company held the 6th meeting of the sixth board of supervisors, which deliberated and passed the Whole Paper and Text of the Third-quarter Report 2011.

13. On Dec. 1, 2011, the Company held the 7th meeting of the sixth board of supervisors, which deliberated and passed the Proposal on Paying Remuneration to Auditing Institution 2011, and the Proposal on Transferring 30% Stock Equity of CPI Jiangxi Xinchang Power Generation Co., Ltd.

II. Independent Opinions of the Board of Supervisors

(I) The Company's operation according to laws

By supervising the Company's directors and senior management personnel, the board of supervisors considers that, in the reporting period, the Company's board of directors and managerial level could operate businesses in a lawful and normative way according to the regulations of national laws and rules, as well as the articles of association. The Company has basically established and perfected the corporate governance structure. The Company's directors and senior management personnel could carry out national laws and rules, articles of association, and resolutions made by stockholders' conference and board of directors, and could perform duties in a diligent way. No director or senior management personnel have been discovered to commit any behavior damaging the benefits of the Company and stockholders during their duty performance.

(II) Inspection of the Company's financial affairs

In the reporting period, the Company's board of supervisors has audited the Company's periodic reports, accounting statements and related documents, and considered that, the board of directors meets the laws, administrative rules, and regulations of China Securities Regulatory Committee in terms of compilation and auditing procedures of periodic reports, and no false record, misleading representation or major omission is discovered in the data recorded.

(III) Re-election of the board of supervisors

1. On Jan. 13, 2011, the Company held the 31st Meeting of the Fifth Board of Supervisors, deliberated the Proposal on Recommending Supervisor Candidates for the Fifth Board of Supervisors, and agreed the nominating stockholder Shenzhen Guangju Investment Holding Co., Ltd. to recommend Miss Ji Yuanhong as supervisor candidate of the Fifth Board of Supervisors.

2. On Mar. 11, 2011, the Company held the 32nd Meeting of the Fifth Board of Supervisors, deliberated the Proposal on Recommending Supervisor Candidates for the Company's Sixth Board of Supervisors, and agreed to nominate Mr. Zhao Xiangzhi, Miss Ma Fengming, Miss Ji Yuanhong, and Mr.

Wang Difei as supervisor candidates of the Sixth Board of Supervisors.

3. On May 25, 2011, the Company held the 1st Meeting of the Sixth Board of Supervisors, and elected supervisor Zhao Xiangzhi as chief supervisor of the Sixth Board of Supervisors.

(IV) Purchasing and sale of assets

In the reporting period, the Company has transferred its 10% stock equity in Shenzhen Energy Environmental Protection Co., Ltd.; and 30% stock equity in CPI Jiangxi Xinchang Power Generation Co., Ltd..

The board of supervisors considers, as concerning the abovementioned sale of assets in the reporting period, the Company's decision making procedure is lawful and proper, the transaction price is determined on reasonable basis, no insider transaction is discovered, and such asset transactions don't damage other stockholders' rights and interests or cause the loss of the Company's properties, and instead, they meet the Company's actual demand.

(V) Associated transactions

The Company has transferred its 10% stock equity in Shenzhen Energy Environmental Protection Co., Ltd. Shenzhen Energy Group Co., Ltd. de-listed successfully, and this formed associated transaction. The board of supervisors considers that, in the reporting period, the Company's associated transactions have followed related regulations, the decision-making procedures are lawful, no insider transaction is discovered, and such transactions don't damage other stockholders' equity and list companies' benefit, or cause the loss of the Company's properties.

(VI) Board of supervisors' evaluation opinions on the Company's internal control

According to related regulations of China Securities Regulatory Committee and Shenzhen Stock Exchange, in line with the basic principles of internal control, and according to its actual situations, the Company has employed professional consulting institution, basically established and perfected relatively complete internal control system, has not been discovered any serious defect and abnormality in internal control, and ensured the safe, complete and effective use of its properties. In addition, the Company's internal control self-evaluation reflects the actual situation of its internal control in an authentic and objective way.

At present, the Company's internal control organization is relatively complete. In the coming year, the Company is expected to perfect its internal control mechanism, ensure its sustainable and healthy development, and guarantee all stockholders' benefits according to new regulations of national laws and rules, departmental regulations, and normative documents, etc., as well as the internal control plan approved by the Company's board of directors.

(VII) Opinions on the matters involved in non-standard qualified audit opinions

1. The emphasized matters, as listed in the *Special Description about the Audit Report with Qualified Opinions on Emphasized Matters for Shenzhen Nanshan Power Co., Ltd.* and the *Audit Report 2011 of Shenzhen Nanshan Power Co., Ltd.* presented by Deloitte Touche Tohmatsu CPA Ltd, reflect the possibility of responsibilities and compensations existing after termination of transactions.

2. The board of directors' *Special Description about the Emphasized Matters Attached to the Audit Report 2011* is agreed.

IX. Important Matters

(I) The Company did not have any important lawsuit and arbitration matter in the present year.

(II) The Company did not have any matter related to bankruptcy and reorganization in the reporting period.

(III) The Company's holding of stock equity in other listed companies, equity participation in commercial banks, securities companies, insurance companies, trust companies, and futures companies, etc.

(IV) Acquisition and sale of assets, absorption and merger

1. Listed transfer of 10% stock equity in Shenzhen Energy Environmental Protection Co., Ltd.

On Oct. 14, 2011, the 5th Meeting of the Company's Sixth Board of Directors deliberated and passed the Proposal on Transfer of 10% Stock Equity in Shenzhen Energy Environmental Protection Co., Ltd. ("Shenneng Environmental Protection Company"), and agreed the Company to transfer its 10% stock equity in Shenzhen Energy Environmental Protection Co., Ltd. at the listed price RMB 123078900 Yuan (for details, please refer to the Company's announcement dated at Oct. 15, 2011, and numbered as 2011

—059).

On Oct. 31, 2011, the Company transferred its 10% stock equity in Shenzhen Energy Environmental Protection Co., Ltd. in an openly listed way at Shenzhen United Property And Share Rights Exchanged. During listing period, only Shenzhen Energy Group Co., Ltd. (“Shenzhen Energy”) agreed to accept the transfer. According to related procedures of property transaction, the Company confirmed the qualification of Shenzhen Energy for accepting the transfer in writing on Nov. 29, 2011. Later on Dec. 1, 2011, the Company signed the Contract for Transfer of 10% Stock Equity in Shenzhen Energy Environmental Protection Co., Ltd. with Shenzhen Energy. Shenzhen Energy Corporation holds 10.8% stock equity in the Company, and 63.74% stock equity in Shenzhen Energy, so this stock equity transfer forms associated transaction, and the Company disclosed the announcement on associated transaction on Dec. 2, 2011 (for details, please refer to the announcement numbered as 2011—069). The Company has received the full amount for equity transfer, namely RMB 123078900 Yuan, and completed the formalities for registration of industrial and commercial alterations on Jan. 6, 2012.

2. Agreement-based transfer of 30% stock equity in CPI Jiangxi Xinchang Power Generation Co., Ltd.

On Dec. 1, 2011, the 3rd Interim Meeting of the Company’s Sixth Board of Directors deliberated and passed the *Proposal on Transfer of 30% Stock Equity in CPI Jiangxi Xinchang Power Generation Co., Ltd.*, and agreed the Company to transfer based on agreement its 30% stock equity in CPI Jiangxi Xinchang Power Generation Co., Ltd. (“Jiangxi Xinchang Company”) to CPI Jiangxi Power Co., Ltd. (“CPI Jiangxi Company”) at the price of RMB 217024700 Yuan (for details, please refer to the Company’s announcement dated at Dec. 2, 2011, and numbered as 2011—074). On Dec. 18, 2011, the Company held the 6th Interim Meeting of Stockholders’ Conference in 2011, and deliberated and passed the Proposal on Transfer of 30% Stock Equity in CPI Jiangxi Xinchang Power Generation Co., Ltd. (for details, please refer to the announcement numbered as 2011—075).

On Dec. 29, 2011, the Company and CPI Jiangxi Power Co., Ltd. signed the Contract for Transfer of Stock Equity in CPI Jiangxi Xinchang Power Generation Co., Ltd.. According to the Contract, CPI Jiangxi Company shall pay 51% fee for transfer of stock equity before Dec. 31, 2011, namely RMB 110682600 Yuan, and pay off the remained 41% before April 1, 2012. As of Dec. 30, 2012, the Company has received 51% stock equity transfer fee from CPI Jiangxi Company, namely RMB110682600 Yuan, and completed the formalities for registration of industrial and commercial alterations.

(V) Implementation of stock equity excitation plan

In the reporting period, the Company did not implement the stock equity excitation plan.

(VI) Important associated transactions

1. Associated transactions related to daily operation

In the reporting period, the Company did not have associated transaction related to daily operation.

2. Associated transactions of assets purchasing and sale

For details, please refer to “IX. Important Matters (IV) Acquisition and sale of assets, absorption and merger --- 1. Listed transfer of 10% stock equity in Shenzhen Energy Environmental Protection Co., Ltd.”.

3. Associated transactions of joint investments of the Company and associated parties

For details, please refer to “VII. Report of the Board of Directors, (III) Investments --- 2. Investment of non-raised funds (7) Shenneng Environmental Protection Company”.

4. Creditor’s rights, debts, and guaranty, etc. between the Company and associated parties (including subsidies not taken into consolidated scope)

(1) Creditor’s rights and debts between the Company and associated parties

(Unit: Yuan)

Name of associated parties	Relationship with listed companies	Fund provided by listed companies to associated parties		Fund provided by associated parties to listed companies	
		Account incurred	Balance	Account incurred	Balance
Xiefu Company	Subsidiary	-1,102.03	6,279,745.17	24,816,710.76	26,696,762.50
Shenzhen Nanshan Power Zhongshan Company	Subsidiary	319,391,519.18	831,243,082.6		
Shenzhong Real Estate Company	Subsidiary	-4,431,474.82	688,629,880.98		
Shenzhen Nanshan Power	Subsidiary	56,264,962.17	56,264,962.17	20,921,006.08	81,036,534.88



Engineering Co., Ltd.					
Shenzhen Nanshan Power Dongguan	Subsidiary	14,578,623.18	85,437,069.99	131,773,022.23	131,773,022.23
New Power Company	Subsidiary	0	597,875,904.41	306,190,948.20	776,413,945.94
Shenzhen Nanshan Power Environmental Protection Company	Subsidiary	11,017,120.27	11,017,120.27	-1,129,973.65	0
Xingdesheng Co., Ltd	Subsidiary	15,530.41	35,127.06	-86,530.14	1,682,266.99
Singapore Company	Subsidiary	107,588.53	138,660.87		
Energy Co., Ltd.	Stockholder's subsidiary			0	14,586,000.00
Total		396,942,766.89	2,276,921,553.52	482,485,183.48	1,032,188,532.54

(2) Guaranty provided for associated parties

(Unit: Yuan)

The guaranteed	Relation with listed company	Guaranteed amount (2011.12.31)
Shenzhen Nanshan Power Zhongshan Company	Subsidiary	190,000,000.00
Shenzhen Nanshan Power Dongguan Company	Subsidiary	600,000,000.00
Shenzhen Nanshan Power Environmental Protection Company	Subsidiary	46,000,000.00
New Power Company	Subsidiary	350,000,000.00
Total		1,186,000,000.00

(3) Independent directors' description about and opinions on external guaranty

According to related regulations of Notification on Normalizing the Current Accounts of Listed Companies and Associated Parties, and on External Guaranty of Listed Companies (ZJF [2003] No. 56 Document), Notification on Normalizing External Guaranty Behaviors of Listed Companies (ZJF [2005] No. 120) and Notification on Information Disclosure of Listed Companies' Fund Occupation and Delinquent Guaranty (SZJFZ [2004] No. 338), and after the Company's investigation and data inquiry, we hereby issue special description about and opinions on the Company's external guaranty:

① The fund transfer between the company and the affiliated parties belongs to normal operational fund transfer. There are no circumstances that the affiliated parties violate and misuse the fund of the listed company.

② As of Dec. 31, 2011, the balance of the Company's external guaranty is RMB 1,186,000,000.00 Yuan (bank loan guaranty provided by the Company for its controlling subsidiaries). The Company and its controlling subsidiaries don't provide guaranty for stockholders and other associated parties, any non-corporate unit or individual; in addition, the Company has implemented the information disclosure obligation of external guaranty in earnest.

5. Other important associated transactions

In the reporting period, the Company did not have other important associated transactions.

(VII) Important contracts and implementation

1. The Company's trust, contracting, and leasing

According to the Contract for Trust Operation of Gas Turbine- Steam Combined Cycling Afterheat Generator Set Assets signed in February 2003, the Company was entrusted to operate and manage the generator set assets owned by the sole subsidiary New Power Company. In the reporting period, the Company has received 16.34 million Yuan as service charge for asset custody. Except for this, the Company did not have other important trust, contracting and leasing.

2. Important guaranty

In the reporting period, the Company has implemented legal examination and approval procedures for external guaranty, as shown below:

(Unit: Yuan)

External guaranty (excluding guaranty for subsidiaries)								
Name of guaranty object	Disclosure date and number of announcement related to	Line of guaranty	Date of actual occurrence (date of agreement)	Actual amount of guaranty	Guaranty type	Guaranty period	Implementation completed or not	Guaranty for associated parties or not (yes or no)



guaranty line	signing)							
Total line of external guaranty examined and approved in reporting period (A1)				Total amount incurred actually of external guaranty in reporting period (A2)				
Total line of external guaranty examined and approved at the end of reporting period (A3)				Total balance of actual external guaranty at the end of reporting period (A4)				
Guaranty for subsidiaries								
Name of guaranty object	Disclosure date and number of announcement related to guaranty line	Line of guaranty	Date of actual occurrence (date of agreement signing)	Actual amount of guaranty	Guaranty type	Guaranty period	Implementation completed or not	Guaranty for associated parties or not (yes or no)
WeiMei Power Company	2011.4.15 and 2011-012	10,000.00	Dec. 6, 2011	10,000.00	Credit guaranty	6 months	No	No
WeiMei Power Company	2011.4.15 and 2011-012	1,000.00	Feb. 14, 2011	1,000.00	Credit guaranty	1 year	No	No
WeiMei Power Company	2011.4.15 and 2011-012	9,000.00	Feb. 22, 2011	9,000.00	Credit guaranty	1 year	No	No
WeiMei Power Company	2011.4.15 and 2011-012	10,000.00	Dec. 2, 2011	10,000.00	Credit guaranty	7 months	No	No
WeiMei Power Company	2011.4.15 and 2011-012	10,000.00	Dec. 7, 2011	10,000.00	Credit guaranty	7 months	No	No
WeiMei Power Company	2011.4.15 and 2011-012	8,000.00	July 15, 2011	8,000.00	Credit guaranty	1 year	No	No
WeiMei Power Company	2011.9.14 and 2011-050	30,000.00	Dec. 29, 2011	10,000.00	Credit guaranty	1 year	No	No
WeiMei Power Company	2011.4.15 and 2011-012	20,000.00	Jan. 10, 2011	2,000.00	Credit guaranty	1 year	No	No
ZhongShan Power Company	2011.4.15 and 2011-012	5,000.00	Sept. 9, 2011	5,000.00	Credit guaranty	1 year	No	No
ZhongShan Power Company	2011.4.15 and 2011-012	5,000.00	Apr. 1, 2010	5,000.00	Credit guaranty	1 year	No	No
ZhongShan Power Company	2011.4.15 and 2011-012	9,000.00	Jan. 21, 2011	9,000.00	Credit guaranty	1 year	No	No
Environmental Protection Company	2011.4.15 and 2011-012	1,000.00	Aug. 3, 2011	1,000.00	Credit guaranty	1 year	No	No
Environmental Protection Company	2011.4.15 and 2011-012	8,000.00	Nov. 6, 2009	2,600.00	Credit guaranty	3 years	No	No
Environmental Protection Company	2011.4.15 and 2011-012	3,000.00	July 22, 2011	1,000.00	Credit guaranty	11 months	No	No
New Power Company	2011.4.15 and 2011-012	3,000.00	June 30, 2011	3,000.00	Credit guaranty	1 year	No	No
New Power Company	2011.4.15 and 2011-012	3,000.00	July 6, 2011	3,000.00	Credit guaranty	1 year	No	No
New Power Company	2011.4.15 and 2011-012	3,000.00	Aug. 25, 2011	3,000.00	Credit guaranty	1 year	No	No
New Power Company	2011.4.15 and 2011-012	1,000.00	Sept. 2, 2011	1,000.00	Credit guaranty	1 year	No	No
New Power Company	2011.9.14 and 2011-050	15,000.00	Dec. 22, 2011	10,000.00	Credit guaranty	1 year	No	No
New Power Company	2011.9.14 and 2011-050	15,000.00	Dec. 9, 2011	10,000.00	Credit guaranty	1 year	No	No
New Power Company	2011.9.14 and 2011-050	5,000.00	Oct. 27, 2011	5,000.00	Credit guaranty	1 year	No	No
Total line of guaranty for subsidiaries examined and approved in reporting period (B1)			174,000.00	Total amount incurred actually of guaranty for subsidiaries in reporting period (B2)				118,600.00
Total line of guaranty for subsidiaries examined and approved at the end of reporting period (B3)			174,000.00	Total balance of actual guaranty for subsidiaries at the end of reporting period (B4)				118,600.00
Gross amount of guaranty (namely total of the previous two items)								
Total line of guaranty examined			174,000.00	Total amount actually incurred				118,600.00



and approved in reporting period (A1+B1)		of guaranty in reporting period (A2+B2)	
Total line of guaranty examined and approved at the end of reporting period (A3+B3)	174,000.00	Total balance of actual guaranty at the end of reporting period (A4+B4)	118,600.00
Proportion of actual gross guaranty (namely A4+B4) among the Company's net assets		67.64%	
Where:			
Amount of guaranty provided for stockholders, actual controllers and their associated parties (C)		0.00	
Amount of debt guaranty provided directly or indirectly for the guaranteed objects with asset-liability ratio of over 70% (D)		114,000.00	
Amount of the part that gross guaranteed amount exceeds 50% of net assets (E)		24,209.45	
Total amount of the abovementioned three guaranties (C+D+E)		138,209.45	
Description about the possible joint and several responsibilities for discharging the outstanding guaranties			

3. In the reporting period, the Company has not entrusted others for cash asset management.

4. Important contracts

(1) After being deliberated and approved at the 36th Meeting of the Fifth Board of Directors, and the 4th Interim Meeting of Stockholders' Conference in 2010, both the Company and Shenzhen Nanshan Power Dongguan Company plan to sign the contract for purchasing of natural gas with CNOOC Oil—Gas Power Group Co., Ltd. Guangdong Trade Branch, CNOOC Oil Guangdong Branch respectively. Where, the Company (solely-funded Nanshan Thermal Power Factory) has signed a two-year contract (January 2011 – December 2012), and Shenzhen Nanshan Power Dongguan Company has signed a three-year contract (January 2011- December 2013) (announcement number: 2010-048, 050, 058). Related contracts are being implemented.

(2) The 5th Meeting of the Company's Sixth Board of Directors deliberated and passed the Proposal on Transfer of 10% Stock Equity in Shenzhen Energy Environmental Protection Co., Ltd., and agreed the Company to transfer its 10% stock equity in Shenzhen Energy Environmental Protection Co., Ltd. in a listed way (for details, please refer to the Company's announcement dated at Oct. 15, 2011 and numbered as 2011—059).

On Dec. 1, 2011, the Company and Shenzhen Energy Group Co., Ltd. signed the Contract for Transfer of 10% Stock Equity in Shenzhen Energy Environmental Protection Co., Ltd. (for details, please refer to the announcement numbered as 2011—069).

(3) After being deliberated and approved at the 3rd Interim Meeting of the Company's Sixth Board of Directors and the 6th Interim Meeting of Stockholders' Conference in 2011, the Company and CPI Jiangxi Power Co., Ltd. signed the Contract for Stock Equity Transfer of CPI Jiangxi Xinchang Power Generation Co., Ltd. on Dec. 29, 2011 (announcement number: 2011-074, 075).

5. Important disputes in the reporting period

In March 2008, the Company and Jierun (Singapore) Private Corporation ("Jierun Corporation") signed two letters of confirmation on the contract of oil options ("Letter of Confirmation") numbered as 165723977102.11 and 165723968102.11.

In 2009, the Company and Jierun Corporation conducted several rounds of negotiation on the disputes about the two Letters of Confirmation based on not affecting both parties' rights, but failed to reach amicable settlement. On Nov. 27, 2009, Jierun Corporation entrusted Allen & Overy International Law Firm ("Allen") to send us a letter, requiring the Company to pay USD79,962,943.00 for compensating Jierun Corporation's losses arising from its breach of contract, and the interest USD3,736,958.66 as of Nov. 27, 2009. In case the Company fails to pay the aforesaid money, Jierun Corporation shall reserve the right of lodging a complaint without further notification. Meanwhile, Jierun Corporation entrusted Allen to send us another letter, bringing forward the proposal for amicable settlement, namely making payment of only USD79,962,943.00 by 13 installments, with interest exempted (for details, please refer to the announcement dated at Dec. 29, 2009 and numbered as 2009—069). The Company sent a written reply on Jan. 25, 2010, and rejected the requirement of Jierun Corporation on loss compensation, and required Jierun Corporation to undertake liabilities for breach of contract, including but not limited to paying the account payable USD300,000 in October 2008 as well as related interest USD16,862.52. Allen sent us a written reply on Feb. 26, 2010, refused to undertake any responsibility for the Company, and persisted in its standpoint stated in the written reply dated at Nov. 27,

On Mar. 31, 2011 and Feb. 6, 2012, Jierun Corporation sent us a letter to claim for the Company's liability for breach of contract personally or by entrusting Allen, and the Company sent it a written reply on April 6, 2011 and Feb. 10, 2012 respectively, clearly rejected Jierun Corporation's claim for compensation, and persisted in the opinions and claims in the written reply dated at Jan. 25, 2010.

On Sept. 22, 2011, Jierun Corporation dispatched personnel to communicate with the Company's related personnel on this dispute, but both parties failed to reach consensus.

No progress is seen in this matter at present.

(VIII) Implementation of commitments

In the reporting period, the Company and its directors, supervisors, senior management personnel, and stockholders holding more than 5% (including 5%) shares don't have new commitments or previous commitments extended to the reporting period and possibly having heavy impact on the Company's operating result and financial conditions.

(IX) Employment of CPA firm and payment of remuneration in the reporting period

On May 10, 2011, according to the resolution of the annual meeting of stockholders' conference 2010, the Company agreed to continuously employ Deloitte Touche Tohmatsu CPA Ltd as the audit institution for the year 2011.

With the authorization of the annual meeting of stockholders' conference 2010, and after being deliberated and passed at the 3rd Interim Meeting of the Company's Sixth Board of Directors, it's agreed to pay Deloitte Touche Tohmatsu CPA Ltd 1.30 million Yuan as remuneration for auditing in 2011, and the Company shall undertake the traveling expenses during audit period.

(X) The Company and its directors, supervisors, senior management personnel, stockholders, actual controllers, and acquirers were not subject to the investigation of authoritative institutions, compulsory actions of judicial and disciplinary inspection departments, and being sent to judicial organs or investigated into criminal responsibilities, etc. in the reporting period.

(XI) The Company did not have other important events listed in Article 67 of Securities Law and Article 17 of Detailed Rules for Implementing Information Disclosure of Companies Issuing Stock Publicly (On Trial) in the reporting period.

(XII) Investors investigation and interview accepted by the Company in reporting period

In the reporting period, the Company gave priority to accepting individual investors' consulting by telephone, and investors mainly consulted the Company's performance, and production operation status, etc. When accepting interview and investors' inquiry, the Company did not have such situations of revealing, disclosing or betraying the Company's non-open important information separately to certain objects selectively, privately and in advance, but guaranteed the fairness of information disclosure. In total, the Company has accepted the field investigation of domestic and overseas stockholders and investors for once in total.

Time	Place	Mode	Object	Main contents discussed and documents provided
July 27, 2011	Conference room	Field investigation	Securities investor	Proposal on increasing the line of entrusted bank loan or direct loan of capital in the system

X. Financial Statements

The Company's financial statements have been audited by Deloitte Touche Tohmatsu CPA Ltd, and the audit report with qualified opinions on matters emphasized.)

XI. Catalog of Documents for Future Reference

(I) Accounting statements bearing the signature and seal of legal representative, person in charge of accounting, and principal of accounting institution.



(II) Original audit report bearing the seal of CPA firm, and signature and seal of certified public accountants.

(III) Originals of all the Company's documents disclosed publicly, and originals of announcements made at Securities Times, China Securities Journal and Hong Kong Commercial Daily in the reporting period, and original of

(IV) Annual report publicized at overseas newspapers.

Legal representative: Yang Haixian
Shenzhen Nanshan Power Co., Ltd.
Apr. 24, 2012

Shenzhen Nanshan Power Co., Ltd.

Financial Statements and Audit Report
Year to December 31, 2011

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Audit Report

D.S. Report (Audit) Zi. (12) NO. P1093

General body of shareholders of Shenzhen Nanshan Power Co., Ltd:

We have audited the accompanying balance sheet of Shenzhen Nanshan Power Co., Ltd (hereinafter referred to as “Nanshan Power Company”) as of December 31, 2011, and the related consolidated income statement, consolidated statement of changes in stockholders’ equity accounts and consolidated statement of cash flow for the 2011 then ended, as well as notes to 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. Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Nanshan Power Company as of December 31, 2011, and of its consolidated performance and cash flow for the 2011 year then ended in accordance with accounting standards for business enterprises.

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.

Shanghai, China

Chinese Certified Public Accountant

Chinese Certified Public Accountant

April 20, 2012

December 31, 2011

Consolidated Balance Sheet

Unit: RMB Yuan

Item	Annot ation	Ending balance	Beginning balan ce	Item	Annot ation	Ending balance	Beginning balanc e
Current assets:				Current liabilities:			
Monetary capital	(V)1	695,095,052.12	601,386,814.04	Short-term loans	(V)17	3,265,824,953.89	3,112,400,000.00
Notes receivable	(V)2	-	700,000.00	Notes payable	(V)18	43,820,200.00	-
Accounts receivable	(V)3	934,640,019.03	518,392,276.69	Account payable	(V)19	214,748,889.66	61,115,438.61
Advance payment	(V)4	31,576,397.23	13,529,901.89	Deposit received	(V)20	14,586,000.00	39,274,341.26
Other accounts receivable	(V)5	124,599,842.72	20,450,149.23	Payroll payable	(V)21	32,691,674.04	45,432,950.70
Inventory	(V)6	1,258,195,597.25	1,352,372,212.06	Taxes payable	(V)22	(521,900,793.90)	(501,193,418.09)
Other current assets	(V)7	-	4,242,431.37	Accrued interest payable	(V)23	75,462,594.51	59,348,039.27
Total current assets		3,044,106,908.35	2,511,073,785.28	Other payables	(V)24	358,597,380.00	288,768,647.34
Noncurrent assets:				Noncurrent liabilities due within one year	(V)25	50,000,000.00	50,000,000.00
Long-term equity investment	(V)8	37,315,000.00	306,208,274.30	Total current liabilities		3,533,830,898.20	3,155,145,999.09
Investment real estate	(V)9	4,872,045.07	5,308,769.98	Noncurrent liabilities:			
Fixed assets	(V)10	2,227,103,579.26	2,169,226,270.73	Long-term loans	(V)26	26,000,000.00	186,000,000.00
Construction in process	(V)11	46,866,969.48	196,729,476.64	Other noncurrent liabilities	(V)27	5,104,791.66	5,350,000.00
Intangible assets	(V)12	63,807,538.62	64,236,931.51	Total noncurrent liabilities		31,104,791.66	191,350,000.00
Long-term unamortized expenses	(V)13	95,810.84	273,212.64	Total liabilities		3,564,935,689.86	3,346,495,999.09
Deferred income tax assets	(V)14	3,714,114.31	4,624,405.14	Shareholder's equity:			
Other noncurrent assets	(V)15	24,864,716.98	21,273,223.68	Stock capital	(V)28	602,762,596.00	602,762,596.00
Total noncurrent assets		2,408,639,774.56	2,767,880,564.62	Capital surplus	(V)29	363,629,927.51	363,629,927.51
				Surplus reserve	(V)30	332,908,397.60	332,908,397.60
				Undistributed profit	(V)31	454,070,630.72	436,541,567.35
				Total shareholder's equity belonging to the parent company		1,753,371,551.83	1,735,842,488.46
				Minor shareholders' equity		134,439,441.22	196,615,862.35
				Total shareholders' equity		1,887,810,993.05	1,932,458,350.81
Total assets		5,452,746,682.91	5,278,954,349.90	Total liabilities and shareholders' equity		5,452,746,682.91	5,278,954,349.90

Annotations are part of financial statements.

From the third page to the ninety-first page of financial report shall be signed by the following principles:

Legal Representative: _____ Accountant in Charge: _____ CFO _____ Accounting Principal: _____

December 31, 2011

Balance Sheet of the Company

Unit: RMB Yuan

Item	Note	Ending balance	Balance at the beginning of the year	Item	Note	Balance at the end of the year	Beginning balance
Current assets:				Current liabilities:			
Monetary capital		303,150,447.89	269,369,131.18	Short-term borrowing		1,880,824,953.89	2,218,000,000.00
Accounts receivable	(XI)1	646,023,065.42	277,107,630.12	Account payable		145,440,717.47	1,749,561.08
Advance payment		489,676.70	455,623.51	Account collected in advance		14,586,000.00	14,586,000.00
Dividends receivable		654,140,866.58	597,875,904.41	Wages and welfares payable		16,426,938.52	26,713,770.75
Other receivable	(XI)2	1,525,724,625.88	894,247,309.68	Tax payable		(414,050,692.13)	(436,158,042.22)
Inventory		112,185,828.84	166,594,071.43	Interest payable		5,585,474.16	3,720,714.47
Other current assets		205,000,000.00	393,003,940.43	Other payables		1,064,365,847.79	490,528,945.93
Total current assets		3,446,714,511.31	2,598,653,610.76	Total current liabilities		2,713,179,239.70	2,319,140,950.01
Non-current assets				Total liability		2,713,179,239.70	2,319,140,950.01
Long-term equity investment	(XI)3	536,797,849.76	796,731,124.06	Stockholder's equity			
Fixed assets		327,435,225.16	316,444,713.69	Capital stock		602,762,596.00	602,762,596.00
Construction in process		36,184,921.10	56,766,007.77	Capital reserve		288,769,132.47	288,769,132.47
Intangible assets		10,658,977.27	9,318,739.90	Surplus reserve		332,908,397.60	332,908,397.60
Long-term deferred expense		95,810.84	171,594.44	Undistributed profits		420,267,929.67	234,504,714.54
Total non-current assets		911,172,784.13	1,179,432,179.86	Total shareholder's equity		1,644,708,055.74	1,458,944,840.61
Total assets		4,357,887,295.44	3,778,085,790.62	Total liability and shareholder's equity		4,357,887,295.44	3,778,085,790.62

Year to December 31, 2011

Consolidated Income Statement

Unit: RMB Yuan

Item	Note	Amount of current year	Amount of last year
I Gross revenue	(V)32	2,415,817,730.35	1,601,730,465.30
Including: operation revenue		2,415,817,730.35	1,601,730,465.30
II Total cost		3,928,456,443.60	2,482,988,623.82
Including: business cost	(V)32	3,589,704,382.71	2,239,345,909.35
business tax and surcharges	(V)33	12,574,988.91	7,363,142.54
Selling expense		818,301.34	860,503.71
Management fee	(V)34	97,538,885.64	95,926,428.20
Financial expense	(V)35	204,297,949.90	128,297,803.98
Loss from asset devaluation	(V)36	23,521,935.10	11,194,836.04
Add: income from investment	(V)37	23,329,325.70	(49,130,454.11)
Including: income from investment on joint venture and cooperative enterprise		(90,201,890.81)	(49,082,776.11)
III Operation profit		(1,489,309,387.55)	(930,388,612.63)
Add: non-business income	(V)38	1,516,790,851.26	832,316,848.06
Less: non-business expense	(V)39	5,225,709.23	573,905.21
Including: disposal loss on non-current liability		4,985,709.23	16,537.00
IV Total profit		22,255,754.48	(98,645,669.78)
Less: income tax expense	(V)40	13,224,142.33	24,787,762.05
V Net profit		9,031,612.15	(123,433,431.83)
Net profit assigned to shareholders of parent company		17,529,063.37	(114,638,678.20)
Minority interest income		(8,497,451.22)	(8,794,753.63)
VI Earnings per share			
(I) Basic earnings per share	(V)41	0.03	(0.19)
(II) Diluted earnings per share		Not applicable	Not applicable
VII Other comprehensive income		-	-
VIII Total comprehensive income		9,031,612.15	(123,433,431.83)
Total comprehensive income assigned to shareholders of parent company		17,529,063.37	(114,638,678.20)
Total comprehensive income assigned to minority shareholder		(8,497,451.22)	(8,794,753.63)

Year to December 31, 2011

Income Statement

Unit: RMB Yuan

Item	Note	Amount of current year	Amount of last year
I Operation revenue	(XI)4	990,279,741.52	426,971,872.85
Less: business cost	(XI)4	1,598,330,636.84	765,825,140.43
Business tax and surcharges		4,276,838.43	3,625,424.13
Management expense		39,248,022.53	18,316,516.73
Financial expense		80,500,949.95	44,656,802.83
Loss from asset devaluation		16,041,488.47	12,092,537.18
Add: income from invest	(XI)5	151,166,247.74	(49,130,454.11)
Including: income from investment on joint venture and cooperative enterprise		(90,201,890.81)	(49,082,776.11)
II Operation profit		(596,951,946.96)	(466,675,002.56)
Add: non-business income		787,454,425.82	390,940,709.45
Less: non-business expense		4,739,263.73	-
Including: disposal loss on non-current assets		4,639,263.73	-
III Total interest		185,763,215.13	(75,734,293.11)
Less: income tax expense		-	16,949,151.06
IV Net profit		185,763,215.13	(92,683,444.17)
V Earnings per share			
(I) Basic earnings per share		Not applicable	Not applicable
(II) Diluted earnings per share		Not applicable	Not applicable
VI Other comprehensive income		-	-
VII Total comprehensive income		185,763,215.13	(92,683,444.17)

Year up to December 31, 2011

Consolidated Statement of Cash Flow

Unit: RMB Yuan

Item	Note	Amount of current year	Amount of last year
I. Cash flow from operating activities			
Cash from selling commodities or offering labor service		2,862,823,434.28	2,288,118,410.70
Other cash received relating to operating activities	(V)42(1)	1,095,531,688.86	400,017,049.50
Subtotal of cash inflows from operating activities		3,958,355,123.14	2,688,135,460.20
Cash paid for goods and services		3,458,138,395.82	2,398,061,926.94
Cash paid to and for employees		122,354,380.02	106,943,679.13
Cash paid for taxes and surcharges		85,020,697.83	135,374,801.61
Cash paid for other operating activities	(V)42(2)	20,556,308.21	21,857,107.55
Subtotal of cash outflows from operating activities		3,686,069,781.88	2,662,237,515.23
Net cash flow from operating activities		272,285,341.26	25,897,944.97
II. Cash flows from investing activities			
Cash received from recouping the capital outlay		233,761,500.00	-
Net cash received from the disposal of fixed assets, intangible assets and other long-term assets		5,830,593.98	19,183,608.02
Cash received from disposal of subsidiary or other operating business units		-	34,730,422.00
Subtotal of cash inflows from investing activities		239,592,093.98	53,914,030.02
Cash paid to acquire or construct fixed assets, intangible assets and other long-term assets		118,967,984.75	91,699,799.08
Cash paid for investment		47,881,000.00	127,315,000.00
Subtotal of cash outflows from investing activities		166,848,984.75	219,014,799.08
Net cash flows from investing activities		72,743,109.23	(165,100,769.06)
III. Cash flows from financing activities			
Cash received from borrowings		4,606,524,953.89	3,954,400,000.00
Cash received relating to other investing activities	(V)42(3)	-	12,800,000.00
Subtotal of cash inflows from financing activities		4,606,524,953.89	3,967,200,000.00
Cash repayments of debts		4,613,100,000.00	3,381,120,000.00
Dividends paid, profit distributed or interest paid		247,230,099.58	136,540,083.21
Thereof, dividend and profit paid by subsidiaries to minor shareholders		-	-
Cash payments relating to other investing activities	(V)42(4)	52,536,060.00	74,838,156.81
Subtotal of cash outflows from financing activities		4,912,866,159.58	3,592,498,240.02
Net cash flows from financing activities		(306,341,205.69)	374,701,759.98
IV. Effect of changes in foreign exchange rate on cash and cash equivalents		(755,066.72)	(474,222.48)
V. Net increase of cash and cash equivalents		37,932,178.08	235,024,713.41
Plus: beginning balance of cash and cash equivalents	(V)43(2)	591,386,814.04	356,362,100.63
VI. Ending balance of cash and cash equivalents	(V)43(2)	629,318,992.12	591,386,814.04

Year up to December 31, 2011

Cash Flow Statement

Unit: RMB Yuan

Item	Note	Amount of current year	Amount of last year
I Cash flow from business operations			
Cash received from selling goods and providing services		1,488,063,617.89	779,481,671.67
Received other cash relating to business operations		408,298,789.45	245,609,824.04
Subtotal cash inflow from business operations		1,896,362,407.34	1,025,091,495.71
Cash paid for purchasing goods and receiving services		1,438,945,047.77	931,517,958.88
Cash paid for employees		73,529,415.16	61,727,864.89
Tax payments		4,324,863.93	5,562,742.97
Cash paid for other things relating to business operations		30,206,802.30	18,614,768.21
Subtotal cash outflow for business operations		1,547,006,129.16	1,017,423,334.95
Net cash flow from business operations		349,356,278.18	7,668,160.76
II Cash flow from investment activity			
Cash received from recouping the capital outlay		233,761,500.00	-
Net cash received from disposing fixed assets, intangible assets and other long-term assets		111,378.00	-
Net cash received from disposing subsidiary and other business unit		-	34,730,422.00
Received other cash relating to investment activity		380,226,906.00	265,076,059.57
Subtotal cash inflow from investment activity		614,099,784.00	299,806,481.57
Cash paid for purchasing fixed assets, intangible assets and other long-term assets		34,750,295.15	37,016,454.22
Cash paid for investment		56,841,000.00	127,315,000.00
Cash paid for other things relating to investment activity		591,135,987.91	418,080,000.00
Subtotal cash outflow for investment activity		682,727,283.06	582,411,454.22
Net cash flow from investment activity		(68,627,499.06)	(282,604,972.65)
III Cash flow from financial activity			
Cash received from loan		2,788,924,953.89	2,658,000,000.00
Received other cash relating to financial activity		238,028,176.33	-
Subtotal cash inflow from financial activity		3,026,953,130.22	2,658,000,000.00
Cash paid for debt		3,126,100,000.00	2,049,000,000.00
Cash paid for distribution of dividend profit and profit or interest payment		147,832,985.16	100,257,551.56
Subtotal cash outflow from financial activity		3,273,932,985.16	2,149,257,551.56
Net cash flow from financial activity		(246,979,854.94)	508,742,448.44
IV Influence of change in exchange rate on cash and cash equivalents		32,392.53	(1,440.42)
V Net increase on cash and cash equivalents		33,781,316.71	233,804,196.13
Add: Balance of cash and cash equivalents at the beginning of the year	(XI)6(2)	269,369,131.18	35,564,935.05
VI Balance of cash and cash equivalents at the end of the year	(XI)6(2)	303,150,447.89	269,369,131.18

Year end to December 31, 2011

Statement of changes in consolidated stockholder equity

Unit: RMB

Item	Current amount						Previous amount					
	Shareholders' equity belonging to the parent company				Shareholders' equity belonging to the parent company	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	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
Plus: Change of accounting policy	-	-	-	-	-	-	-	-	-	-	-	-
Previous error correction	-	-	-	-	-	-	-	-	-	-	-	-
II. Beginning balance of current year	602,762,596.00	363,629,927.51	332,908,397.60	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
III. Increase/decrease in current year	-	-	-	17,529,063.37	(62,176,421.13)	(44,647,357.76)	-	-	-	(114,638,678.20)	(8,794,753.63)	(123,433,431.83)
(I) Net profits	-	-	-	17,529,063.37	(8,497,451.22)	9,031,612.15	-	-	-	(114,638,678.20)	(8,794,753.63)	(123,433,431.83)
(II) Other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal of Items (I) and (II) above	-	-	-	17,529,063.37	(8,497,451.22)	9,031,612.15	-	-	-	(114,638,678.20)	(8,794,753.63)	(123,433,431.83)
Capital paid in and reduced by shareholders	-	-	-	-	-	-	-	-	-	-	-	-
1. Capital paid in by shareholders	-	-	-	-	-	-	-	-	-	-	-	-

Shenzhen Nanshan Power Co., Ltd

2. Amounts of share-based payments recognized in shareholders' equity	-	-	-	-	-	-	-	-	-	-	-	-
3. Others	-	-	-	-	-	-	-	-	-	-	-	-
(IV) Profit distribution	-	-	-	-	(53,678,969.91)	(53,678,969.91)	-	-	-	-	-	-
1. Appropriations to surplus reserves	-	-	-	-	-	-	-	-	-	-	-	-
2. Distribution to shareholders	-	-	-	-	(53,678,969.91)	(53,678,969.91)	-	-	-	-	-	-
3. Others	-	-	-	-	-	-	-	-	-	-	-	-
(V) Internal carry-forward of shareholders' equity	-	-	-	-	-	-	-	-	-	-	-	-
1. Capital surplus turned to stock capital	-	-	-	-	-	-	-	-	-	-	-	-
2. Surplus reserve turned to stock capita	-	-	-	-	-	-	-	-	-	-	-	-
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	454,070,630.72	134,439,441.22	1,887,810,993.05	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

Year up to December 31, 2011

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	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
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	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
III. Increase/decrease in current year	-	-	-	185,763,215.13	185,763,215.13	-	-	-	(92,683,444.17)	(92,683,444.17)
(I) Net profits	-	-	-	185,763,215.13	185,763,215.13	-	-	-	(92,683,444.17)	(92,683,444.17)
(II) Other comprehensive income	-	-	-	-	-	-	-	-	-	-
Subtotal of Items (I) and (II) above	-	-	-	185,763,215.13	185,763,215.13	-	-	-	(92,683,444.17)	(92,683,444.17)
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	288,769,132.47	332,908,397.60	420,267,929.67	1,644,708,055.74	602,762,596.00	288,769,132.47	332,908,397.60	234,504,714.54	1,458,944,840.61

(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.

With approval of S.Z.B. Fu [1993] NO. 179 Documents of original Shenzhen Security Management Office, our company separately issues 40 million shares of common stocks and 37 million shares of foreign stocks listed in domestic to investors at home and abroad, which were listed in Shenzhen Stock Exchange separately on July 1, 1994 and November 28, 1994. After issuing, stock of our company changed to be 180 million shares. With stock bonus, stock of our company on December 31, 2011 is 602,762,596 shares.

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 15th, 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 the end of December 31, 2011, total amount of current liabilities of our group exceeds RMB 489,723,989.85 than total current assets. Meanwhile, as stated in “contingency” of note (VII), our company, in terms of liability and compensation affairs after termination of option contract, failed to reach a consensus with Jierun (Singapore) Private Company (hereinafter referred to as “Jierun Company”) as of the date when the financial report is proved to be disclosed. It is not ruling out resolving dispute by judiciary means. Unspent bank credit limit of our group is RMB 1,070,322,657.14, which can satisfy the capital demand of our group. Meanwhile, our company thinks that the issue stated in “contingency” of note (VII) will not cause significant cash outflow in 2012. Therefore, this financial report is worked out on the basis of going-concern assumption.

Bookkeeping Basis and Pricing Principle

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 Policy, Accounting Estimate and Preliminary Mistake of the Company –Continued

Comply with Statement of Accounting Standard for Business Enterprise

The financial statement gives a true and complete view of consolidated financial position of the Company as of December 31, 2011 and of its consolidated performance and cash flow for the 2011 year then ended in accordance with requirements of accounting standards for business enterprise.

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

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.

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.

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

6. Compilation methods of consolidated financial statements

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.

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.

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

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	Receivable expense with minor single sum and with serious single sum but without depreciation upon independent deprecation test

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.

11. Inventories

11.1 Classification of inventories

Inventories of our group mainly include fuels, raw materials and developed products in process. The inventories are initially priced at the cost. Cost on developing products includes land transferring fees, expense on basic establishment, expense on construction installation work, borrowing costs incurred prior to completion of development project and other relevant expenses in the process of development etc. Other cost of inventories includes cost, processing cost and other expense incurred for transporting inventories to the current place and state.

11.2 Pricing method on delivering inventories

For delivering real estate development product, adopts specific identification to confirm its real cost. For delivering other inventories, adopt weighted average to confirm real cost of delivered inventories.

(II) Significant Accounting Policy, Accounting Estimate and Preliminary Mistake of the Company –Continued

11. Inventories–Continued

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

On the balance sheet date, the inventories are measured by the less one of cost and net realizable value. When the net realizable value is less than cost, the Inventory depreciation reserve will be accrued. 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.

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.

(II) Significant Accounting Policy, Accounting Estimate and Preliminary Mistake of the Company –Continued

12. Long-term equity investment –Continued

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.

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.

(II) Significant Accounting Policy, Accounting Estimate and Preliminary Mistake of the Company –Continued

12. Long-term equity investment –Continued

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.

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.

(II) Significant Accounting Policy, Accounting Estimate and Preliminary Mistake of the Company –Continued

14. Fixed assets –Continued

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	20-40 years	10%	2.25%-4.50%
Machinery equipment (except gas turbine generator unit)	10-20 years	5%-10%	4.5%-9%
Machinery equipment – gas turbine generator unit (note)		10%	Straight-line method
Conveyance	5-12 years	10%	7.5%-18%
Other equipment	5-8 years	10%	11.25%-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: gas-turbine generator is calculated and depreciated as per working capacity, that is to say, according to value of equipment, anticipated net residual value and total predicted working hours. The detailed list is as follows

Company name	Fixes assets	Depreciation Amount (RMB Yuan/hour)
The Company	No.1 Generator Unit	4,225.09
	No.3 Generator Unit	4,401.76
	No.7 Generator Unit	4,407.11
Shenzhen New Power Industrial Co., Ltd. (New Power Company)	No.10 Generator Unit	3,954.47
Shenzhen Nanshan Power (Zhongshan) Power Co., Ltd.	No.1 Generator Unit	1,911.87
	No.2 Generator Unit	688.66
	No.3 Generator Unit	1,902.68 - 1,937.99
	No.4 Generator Unit	693.18
Shenzhen Nanshan Power (Dongguan) Weimei Power Co., Ltd. (“Weimei Power Company”)	No.1 Generator Unit	2,009.43
	No.2 Generator Unit	585.11
	No.3 Generator Unit	1,980.18
	No.4 Generator Unit	585.08

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

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

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

(II) Significant Accounting Policy, Accounting Estimate and Preliminary Mistake of the Company –Continued

14. Fixed Assets – Continued

14.4 Other specifications

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

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.

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.

(II) Significant Accounting Policy, Accounting Estimate and Preliminary Mistake of the Company –Continued

17. Intangible assets

17.1 Intangible assets

Intangible assets include land use right and software etc.

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.

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.

(II) Significant Accounting Policy, Accounting Estimate and Preliminary Mistake of the Company –Continued

20. Revenue Recognition

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.

For revenue from real estate development product, on the condition that, both parties shall sign sale contract and put on records in land department; real estate development product has been finished and reached to the anticipated serviceable condition. And it is qualified for acceptance of relevant authorities and equipped with complete procedures; the buyer has paid stipulated payment on real state according to payment terms of sale contract and obtained qualification of joining in agreed in sale contract, that is to say when the seller received total payment on real estate or obtain the right of receive total payment on real estate and the relevant economic interest can totally inflow into the company, it is recognized to be sale revenue.

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.

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.

(II) Significant Accounting Policy, Accounting Estimate and Preliminary Mistake of the Company –Continued

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.

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.

(II) Significant Accounting Policy, Accounting Estimate and Preliminary Mistake of the Company –Continued

22. Deferred income tax assets/ Deferred income tax liabilities – Continued

22.2 Deferred income tax assets/ Deferred income tax liabilities – Continued

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

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

23. Operating lease, finance lease

Finance lease is to virtually transfer all risks and rewards related to ownership of asset. Leases other than finance lease are operating leases.

23.1 Recording operating lease service as lessee

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

23.2 Recording operating lease service as lessor

Rental expense in every stage of lease term will be confirmed as current profit and loss as straight-line method. Large amount of initial direct cost to be capitalized when actually incurred will be included in current profit and loss as basic stages identical to that of recognition of rental income. Small amount of initial direct cost will be included in current profit and loss when actually incurred. Perhaps some rent may be included in current profit and loss when actually incurred.

24. Other Significant Accounting Policy, Accounting Estimate and Compilation Method p of Financial Statement

24.1 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.

(II) Significant Accounting Policy, Accounting Estimate and Preliminary Mistake of the Company –Continued

24. Other Significant Accounting Policy, Accounting Estimate and Compilation Method p of Financial Statement – Continued

24.2 Debt restructuring

24.2.1. Debtor's obligation of recording debt restructuring

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.

24.2.2. Creditor's obligation of recording debt restructuring

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.

(II) Significant Accounting Policy, Accounting Estimate and Preliminary Mistake of the Company –Continued

25. Utilize important judgment made in the process of accounting policy and critical assumption and unconfirmed factor adopted by accounting estimate

In the process that our group utilizes accounting policies stated in Note (II), due to uncertainty of business activity, our group is required to conduct judgment, estimate and assumption for book value of report items that can not be accurately measured. The judgment, estimate and assumption are based on historical experience of manager layer of our group, which are made with consideration of other relevant factors. There may be difference between practical result and estimate of our group. On the basis of above-mentioned going-concern judgment, estimate and assumption, our group conducts regular re-check. Influence number of changes in accounting estimate that only affect the current affairs shall be confirmed in the current period; influence number of changes in accounting estimate that will affect both the current affairs but also affairs in the future shall be confirmed in current period and future.

- Critical assumption and unconfirmed factor adopted by accounting estimate

On balance sheet date, critical assumptions and uncertainty in accounting estimate that possibly result in significant adjustment of book value of assets and liability in future mainly includes:

Fixed assets is calculated and depreciated with output method

Our group confirms depreciation in unit quantity of electricity according to value of generator unit, anticipated quantity of sold electricity and predicated net residual value and calculates according to depreciation in unit quantity of electricity and practical quantity of sold electricity. On the basis of current industrial policy, technology, loss, scheduling mode of electric management department and previous experience, management layer of our group think service life, anticipated quantity of sold electricity, predicted net residual value and depreciation method are suitable. If there is big difference between practical quantity of sold electricity in the future and anticipated quantity of electricity, our group will adjust depreciation in unit quantity of electricity. The adjustment will affect current period and period in the future is credited to depreciation expense of profit and loss.

Temporary estimated value of fixed assets

Due to long construction period, high construction cost and long completion and settlement time of power plant project, the generator unit and relevant construction building that reaches to anticipated utilization state shall be temporarily credited to book according to budgetary estimates, construction cost or practical cost etc. before transaction settlement for completion of project. After the procedure has been finished, adjust the original estimated value according to practical cost. If there are big difference between temporary estimated value and practical cost of generator unit and relevant construction building, it is necessary to conduct corresponding adjustment for value of fixed assets.

(III) Tax

1. Main categories of taxes and tax rate

Category	Tax basis	Tax rate
Value-added tax	Balance of current substituted money on value-added tax deducted current input value added tax	Substituted money on value-added tax is calculated with 13% or 17% of sale volume calculated according to provision of tax law
Business tax	Business revenue	3% or 5%
Urban maintenance and construction tax	Value-added tax and business tax actually paid	1%, 5% or 7%
Education surcharge	Value-added tax and business tax actually paid	3%
Local education surcharge	Value-added tax and business tax actually paid	2%
Business income tax (note 1)	Taxable income	From 16.5% to 25%
Land value increment tax	Added value from assignment of state land use right, construction on the ground and its attachments.	Four-level progressive tax rate
Building tax	Calculate according to balance of deducting 30% of original value of real estate; rental revenue of real estate	For payment in the light of calculated balance of real estate, tax rate is 1.2%; for payment in the light of calculated rental revenue, tax rate is 12%
City and town land use tax	Area of land actually occupied	RMB 4 per square meter

Note 1: Income tax rate of our company and its subsidiary is listed as below:

The name of the company and its subsidiary companies	The income tax rate	
	2011	2010
The company	24%	22%
New Power Company	24%	22%
ShenNan Electric Gas Turbine Engineering Technology Co., Ltd. ("Engineering Company")	24%	22%
ShenZhen XieFu Oil Supply Co., Ltd. ("XieFu Oil Supply Company")	24%	22%
ShenZhen ShenNan Environmental Protection Electricity Co., Ltd. ("Environmental Protection Company")	25%	25%
ZhongShan Power Company	24%	22%
WeiMei Power Company	24%	22%
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%

Our company, New Power Company, Engineering Company and XieFu Oil Supply Company are enterprises that are established in special economic zone. Zhongshan Power Company and Weimei Power Company are foreign-funded enterprises that are engaged in production of energy. Before January 1, 2008, 15%, serves as tax rate of income tax, is applicable to our company and above-mentioned subsidiary. Since January 1, 2008, it is gradually transited to 25% national tariff within five years. The applicable tax rate for our company and above-mentioned subsidiary is 24%.

(III) Tax – Continued

2. Tax preference and approval documents

Category	Company name	Relevant regulation and policy basis	Approval authority	Approval document number	Range of remission	Term of validity
Business income tax	Weimei Power Company	<i>Income Tax Law of the People's Republic of China, Notification on Implementing Preferential Policy for Business Income Tax of the State Council</i> (G.F. [2007] No. 39 document)	Not applicable	Not applicable	Since 2008, free charge for two years and half income tax for three years	From January 1, 2008 to December 31, 2012
Business income tax	Zhongshan Power Company	<i>Income Tax Law of the People's Republic of China, Notification on Implementing Preferential Policy for Business Income Tax of the State Council</i> (G.F. [2007] No. 39 document)	Not applicable	Not applicable	Since 2008, free charge for two years and half income tax for three years	From January 1, 2008 to December 31, 2012
Value-added tax	Environmental Protection Company	<i>Notification on Adjusting and Completing Value-added Tax Policy for Product and Labor with Comprehensive Utilization of Resource</i> (Financial Tax [2011] No. 115)	Not applicable	Not applicable	Value-added tax is free for labor of dealing with sludge	Not applicable
Business income tax	Xingdesheng Company	<i>Arrangement on Protecting Income Tax From Double Tax or Evasion of Tax o in Mainland and the Hong Kong Special Administration Region</i> (State Tax Letter [2006] No. 884 Document)	Not applicable	Not applicable	Income tax paid according 10% of total stock dividend	Not applicable
Business income tax	Xingdesheng Company	<i>Income Tax Law of the People's Republic of China</i>	Shenzhen Nanshan Office of State Administration of Taxation	S.S. T. N. Deduction B. Zi. [2011] No. 0011 Document	Dividend is freely charged by income tax before December 31, 2007	Not applicable

(IV). Business Combination and Consolidated Financial Statements

1. An Overview of Subsidiaries

(1) Established and Invested Subsidiaries

Unite: RMB Yuan

Full name of the subsidiaries	Type	Registered location	Core businesses	Registered capital	Managing Scope	Real invested amount at the end of the year	Other amount composing net investment of subsidiaries	Shareholding ratio (%)	Voting rights (%)	Whether consolidate the financial statements	Minority shareholders' equity	Amount in minority shareholders' equity used to offset against their profit and loss of
Xie Fu Oil Company (Noted)	Limited liability company	Shenzhen City	Trade	53,300,000.00	Fuel sale and agent of fuel import	26,650,000.00	0	50	50	Yes	45,441,989.78	0
New Electricity Company	Joint venture (Hong Kong)	Shenzhen City	Electricity Generation	113,850,000.00	Technical development of application of residual heat; electricity generation from residual heat and combustion engine	113,850,000.00	0	100	100	Yes	-	0
Zhongshan Electricity Company	Joint venture (Hong Kong)	Zhongshan City	Electricity Generation	396,800,000.00	Electricity generation from residual heat and combustion engine	317,440,000.00	0	80	80	Yes	(39,421,000.72)	118,781,000.72
Engineering Company	Joint venture (Hong Kong)	Shenzhen City	Engineering Consultation	10,000,000.00	Technology consultation and related maintenance and examination of combined recycle electricity generation from fuel gas and steam	13,520,000.00	0	100	100	Yes	-	0
Weimei Electricity Company	Joint venture (Hong Kong)	Dongguan City	Electricity Generation	USD 35,040,000.00	Establishment and operation of natural gas power generation	208,102,049.76	0	70	70	Yes	96,944,507.36	0
Environmental Protection Company	Joint venture (Hong Kong)	Shenzhen City	Engineering	79,000,000.00	Sludge drying	79,000,000.00	0	100	100	Yes	-	0
Huidong Xie fu Company	Limited liability company	Huizhou City	Harbor Management	8,620,000.00	Establishment and operation of comprehensive harbors and related equipment	6,465,001.00	0	84	84	Yes	(6,094,480.45)	7,477,990.45
Huidong Harbor Company	Limited liability company	Huizhou City	Harbor Management	10,000,000.00	Establishment and operation of miscellaneous harbors, oil docks and fuel farm and related equipments	5,500,000.00	0	55	55	Yes	(111,881.14)	4,611,881.14

Note: The Company holds 50% of the shares of Xie Fu Oil Company and has a majority voting rights in the board of directors. Therefore, the Company has real control over it, which is accordingly included into the consolidated financial statements.

(IV). Business Combination and Consolidated Financial Statements-Continued

1. An Overview of Subsidiaries-Continued

(2) Subsidiaries consolidated from companies under different control

Unite: RMB

Full name of the subsidiaries	Type	Registered location	Core business	Registered capital	Managing Scope	Real invested amount at the end of the year	Other amount composing net investment of subsidiaries	Shareholding ratio (%)	Voting rights (%)	Whether consolidate the financial statements	Minority shareholder's equity	Amount in minority shareholders' equity used to offset against their profit and loss of
Shennan Singapore Company	Limited liability company	Singapore	Trade	SGD 1,500,000.00	Agent for fuel, gas turbine and its related spare parts	6,703,800.00	-	100	100	Yes	-	0
Shenzhong Real Estate Development Company	Limited liability company	Zhongshan City	Housing development	177,800,000.00	Housing development, property management, sale, tenancy and investment on commercial housings	-	-	75	75	Yes	20,322,156.00	24,127,844.00
Shenzhong Real Estate Company	Limited liability company	Zhongshan City	Housing development	60,000,000.00	Housing development, property management, selling, leasing and investment on commercial housings	-	-	75	75	Yes	17,358,150.39	0
Xing De Sheng Company	Limited liability company	Hong Kong	Import and export	HKD 200,000.00	Import and export	217,807.27	-	100	100	Yes	-	0

Note: On December 5, 2008, Shennan Singapore Company and Shen Ye Investment Management Co., Ltd (Shen Ye Investment Company) signed “*Transfer Agreement on Buying and Selling 200,000 Common Shares of HONGKONG SYNDISOME CO., LIMITED*” (hereinafter “*Transfer Agreement*”) and transferred 100% of share ownership in Xing De Sheng Company (including the part Mrs Fubo holds) to Shen Ye Investment Company at the price of HKD 393,885,100.00. According to the *Transfer Agreement*, Shen Ye Investment Company shall pay HKD 1,000,000.00 on the sign date, and pay off the transfer amount within six months after signing the transfer agreement. By the authorized date of this financial report, Shen Ye Investment Company hasnot paid the total price of equity transfer, which is HKD 392,885,100.00. Therefore, the Company still has control over Xing De Sheng Company and accordingly includes it into the financial statements.

(V). Notes on consolidated financial statements

1. Monetary Capital

Unit: RMB Yuan

Items	Amount at the end of the year			Amount in the beginning of the year		
	Foreign currency	Conversion rate	RMB	Foreign currency	Conversion rate	RMB
Cash:						
RMB	175,127.11	1.0000	175,127.11	121,987.47	1.0000	121,987.47
HKD	82,656.91	0.8107	67,009.95	82,656.91	0.8509	70,332.77
USD	995.22	6.3009	6,270.78	995.22	6.6227	6,591.04
Euro	1,017.87	8.1625	8,308.37	1,017.87	8.8065	8,963.88
Bank account:						
RMB	618,132,096.26	1.0000	618,132,096.26	575,020,508.91	1.0000	575,020,508.91
HKD	826,105.97	0.8107	669,724.11	5,369,706.06	0.8509	4,569,082.89
USD	1,968,962.94	6.3009	12,406,234.51	1,658,289.85	6.6227	10,982,356.19
SGD	98,879.81	4.8679	481,337.03	22,144.87	5.1191	113,361.80
Other monetary currency						
RMB	63,144,299.99	1.0000	63,144,299.99	10,488,747.90	1.0000	10,488,747.90
USD	737.04	6.3009	4,644.01	737.04	6.6227	4,881.19
Total			695,095,052.12			601,386,814.04

Note: Other monetary currency mentioned includes L/G deposit and B/G deposit, which adds up to the total amount of RMB 62,536,060.00 (December 31, 2010, RMB 10,000,000.00). The bank account contains the fixed deposit that will be expired in three months and will amount to RMB 3,240,000.00 (December 31, 2010, RMB 0).

2. Notes Receivable

Categories of Notes Receivable

Unit: RMB Yuan

Categories	Amount at the end of the year	Amount in the beginning of the year
Bank acceptance	-	700,000.00

The Group does not have notes discounted but not yet due at the end of the year, or notes endorsed to transfer but not yet due at the end of the year.

(V). Notes on consolidated financial statements-Continued

3. Accounts Receivable

(1) Accounts Receivable Disclosed in Categories

Unit: RMB Yuan

Categories	Amount at the end of the year				Amount in the beginning of the year			
	Book balance		Bad debit reserve		Book balance		Bad debit reserve	
	Amount	Percent age (%)	Amount	Percent age (%)	Amount	Percent age (%)	Amount	Percent age (%)
Account receivable that is a great single amount and accrues bad debit reserve individually with this amount	3,474,613.06	0.37	3,474,613.06	100.00	12,135,091.34	2.32	4,580,704.34	37.75
Account receivable that is not a great single amount, and that is a great single amount but not depreciated through individual depreciation text	934,640,019.03	99.53	-	-	508,090,413.69	97.08	-	-
Account receivable that is not a great single amount but accrues bad debit reserve individually	946,915.10	0.10	946,915.10	100.00	3,138,555.10	0.60	391,079.10	12.46
Total	939,061,547.19	100.00	4,421,528.16	0.47	523,364,060.13	100.00	4,971,783.44	0.95

The Group defines the account receivable of a great single amount as the account receivable with an amount over RMB 2,000,000.00 (including RMB 2,000,000.00)

Explanation of age of account receivable

Unit: RMB Yuan

Age of account	Amount at the end of the year				Amount in the beginning of the year			
	Amount	Percent age (%)	Bad debit reserve	Book value	Amount	Percent age (%)	Bad debit reserve	Book value
Less than 1 year	934,298,767.65	99.49	-	934,298,767.65	508,292,525.93	97.12	-	508,292,525.93
From 1 year to 2 years	243,363.62	0.03	-	243,363.62	-	-	-	-
From 2 to 3 years	-	-	-	-	6,358,317.76	1.21	641,043.00	5,717,274.76
More than 3 years	4,519,415.92	0.48	4,421,528.16	97,887.76	8,713,216.44	1.67	4,330,740.44	4,382,476.00
Total	939,061,547.19	100.00	4,421,528.16	934,640,019.03	523,364,060.13	100.00	4,971,783.44	518,392,276.69

(2) Account receivable that is not a great single amount but accrues bad debit reserve individually

Unit: RMB Yuan

Items of account receivable	Book balance	Amount of accrued bad debits reserve	Accrual ratio	Explanation
Account receivable of engineering	800,000.00	800,000.00	100.00	Could not recover if overdue
Account receivable of oil sales	146,915.10	146,915.10	100.00	Could not recover if overdue
Total	946,915.10	946,915.10	100.00	

(V). Notes on consolidated financial statements-Continued

3. Accounts Receivable-Continued

(3) Transfer and receipt in this period

Unit: RMB Yuan

Items of account receivable	Reasons for transfer and receipt	Evidence for bad debts reserve	Amount of accumulated bad debts reserve before transfer and receipt	Transferred and received amount
Shenzhen Petrochemical Bonded Trade Co., Ltd (Petrochemical Bonded Company)	Received	Unreceived overdue	3,474,613.06	48.28
China National Electric Equipment Corporation (CNEEC)	Received	Unreceived overdue	626,043.00	626,043.00
Dongguan Dongcheng Dongxing Thermoelectricity Co., Ltd	Received	Unreceived overdue	480,000.00	480,000.00
Sulige Gas Electricity Generation Co., Ltd	Received	Unreceived overdue	69,164.00	69,164.00
Total			4,649,820.06	1,175,255.28

(4) No account from shareholders with more than 5% (including 5%) voting rights of the Company is receivable in the account receivable during the reporting period.

(5) The Top Five Organizations in the List of Amount of Account Receivable

Unit: RMB Yuan

Name of the organization	Relation with the Company	Amount	Year limit	Percentage of the total amount of account receivable (%)
Shenzhen Financial Bureau	Government sector	564,250,490.62	Less than 1 year	60.09
Guangdong Power Grid Company	Non-associated customer	154,924,810.94	Less than 1 year	16.50
Zhongshan Financial Bureau	Government sector	139,076,486.80	Less than 1 year	14.81
Dongguan Financial Bureau	Government sector	63,135,152.56	Less than 1 year	6.72
Shenzhen Water Authority	Government sector	4,799,052.95	Less than 1 year	0.51
Total		926,185,993.87		98.63

4. Prepaid Accounts

(1) Prepaid Accounts Listed According to the Account Age

Unit: RMB Yuan

Age of account	Amount at the end of the year		Amount in the beginning of the year	
	Amount	Percentage (%)	Amount	Percentage (%)
Less than 1 year	31,358,682.53	99.31	12,746,630.59	94.21
From 1 year to 2 years	280.00	-	542,468.58	4.01
From 2s year to 3 years	84,031.98	0.27	21,224.71	0.16
More than 3 years	133,402.72	0.42	219,578.01	1.62
Total	31,576,397.23	100.00	13,529,901.89	100.00

(V). Notes on consolidated financial statements-Continued

4. Prepaid Accounts-Continued

(2) The Top Five Organizations in the List of Amount of Prepaid Account

Unit: RMB Yuan

Name of the organization	Relation with the Company	Amount	Time	Unsettled reasons
Shenzhen Dapeng LNG Marketing Co., Ltd.	Unrelated supplier	16,271,809.11	Less than 1 year	Prepaid purchasing expense
Guangdong Trade Company of CNOOC Gas & Power Group Co., Ltd.	Unrelated supplier	9,438,727.20	Less than 1 year	Prepaid purchasing expense
Guangdong Guoyu Energy CO., Ltd.	Unrelated supplier	1,576,538.26	Less than 1 year	Prepaid purchasing expense
Ningbo Lvyuan Natural Gas Electricity Co., Ltd.	Unrelated supplier	1,340,114.64	Less than 1 year	Prepaid purchasing expense
Xinao Energy Trade CO., Ltd.	Unrelated supplier	1,070,048.83	Less than 1 year	Prepaid purchasing expense
Total		29,697,238.04		

(3) No prepaid account is from shareholders with more than 5% (including 5%) voting rights of the Company in the prepaid account balance during the reporting period.

(4) Prepaid accounts Disclosed According to Customers

Unit: RMB Yuan

Categories	Amount at the end of the year	Amount in the beginning of the year
Prepaid account with an individually significant amount	25,710,536.31	4,504,321.11
Prepaid account that does not have an individually significant amount but has a bigger credit risk after combination based on characteristics of credit risks	133,402.72	219,578.01
Other relative prepaid amount which does not have an individually significant amount	5,732,458.20	8,806,002.77
Total	31,576,397.23	13,529,901.89

The Group defines the prepaid account with an amount over RMB 2,000,000.00(including RMB 2,000,000.00) as an individually significant prepaid amount. Account that is not individually significant, but has a bigger risk after combination based on credit risk characteristics, is a prepaid account which is not individually significant but has more than 3 years account age.

5. Other Accounts Receivable

(1)Disclosure of Other Accounts Receivable

Unit: RMB Yuan

Categories	Amount at the end of the year				Amount in the beginning of the year			
	Book balance		Bad debit reserve				Book balance	
	Amount	Percentage (%)		Amount	Percentage (%)		Amount	Percentage (%)
Account receivable that is a great single amount and accrues bad debit reserve individually with this amount	26,237,404.46	16.79	26,237,404.46	100.00	26,237,404.46	52.08	26,237,404.46	100.00
Account receivable that is not a great single amount, and that is a great single amount but not depreciated through individual depreciation text	122,108,196.73	78.15	-	-	18,742,661.50	37.21	-	-
Account receivable that is not a great single amount but accrues bad debit reserve individually	7,904,555.63	5.06	5,412,909.64	68.48	5,394,398.21	10.71	3,686,910.48	68.35
Total	156,250,156.82	100.00	31,650,314.10	20.26	50,374,464.17	100.00	29,924,314.94	59.40

(V). Notes on consolidated financial statements-Continued

5. Other Accounts Receivable-Continued

The Group defines other account receivable with an amount over RMB 2,000,000.00 (including RMB 2,000,000.00) as individually significant other account receivable.

Analysis of account age of other accounts receivable

Unit: RMB Yuan

Account age	Ending amount				Amount in the beginning of the year			
	Amount	Percentage (%)	Bad debts reserve	Book value	Amount	Percentage (%)	Bad debts reserve	Book value
Less than 1 year	111,572,972.06	71.41	-	111,572,972.06	14,174,958.20	28.14	-	14,174,958.20
From 1 year to 2 years	11,164,372.30	7.15	10,000.00	11,154,372.30	4,352,781.54	8.64	-	4,352,781.54
From 2 years to 3 years	1,672,519.64	1.07	173,524.12	1,498,995.52	81,091.50	0.16	-	81,091.50
More than 3 years	31,840,292.82	20.37	31,466,789.98	373,502.84	31,765,632.93	63.06	29,924,314.94	1,841,317.99
Total	156,250,156.82	100.00	31,650,314.10	124,599,842.72	50,374,464.17	100.00	29,924,314.94	20,450,149.23

(2) Other account receivable that does not have an individually significant amount but is accrued bad debit reserve individually

Unit: RMB Yuan

Contents of other account receivable	Book balance	Amount of accrued bad debit reserve	Accrual ratio	Reasons
Deposit receivable	3,278,632.28	1,404,953.09	42.85	Part of the amount could not recover if overdue
Receivable dormitory fees	2,083,698.16	1,736,004.16	83.31	Part of the amount could not recover if overdue
Consignment goods	1,496,448.19	1,496,448.19	100.00	Could not recover if overdue
Others	1,045,777.00	775,504.20	74.16	Part of the amount could not recover if overdue
Total	7,904,555.63	5,412,909.64	68.48	

(3) Transfer and receipt in this period

Contents of other account receivable	Reasons for transfer and receipt	Evidence for bad debts reserve	Amount of accumulated bad debts reserve before transfer and receipt	Transferred and received amount
Legal cost of Peng Juncheng	Received	Unreceived overdue	5,965.00	5,965.00
Loan of Peng Juncheng	Received	Unreceived overdue	4,040.00	4,040.00
Total			10,005.00	10,005.00

(4) No account receivable is from shareholders with more than 5% (including 5%) voting rights of the Company in reporting period.

(5) The Top Five Organizations in the List of Amount of Account Receivable

Unit: RMB Yuan

Name of the organization	Relation with the Company	Amount	Age limitation	Percentage of the total other account receivable (%)
Jiangxi Electricity Subsidiary of China Electricity Investment Group	Unrelated customer	106,342,100.00	Less than 1 year	68.06
Huiyang Kangtai Industrial Co., Ltd. (Note 1)	Project partner	14,311,626.70	More than 3 years	9.16
Shenzhen Dapeng LNG Marketing Co., Ltd.	Unrelated supplier	10,032,000.00	1 to 2 years	6.42
Shenzhen Shanshan Investment Management Company	Note 2	5,895,738.00	More than 3 years	3.77
Jinan Power Generation Equipment Factory	Unrelated customer	3,560,000.00	More than 3 years	2.28
Total		140,141,464.70		89.69

(V) Notes on consolidated financial statements-Continued
5. Other Account Receivable-Continued

Note 1: is a project development expense which is paid for the Stone Lake Project, Bank of Henan, Huizhou City co-worked with Huiyang Kangtai Industrial Co., Ltd. In 1993.

Note 2: With response to No.32 document issued by Shenzhen Government in 1994, *Notice about adjustment on the state-owned equity ownership of Nanshan Thermoelectricity Co., Ltd.*, Nanshan Electronic Industrial Development Company transfer 23.47% of the shares it holds in the Company to Shenzhen Nanshan Investment Management Company in 1994. With response to No. 19 document issued by Shenzhen Nanshan District, *Notice about transfer the ownership of the state-owned equity of Nanshan Thermoelectricity Co., Ltd.*, Shenzhen Nanshan Investment Management Company transfer the shares mentioned above back to Nanshan Electronic Industrial Development Company in 1995. The Company predicts that this amount is unable to receive; therefore it debits the bad debit reserve in total amount.

6. Inventories

(1) Classification of Inventory

Unit: RMB Yuan

Items	Amount at the end of the year			Amount in the beginning of the year		
	Book balance	obsolete stocks	Book value	Book balance	obsolete stocks	Book value
Fuel	33,903,196.77	9,299,403.20	24,603,793.57	164,666,409.63	3,121,172.54	161,545,237.09
Raw materials	147,714,930.63	23,275,444.95	124,439,485.68	144,530,444.66	17,199,322.49	127,331,122.17
Lands to be developed (Noted)	1,154,755,949.85	45,603,631.85	1,109,152,318.00	1,109,099,484.65	45,603,631.85	1,063,495,852.80
Total	1,336,374,077.25	78,178,480.00	1,258,195,597.25	1,418,296,338.94	65,924,126.88	1,352,372,212.06

There is RMB 252,782,341.45 (December 31, 2010, RMB 229,163,561.16) used to offset against mortgage in inventory balance at the end of the year. For more details, please refer to note (5) 24.

There is RMB 168,902,319.91 of the borrowing fees capitalized in inventory balance at the end of the year (December 31, 2010, RMB 124,204,731.24). The capitalized borrowing fees amounts to RMB 44,697,588.67 with the capitalization rate of 6.14%.

Note: is the land cost used to real estate development by Shenzhong Real Estate Development and Shenzhong Real Estate Company. By December 31, 2011, removal of the attached buildings has not finished.

(2) Inventory Obsolete Stocks

Unit: RMB Yuan

Categories of inventory	Beginning balance	Accrual amount this year	Depreciation this year		Ending balance
			Transfer	Write-off	
Fuel	3,121,172.54	8,898,716.76	-	2,720,486.10	9,299,403.20
Raw materials	17,199,322.49	6,955,311.81	-	879,189.35	23,275,444.95
Lands to be developed	45,603,631.85	-	-	-	45,603,631.85
Total	65,924,126.88	15,854,028.57	-	3,599,675.45	78,178,480.00

(V) Notes on consolidated financial statements-Continued

6. Inventory-Continued

(3) Status quo of inventory Obsolete Stocks

Items	Evidence for accrued inventory obsolete stocks	Reasons for transfer the inventory obsolete stocks this year	Percentage of transferred amount in the inventory balance at the end of the year (%)
Fuel	Cost is higher than the changeable net value	Not applicable	Not applicable
Raw materials	Cost is higher than the changeable net value	Not applicable	Not applicable
Lands to be developed	Cost is higher than the changeable net value	Not applicable	Not applicable

7. Other Current Assets

Disclosure of Other Current Assets according to the category

Unit: RMB Yuan

Categories	Amount at the end of the year			Amount in the beginning of the year		
	Amount	Depreciation reserves	Net value	Amount	Depreciation reserves	Net value
Long term assets held to be sold (noted)	-	-	-	5,875,631.20	1,633,199.83	4,242,431.37

Note: Balance at the beginning of the year refers to the residual heat electricity generation equipment, which is planned to be sold and held by the Shenzhong Development Company.

Annotations of Financial Statements

Year to December 31, 2011

(V) Notes on consolidated financial statements-Continued

8. Investment on Long Term Share Ownership

Details of Investment on Long Term Share Ownership:

Unit: RMB Yuan

Invested organization	Accounting method	Investment cost	Balance at the beginning of the year	Changes about increase (decrease)	Balance at the end of the year	Shareholding percentage in the invested organization (%)	Percentage of voting rights in invested organization (%)	Explanation for inconsistent between percentage of share ownership and percentage of voting right in the invested organization	Depreciation reserves	Accrued depreciation reserves this year	Cash bonus this year
Jiangxi Electricity Subsidiary of China Electricity Investment Group (Jiangxi Xinchang Company) (Note1)	Equity method	286,285,715.00	227,103,274.30	(227,103,274.30)	-	30.00	30.00	Not applicable	-	-	-
Petrochemical Bonded Company	Cost method	2,500,000.00	2,500,000.00	-	2,500,000.00	4.00	4.00	Not applicable	2,500,000.00	-	-
Shenzhen Energetic and Environmental Co., Ltd. (Note 2)	Cost method	89,671,000.00	41,790,000.00	(41,790,000.00)	-	10.00	10.00	Not applicable	-	-	-
Jiangxi Nuclear Power Subsidiary of China Electricity Investment Group (Jiangxi Nuclear Power Company)	Cost method	37,315,000.00	37,315,000.00	-	37,315,000.00	5.00	5.00	Not applicable	-	-	-
Total		415,771,715.00	308,708,274.30	(268,893,274.30)	39,815,000.00				2,500,000.00	-	-
Decrease: Depreciation reserves			2,500,000.00	-	2,500,000.00						
Net amount of long-term share ownership investment			306,208,274.30		37,315,000.00						

Note 1: On December 1, 2011, with permission by the 3rd temporary meeting, 6th Board of Directors, the Company signed the share ownership transfer contract with Jiangxi Electricity Subsidiary of China Electricity Investment Company (China Electricity Investment Jiangxi Company).

30% of the shares of Jiangxi Xinchang Company held by the Company are agreed to transfer at the price of RMB 217,024,700.00. By December 29, 2011, the Company has received the transfer amount of RMB 110,682,600.00. On December 31, 2011, Jiangxi Xinchang Company has completed procedure about registration of industry and commerce, which is related to this share ownership transfer. With references to the professional law opinions from lawyers, executives of the Company consider that by December 31, 2011, the Company has been unable to obtain profits and undertake risk from the share ownership.

Note 2: On January 31, 2011, the Company pays RMB 47,881,000.00 for investment in the Energy and Environment Company according to *Motion to increase the registered capital investment in Energy and Environment CO., Ltd.* On October 14, 2011, with permission of the 5th meeting in the 6th Board of Directors, the Company signed the transfer contract of share ownership with Energy Group, and agreed to transfer the 10% shares it holds in Energy and Environment Company at a price of RMB 123,078,900.00. The Company has received the transferred amount on December 13, 2011. On December 31, 2011, the Energy and Environment Company has completed related industrial and commercial change registration, which is associated with the transfer of share ownership. Based on professional lawyers' opinions, executives of the Company consider that by December 31, 2011, the Company has been unable to obtain profits and undertake risks from the share ownership.

(V) Notes on consolidated financial statements-Continued

9. Invested Real Estate

Note: Accrued depreciation of current year is RMB 436,724.91

Unit: RMB Yuan

Items	Beginning book value	Increase this year	Decrease this year	Ending book value
I. Original book value in total	9,708,014.96	-	-	9,708,014.96
1. Houses and buildings	9,708,014.96	-	-	9,708,014.96
2. Using right of lands	-	-	-	-
II. Accumulated depreciation and accumulated amortization in total	4,399,244.98	436,724.91(Note)	-	4,835,969.89
1.Houses and buildings	4,399,244.98	436,724.91	-	4,835,969.89
2. Using right of lands	-	-	-	-
III. Book net value on invested real estate in total	5,308,769.98			4,872,045.07
1. Houses and buildings	5,308,769.98			4,872,045.07
2. Using right of lands	-			-
IV. Depreciation reserves on invested real estate in total	-	-	-	-
1. Houses and buildings	-	-	-	-
2. Using right of lands	-	-	-	-
V. Book value on invested real estate in total	5,308,769.98			4,872,045.07
1. Houses and buildings	5,308,769.98			4,872,045.07
2. Using right of lands	-			-

Note: the depreciated amount adds up to RMB 436,724.91 this year.

(V) Notes on consolidated financial statements-Continued

10. Fixed Assets

(1) Changes on Fixed Assets

Unit: RMB Yuan

Items	Beginning book value	Increase this year	Decrease this year	Ending book value
I. Original book value in total	4,220,935,520.11	279,912,578.82(注 1)	40,226,451.02(注 2)	4,460,621,647.91
Including: houses and buildings	447,729,795.72	50,895,000.19	14,210,577.61	484,414,218.30
Machinery equipment	3,675,038,036.84	227,952,304.60	7,421,823.93	3,895,568,517.51
Transportation instruments	33,968,349.80	400,166.82	2,131,482.00	32,237,034.62
Other equipments	64,199,337.75	665,107.21	16,462,567.48	48,401,877.48
II. Accumulated appreciation in total	2,018,728,112.00	Accrued amount of current year (Note 3)	32,185,281.68(Note 4)	2,196,925,392.65
Including: houses and buildings	185,153,139.13	19,135,523.55	9,457,565.88	194,831,096.80
Machinery equipment	1,754,084,729.67	187,944,084.77	5,836,758.62	1,936,192,055.82
Transportation instruments	27,898,786.75	1,337,166.96	2,080,980.49	27,154,973.22
Other equipments	51,591,456.45	1,965,787.05	14,809,976.69	38,747,266.81
III. Book net value on fixed assets in total	2,202,207,408.11			2,263,696,255.26
Including: houses and buildings	262,576,656.59			289,583,121.50
Machinery equipment	1,920,953,307.17			1,959,376,461.69
Transportation instruments	6,069,563.05			5,082,061.40
Other equipments	12,607,881.30			9,654,610.67
IV. Depreciation reserves in total	32,981,137.38	6,265,762.65	2,654,224.03	36,592,676.00
Including: houses and buildings	25,686,723.89	-	2,394,879.52	23,291,844.37
Machinery equipment	7,030,159.76	6,265,762.65	218,186.79	13,077,735.62
Transportation instruments	85,146.84	-	3,300.00	81,846.84
Other equipments	179,106.89	-	37,857.72	141,249.17
V. Book value on fixed assets in total	2,169,226,270.73			2,227,103,579.26
Including: houses and buildings	236,889,932.70			266,291,277.13
Machinery equipment	1,913,923,147.41			1,946,298,726.07
Transportation instruments	5,984,416.21			5,000,214.56
Other equipments	12,428,774.41			9,513,361.50

Note 1: RMB 2,680,222.14 for purchase and RMB 277,232,356.68 for engineering establishment are added.

Note 2: RMB 40, 226,451.02 is decreased for purchase.

Note 3: RMB 210,382,562.33 is depreciated this year.

Note 4: RMB 32,185,281.68 is decreased for purchase.

(V) Notes on consolidated financial statements-Continued

10. Fixed Assets-Continued

(2) Information about Lay over Fixed Assets

Unit: RMB Yuan

Items	Original Book value	Accumulated depreciation	Depreciation reserves	Book value	Notes
Balance at the beginning of the year	466,268,043.17	405,890,620.56	8,329,271.25	52,048,151.36	
Including: houses and buildings	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
Transportation instruments	3,200.00	-	200.00	3,000.00	
Other equipments	22,500.00	2,988.04	1,436.53	18,075.43	
Balance at the end of the year	577,639,507.90	483,610,796.33	11,886,196.41	82,142,515.16	
Including: houses and buildings	23,302,622.41	7,290,364.80	-	16,012,257.61	Wharf
Machinery equipment	553,917,537.49	475,943,018.33	11,886,196.41	66,088,322.75	Heavy oil processing line and generating units
Transportation instruments	-	-	-	-	
Other equipments	419,348.00	377,413.20	-	41,934.80	

(3) Fixed Assets with uncompleted Certificate of Title

Unit: RMB Yuan

Items	Original book value	Book value	Reasons for incomplete Certificate of Title	Expected time for Transaction of Certificate of Title
Booster stations	11,416,072.09	7,866,297.56	Inspection of the complete project is still executed	By the end of 2012
Turbine building	4,221,136.27	2,977,230.28		
Water treatment building	7,050,395.16	4,935,155.86		
Heavy oil processing plant	1,357,924.60	959,730.53		
Fire pump house	709,475.99	501,134.97		
Circulating water pump house	4,487,508.99	3,157,744.70		
Comprehensive building	9,826,335.09	7,178,729.47		
Production maintenance building	9,860,653.25	7,993,537.65		
Administrative building	10,138,618.59	8,218,689.49		
Security room	248,140.56	236,825.40		
Master control room	387,221.96	369,564.68		
Turbine and auxiliary buildings	24,770,257.87	18,087,262.09		
The plant ventilation system	1,287,247.17	939,947.83		
Office building	11,621,767.07	8,819,839.20		
Highly ventilated cooling tower	7,958,561.88	5,811,341.54		
Water treatment workshop and tank foundation	3,782,455.60	2,761,949.17		
Industrial water pool and industrial water pump house	1,660,047.34	1,212,166.56		
Start up boiler house	277,381.12	202,543.57		
Oil processing chamber, oil unloading platform	3,375,389.79	2,464,709.71		
Total	114,436,590.39	84,694,400.26		

(V) Notes on consolidated financial statements- continued

11. Under-construction project

(1) : Details of under-construction project are as below:

Unit: RMB Yuan

Item	Amount at the end of the year			Amount in the beginning of the year		
	Book balance	Depreciation reserves	Net book value	Book balance	Depreciation reserves	Net book value
Oil to gas engineering	39,549,115.52	14,790,696.15	24,758,419.37	41,087,274.71	14,790,696.15	26,296,578.56
Circular economy complex building project	-	-	-	13,255,379.33	-	13,255,379.33
Circular economy cold heat and power project	9,622,579.25	-	9,622,579.25	7,160,526.05	-	7,160,526.05
Equipment transformation engineering	545,548.53	-	545,548.53	9,684,185.63	-	9,684,185.63
Cogeneration project	9,894,925.01	-	9,894,925.01	8,882,713.73	-	8,882,713.73
Technology transformation engineering	-	-	-	2,505,000.00	-	2,505,000.00
Sludge desiccation project	-	-	-	126,728,860.05	-	126,728,860.05
Others	2,271,897.32	226,400.00	2,045,497.32	2,216,233.29	-	2,216,233.29
Total	61,884,065.63	15,017,096.15	46,866,969.48	211,520,172.79	14,790,696.15	196,729,476.64

(V) Notes on consolidated financial statements- continued

11. Under-construction -continued

(2) Change of important under-construction project

Unit: RMB Yuan

Item name	Budget	Amount in the beginning of the year	Increase in this year	Transferred fixed assets	Other decrease	Project investment proportion of budget(%)	Project progress	Interest capitalized accumulative total amount	Among: this year's interest capitalized amount	This year's interest capitalized rate(%)	Capital source	Amount at the end of the year
Oil to gas engineering	74,400,000.00	41,087,274.71	3,833,970.31	5,354,806.40	17,323.10	60.38	60.38	-	-	-	自筹	39,549,115.52
Circular economy complex building project	35,000,000.00	13,255,379.33	14,192,758.35	27,448,137.68	-	78.42	100.00	-	-	-	自筹	-
Circular economy cold heat and power project	30,000,000.00	7,160,526.05	2,462,053.20	-	-	32.08	32.08	-	-	-	自筹	9,622,579.25
Equipment transformation engineering		9,684,185.63	2,720,338.33	11,858,975.43	-			-	-	-	自筹	545,548.53
Cogeneration project		8,882,713.73	2,468,583.44	1,338,680.00	117,692.16			676,760.53	-	-	自筹及借款	9,894,925.01
Technology transformation engineering		2,505,000.00	1,662,555.06	4,167,555.06	-			-	-	-	自筹	-
Sludge desiccation project	190,535,670.40	126,728,860.05	25,956,138.15	152,050,904.13	634,094.07	80.13	100.00	-	-	-	自筹	-
DLN low nitrogen transformation project	90,800,000.00	-	75,013,297.98	75,013,297.98	-	82.61	100.00	-	-	-	自筹	-
Others		2,216,233.29	2,809,539.32	-	2,753,875.29			-	-	-	自筹	2,271,897.32
Total		211,520,172.79	131,119,234.14	277,232,356.68	3,522,984.62			676,760.53	-			61,884,065.63

(3) Depreciation reserves for under-construction project

Unit: RMB Yuan

Item	Amount in the beginning of the year	Increase in this year	Decrease in this year	Amount at the end of the year	Provision reasons
Oil to gas engineering	14,790,696.15	-	-	14,790,696.15	Note
Quay transformation project	-	226,400.00	-	226,400.00	
Total	14,790,696.15	226,400.00	-	15,017,096.15	

Note: Approved by the twenty-sixth meeting of the fifth session of the Board of Directors, the company has closed down cycle unit 7 and 9, and according to independent professional assessment organization's assessment result of their fair value, the oil to gas project provision for depreciation preparation of cycle unit 7 and 9 is RMB 14,790,696.15.

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(V) Notes on consolidated financial statements- continued

12. Intangible assets

Unit: RMB Yuan

Item	Beginning book balance	Increase in this year	Decrease in this year	Ending book balance
I. Total book original value	95,836,143.29	2,871,851.92(note 1)	-	98,707,995.21
Among: land-use right	95,600,235.88	131,812.00	-	95,732,047.88
Software	235,907.41	2,740,039.92	-	2,975,947.33
II. Cumulative total amortize	26,484,148.07	3,301,244.81(note 2)	-	29,785,392.88
Among: land-use right	26,274,255.40	2,950,998.04	-	29,225,253.44
Software	209,892.67	350,246.77	-	560,139.44
III. Intangible assets total net book value	69,351,995.22			68,922,602.33
Among: land-use right	69,325,980.48			66,506,794.44
Software	26,014.74			2,415,807.89
IV. Total depreciation reserves	5,115,063.71	-	-	5,115,063.71
Among: land-use right	5,115,063.71	-	-	5,115,063.71
Software	-	-	-	-
V. Intangible assets total book value	64,236,931.51			63,807,538.62
Among: land-use right(note 3)	64,210,916.77			61,391,730.73
Software	26,014.74			2,415,807.89

Note1: Increase total RMB 131,811.66 for acquisition this year, and total RMB 2,740,040.26 for the transformation of under-construction projects.

Note 2: This years' intangible assets amortize is RMB 3,301,244.81.

Note 3: Until December 31, 2011, the company's property right of land use certificate is still in the process, book value of which is RMB 589,611.99 (December 31, 2010: RMB 693,506.00).

(V) Notes on consolidated financial statements- continued

13. Long-term prepaid expenses

Unit: RMB Yuan

Item	Amount in the beginning of the year	Increased amount of this year	Amortized amount of current year	Other decreased amount	Amount at the end of the year	Other reasons for decrease
Improved expenditure of operating lease fixed assets	273,212.64	-	177,401.80	-	95,810.84	Not Applicable

14. Deferred income tax assets

(1) The confirmed deferred income tax assets

Unit: RMB Yuan

Item	Amount at the end of the year	Amount in the beginning of the year
Deferred income tax assets:		
Bad debt preparation for account receivable	1,105,382.04	983,843.73
Bad debt preparation for other account receivable	1,010,200.86	1,012,702.11
Inventory falling price reserves	100,171.61	749,081.41
Employee payment payable	627,581.00	1,014,310.56
Preparation for long-term equity investments impairment	625,000.00	625,000.00
Others	245,778.80	239,467.33
Total	3,714,114.31	4,624,405.14

(2) The deductible temporary difference and deductible loss of unconfirmed deferred income tax asset

Unit: RMB Yuan

Item	Amount at the end of the year	Amount in the beginning of the year
The deductible loss	484,508,965.20	560,035,409.20
Deductible temporary differences	192,293,490.13	168,277,128.89
Total	676,802,455.34	728,312,538.09

Because of the uncertainty of this group's future ability to obtain sufficient taxable income, the above deductible temporary difference and deductible loss are not confirmed as deferred income tax assets.

(3) The deductible loss of unconfirmed deferred income tax assets will expire next year.

Unit: RMB Yuan

Year	Amount at the end of the year	Amount in the beginning of the year
2011	-	77,662,096.83
2012	37,464,387.00	37,464,387.00
2013	67,627,487.41	67,627,487.41
2014	124,132,588.65	206,233,081.29
2015	171,048,356.67	171,048,356.67
2016	84,236,145.47	-
Total	484,508,965.20	560,035,409.20

(V) Notes on consolidated financial statements- continued

14. Deferred income tax assets- continued

(4) The details of deductible temporary difference project

Unit: RMB Yuan

Item	Temporary difference amount
Ending balance:	
Deductible temporary difference project:	
Bad debt preparation for account receivable	4,421,528.16
Bad debt preparation for other account receivable	4,040,803.43
Inventory falling price reserves	400,686.44
Employee payment payable	2,510,324.00
Preparation for long-term equity investments impairment	2,500,000.00
Others	983,115.22
Total	14,856,457.25
Beginning balance:	
Deductible temporary difference project:	
Bad debt preparation for account receivable	4,971,783.44
Bad debt preparation for other account receivable	4,050,808.43
Inventory falling price reserves	3,121,172.54
Employee payment payable	4,226,294.00
Preparation for long-term equity investments impairment	2,500,000.00
Others	997,780.57
Total	19,867,838.98

15. Other noncurrent assets

Unit: RMB Yuan

Item	Amount at the end of the year	Amount in the beginning of the year
LNG Liquefied natural gas project(note)	22,298,256.78	21,273,223.68
Prepaid land amount	1,730,000.00	-
Prepaid project amount	836,460.20	-
Total	24,864,716.98	21,273,223.68

Note: This project is built by Weimei Electric Power Company and Guangdong, Dapeng Liquefied Natural Gas (LNG) Co., Ltd. (here after referred to as Dapeng Natural Gas Company). According to the contract signed by both parties, before the involved projects obtaining the approval from the related national authorities, both parties have its ownership. After related projects are approved by related national authorities, Dapeng Natural Gas Company will purchase LNG liquefied natural gas project, so Weimei Electric Power will be accounted as its noncurrent assets.

(V) Notes on consolidated financial statements- continued

16. Details of assets depreciation preparation

Unit: RMB Yuan

Item	Book balance in the beginning of the year	Current year decrease	Decrease in this year		Book balance at the end of the year
			Turn back	Write off	
I. Bad debt preparation	34,896,098.38	2,361,004.16	1,185,260.28	-	36,071,842.26
II. Inventory falling price preparation	65,924,126.88	15,854,028.57	-	3,599,675.45	78,178,480.00
III. Preparation for long-term equity investments impairment	2,500,000.00	-	-	-	2,500,000.00
IV. Fixed assets impairment preparation	32,981,137.38	6,265,762.65	-	2,654,224.03	36,592,676.00
V. Impairment preparation for under-construction project	14,790,696.15	226,400.00	-	-	15,017,096.15
VI. Intangible assets impairment preparation	5,115,063.71	-	-	-	5,115,063.71
VII. Other impairment preparation	1,633,199.83	-	-	1,633,199.83	-
Total	157,840,322.33	24,707,195.38	1,185,260.28	7,887,099.31	173,475,158.12

17. Short-term loan

Unit: RMB Yuan

Item	Amount at the end of the year	Amount in the beginning of the year
Guaranteed loan (note)	1,110,000,000.00	700,000,000.00
Credit loan	2,155,824,953.89	2,412,400,000.00
Total	3,265,824,953.89	3,112,400,000.00

Note: the company provides RMB 1,110,000,000.00 guaranteed loan for each subsidiary.

18. Notes payable

Unit: RMB Yuan

Category	Amount at the end of the year	Amount in the beginning of the year
Bank acceptance bill	43,820,200.00	-

The amount will expires in the next accounting period is RMB 43,820,200.00.

(V) Notes on consolidated financial statements- continued

19. Account payable

(1) The details of account payable are as below:

Unit: RMB Yuan

Item	Amount at the end of the year	Amount in the beginning of the year
Nakaumi Petroleum Gas and Electric Group Co., Ltd., Guangdong Trade Branch	181,779,179.15	41,806,080.04
Shenyang Eric Electric Design College	7,315,553.15	-
Zhanjiang City Hengyuan Transportation Co. LTD	5,646,006.85	1,502,327.83
Shenzhen Nangang power engineering Co. Ltd	3,779,052.00	9,160,098.52
Guangzhou Dongli fuel gas Co. Ltd	3,125,154.90	-
Shenzhen Xixun transportation industry Co. Ltd	2,559,469.44	-
Fuxun Chinese Oil and Energy Equipment Factory	1,253,000.00	-
The new Austrian energy logistics Co., Ltd	1,041,630.24	-
Xingjiang Guanghui Liquefied natural gas (LNG) Co., Ltd, Shanshan transportation Branch	1,000,000.00	-
Wuxi Shijia Heat Energy Equipment Co., Ltd	662,469.80	1,362,469.80
Huasheng Filter (Shenzhen) Co., Ltd	608,369.23	680,680.33
Others	5,979,004.90	6,603,782.09
Total	214,748,889.66	61,115,438.61

(2) Account payable balance in this reporting period has no payable for shareholders with 5% or more voting shares of this company.

(3) Large accounts payable aged over one year should have account payable description.

Supply name	Amount	Account receivable age	Reasons for failing to pay	The amount repaid in the future in the balance sheet
Shenzhen Nangang power engineering Co. Ltd	3,779,052.00	One to two years	The other party does not collect	-
Wuxi Shijia Heat Energy Equipment Co., Ltd	662,469.80	One to two years	The other party does not collect	-
Huasheng Filter (Shenzhen) Co., Ltd	538,800.00	One to two years	The other party does not collect	-
Total	4,980,321.80			-

20. Advanced receipts

(1) Details of advanced receipts are below:

Unit: RMB Yuan

Item	Amount at the end of the year	Amount in the beginning of the year
Advanced unit capacity transfer amount	14,586,000.00	14,586,000.00
Advanced project amount	-	24,210,498.66
Advanced fuel gas amount	-	477,842.60
Total	14,586,000.00	39,274,341.26

(2) The advanced receipts balance in this reporting period has no advanced receipts from shareholders with 5%

or more voting shares of this company.

(3) The advanced receipts balance of Shenzhen Energy Group Co., Ltd (Energy Shares) is RMB 14,586,000.00 Yuan. **The account receivable age is over 1 year.** Because related projects have not been approved by National Development and Reform Committee and advanced receipts have not achieved sales, the end of the year has been carried forward income. Until the approval date of financial statements are, the above amounts are not carried forward income.

(V) Notes on consolidated financial statements- continued

21. Employee payment payable

Unit: RMB Yuan

Item	Book balance in the beginning of the year	Increase in this year	Decrease in this year	Book balance at the end of the year
I. Wages, bonuses, allowances and subsidies	35,136,058.44	90,137,445.70	98,297,459.17	26,976,044.97
II. Employee benefits	-	-	-	-
III. Social insurance premiums	795,465.82	9,147,930.52	9,077,961.36	865,434.98
Among: Medical insurance premiums	126,913.93	4,763,435.54	4,775,779.62	114,569.85
Old-age insurance	570,135.63	3,950,291.70	3,871,209.32	649,218.01
Unemployment insurance	36,930.79	172,638.23	170,947.74	38,621.28
Industrial injury insurance premium	59,996.94	241,024.92	239,454.68	61,567.18
Birth insurance premium	1,488.53	20,540.13	20,570.00	1,458.66
IV. Housing fund	1,828,835.46	7,611,961.70	8,810,973.17	629,823.99
V. Union funds and employee education expenses	1,715,337.35	1,910,950.26	1,932,666.89	1,693,620.72
VI. Non-monetary benefits	-	261,638.42	261,638.42	-
VII. Compensation for the cancellation of the labor relations	-	-	-	-
VIII. Enterprise annuity	5,926,920.26	463,630.48	3,880,226.74	2,510,324.00
Others	30,333.37	79,546.28	93,454.27	16,425.38
Total	45,432,950.70	109,613,103.36	122,354,380.02	32,691,674.04

There is no delayed amount in employee payment payable.

22. Tax payable

Unit: RMB Yuan

Item	Amount at the end of the year	Amount in the beginning of the year
Value-added tax	(529,083,686.53)	(516,271,620.82)
Business tax	2,835,558.63	2,038,956.43
Business income tax	(2,823,965.65)	8,069,776.38
Individual income tax	3,411,627.24	1,646,774.92
City and town land use tax	1,128,579.70	1,137,583.80
Building taxes	2,084,520.46	1,770,165.58
Others	546,572.25	414,945.62
Total	(521,900,793.90)	(501,193,418.09)

23. Interest payable

Unit: RMB Yuan

Item	Amount at the end of the year	Amount in the beginning of the year
Staging payment of interests due and principle repayments of long-term loan interests	45,825.00	204,536.00
Short-term loan interests payable	75,416,769.51	59,143,503.27
Total	75,462,594.51	59,348,039.27

(V) Notes on consolidated financial statements- continued

24. Other amount payable

(1) The details of other amount payable are below:

Unit: RMB Yuan

Item	Amount at the end of the year	Amount in the beginning of the year
Zhongshan Xingzhong Group Co., Ltd (Xingzhong Group) (note 1)	182,152,108.65	182,152,108.65
Dongguang Weimei Ceramic Industry park Co., Ltd (Weimei Ceramic company)	36,385,912.01	-
Shenzhen Nangang Power Engineering Co., Ltd	32,426,503.00	6,417,095.00
Zhongshan city bureau of finance (note 2)	24,321,200.00	24,321,200.00
Project fund	17,267,313.76	15,750,790.11
Temporary income options contracts fund(note 3)	13,248,696.81	13,905,656.99
Xindi Energy Engineering Technology Co., Ltd Fuel gas and Technology Branch	11,411,059.79	12,967,790.11
Guarantee Money	10,554,569.41	7,384,578.88
Shenzhen North Engineering Co., Ltd	5,771,332.22	-
Nanjing Nangang power Equipment Installation Co., Ltd	3,412,800.00	2,719,200.00
The board of directors allowance	1,947,795.34	2,928,060.85
China Petroleum Chemical Construction Co., Ltd	1,688,000.00	-
The Nakaumi petroleum gas and electric group Co., Ltd, Guangdong Trade Branch	1,420,854.92	-
Guangdong Province Industry Equipment Installation Company	1,416,349.41	-
Shenzhen Hengfulin Building Decoration and Design Engineering Co., Ltd	1,402,704.46	-
Hangzhou Boiler Factory Engineering Material Co., Ltd	1,340,189.74	2,486,189.74
Wuxi Shijia Heat Energy Equipment Co., Ltd	1,088,000.00	1,088,000.00
Shenzhen Customs	-	2,200,000.00
Others	11,341,990.48	14,447,977.01
Total	358,597,380.00	288,768,647.34

Note 1: Shenzhong Developing Company's borrowing from Xingzhong Group with its land-use rights and fixed assets as collateral

Note 2: Shenzhong Developing Company's borrowing from Zhongshan Municipal Bureau of Finance.

Note 3: Details refer to annotation (VII) or related contingency.

(2) Other amounts payable balance in this reporting period has on fund from shareholders with 5% or more voting shares of this company.

(3) Other accounts payable with account duration over one year is RMB 256,961,536.35 (December 31, 2010, RMB 241,111,842.78), mainly is Shenzhong Developing Company's borrowing from Zhongshan city's Bureau of Finance.

(V) Notes on consolidated financial statements- continued

25. Noncurrent liabilities due within one year

(1) Details of noncurrent liabilities due within one year are below

Unit: RMB Yuan

Item	Amount at the end of the year	Amount in the beginning of the year
Long-term loan due within one year	50,000,000.00	50,000,000.00

(2) Long-term loan due within one year

Unit: RMB Yuan

Item	Amount at the end of the year	Amount in the beginning of the year
Guaranteed loans(note)	50,000,000.00	50,000,000.00

Note: the company provides guarantee for Zhongshan Electric Power Company borrowing for RMB 50,000,000.00

(3) Long-term loans among the top five due within one year

Unit: RMB Yuan

Loan units	Loan starting date	Loan ending date	Currency	Interest rate (%)	Amount at the end of the year	
					Foreign currency amount	Domestic currency amount
Huaxia Bank Co., Ltd. Shenzhen Branch	2010.4.1	2012.4.1	RMB	6.65		50,000,000.00

26. Long-term loan

(1) Long-term loan classification

Unit: RMB Yuan

Item	Amount at the end of the year	Amount in the beginning of the year
Guaranteed loans(note)	26,000,000.00	186,000,000.00

The annual interest rate for the above loans is 6.35% (the year of 2010: from 4.86% to 5.94%)

Note: the company provides guarantee for Environmental Company borrowing for RMB 26,000,000.00.

(2) Long-term loan among the top five

Unit: RMB Yuan

Loan unit	Loan starting date	Loan ending date	Currency	Interest rate (%)	Amount at the end of the year		Amount in the beginning of the year	
					Foreign currency amount	Domestic currency amount	Foreign currency amount	Domestic currency amount
China Merchants Bank Co., LTD Shenzhen Jingtian Branch	2009.11.06	2017.09.20	RMB	6.35	-	26,000,000.00	-	36,000,000.00

(V) Notes on consolidated financial statements- continued

27. Other noncurrent liabilities

Unit: RMB Yuan

Item	Book balance at the end of the year	Book balance in the beginning of the year
National debt subsidies for sludge desiccation project	4,866,250.00	5,100,000.00
Circular economy support funds for sludge desiccation project	238,541.66	250,000.00
Total	5,104,791.66	5,350,000.00

28. Capital stock

Unit: RMB Yuan

Item	Beginning balance	Change in this year			Amount at the end of the year
		Stock distribution	Others	Subtotal	
2011:					
I. Shares with limited conditions					
1. State shareholdings	-	-	-	-	-
2. State-owned legal person shares	-	-	-	-	-
3. Other domestic capital holdings	12,993.00	-	5,270.00	5,270.00	18,263.00
4. Foreign Shareholding	-	-	-	-	-
Total share with limited conditions	12,993.00	-	5,270.00	5,270.00	18,263.00
II. Shares without limited condition					
1. RMB common stock	338,895,157.00	-	(1,145.00)	(1,145.00)	338,894,012.00
2. Domestically listed foreign stock	263,854,446.00	-	(4,125.00)	(4,125.00)	263,850,321.00
3. Overseas listed foreign stock	-	-	-	-	-
4. Others	-	-	-	-	-
Total share without limited condition	602,749,603.00	-	(5,270.00)	(5,270.00)	602,744,333.00
III. The sum of shares	602,762,596.00	-	-	-	602,762,596.00
2010:					
I. Shares with limited conditions					
1. State shareholdings	-	-	-	-	-
2. State-owned legal person shares	-	-	-	-	-
3. Other domestic capital holdings	12,993.00	-	-	-	12,993.00
4. Foreign Shareholding	-	-	-	-	-
Total share with limited conditions	12,993.00	-	-	-	12,993.00
II. Shares without limited conditions					
1. RMB common stock	338,895,157.00	-	-	-	338,895,157.00
2. Domestically listed foreign stock	263,854,446.00	-	-	-	263,854,446.00
3. Overseas listed foreign stock	-	-	-	-	-
4. Others	-	-	-	-	-
Total share without limited conditions	602,749,603.00	-	-	-	602,749,603.00
III. The sum of shares	602,762,596.00	-	-	-	602,762,596.00

(V) Notes on consolidated financial statements- continued

29. Capital surplus

Unit: RMB Yuan

Item	Amount in the beginning of the year	Increase in this year	Decrease in this year	Amount in the end of the year
2011:				
Capital premium	233,998,444.00	-	-	233,998,444.00
Among: capital invested by investors	215,487,650.42	-	-	215,487,650.42
The balance due to acquisition of minority stockholder's interest	18,510,793.58	-	-	18,510,793.58
Other capital surplus	129,631,483.51	-	-	129,631,483.51
Among: the original system transfer from the capital reserve	129,631,483.51	-	-	129,631,483.51
Total	363,629,927.51	-	-	363,629,927.51
2011:				
Capital premium	233,998,444.00	-	-	233,998,444.00
Among: capital invested by investors	215,487,650.42	-	-	215,487,650.42
The balance due to acquisition of minority stockholder's interest	18,510,793.58	-	-	18,510,793.58
Other capital surplus	129,631,483.51	-	-	129,631,483.51
Among: the original system transfer from the capital reserve	129,631,483.51	-	-	129,631,483.51
Total	363,629,927.51	-	-	363,629,927.51

30. Features Surplus

Unit: RMB Yuan

Item	Amount in the beginning of the year	Increase in this year	Decrease in this year	Amount in the end of the year
2011:				
Legal features surplus	310,158,957.87	-	-	310,158,957.87
Free features surplus	22,749,439.73	-	-	22,749,439.73
Total	332,908,397.60	-	-	332,908,397.60
2010:				
Legal features surplus	310,158,957.87	-	-	310,158,957.87
Free features surplus	22,749,439.73	-	-	22,749,439.73
Total	332,908,397.60	-	-	332,908,397.60

(V) Notes on consolidated financial statements- continued

31. Undistributed profits

Unit: RMB Yuan

Item	Amount	Withdraw or distribution proportion
2011:		
Year-beginning undistributed profits	436,541,567.35	
Add: this year's net profit which belongs to parent company shareholders	17,529,063.37	
) Less: withdraw of legal accumulated surplus(annotation 1)	-	
Common stock interest payable	-	
Year-end undistributed profits(annotation 2)	454,070,630.72	
2010:		
Year-beginning undistributed profits	551,180,245.55	
Add: this year's net profit which belongs to parent company shareholders	(114,638,678.20)	
Less: withdraw of legal accumulated surplus(annotation 1)	-	
Common stock interest payable	-	
Year-end undistributed profits(annotation 2)	436,541,567.35	

Note 1: According to the articles of incorporation, legal features surplus withdrawal amount is 10% of the parent company's net profits. The company's legal features surplus accumulative amount accounts for 50% or more of the company's registered capital, and it does not need to withdraw.

Note 2: December 31, 2011, the group's undistributed profits balance, including already extracted features surplus by subsidiary is RMB130,533,578.01(December31, 2010, RMB129,360,135.71)

Note 3: The seventh meeting of the sixth session of the Board of Directors of the company approved that the company does not distribute profits and conduct capital reserve to capital in 2011

32. Business income, business cost

(1) Business income

Unit: RMB Yuan

Item	This year's occurrence amount	Last year's occurrence amount
Main business income	2,294,084,960.04	1,598,409,186.21
Other business income	121,732,770.31	3,321,279.09
Business cost	3,589,704,382.71	2,239,345,909.35

(V) Notes on consolidated financial statements- continued

32. Business income, business cost-continued

(2) Main business (industry)

Unit: RMB Yuan

Industry name	This year's occurrence amount		Last year's occurrence amount	
	Business income	Business cost	Business income	Business cost
Energy industry	2,213,598,887.61	3,415,425,758.86	1,573,346,745.72	2,227,284,398.08
Engineering services	27,271,138.96	15,060,357.05	24,168,960.49	10,292,026.88
Other income	53,214,933.47	37,681,376.60	893,480.00	-
Total	2,294,084,960.04	3,468,167,492.51	1,598,409,186.21	2,237,576,424.96

(3) Main business (product)

Unit: RMB Yuan

Product name	This year's occurrence amount		Last year's occurrence amount	
	Business income	Business cost	Business income	Business cost
Sale of electric power	2,176,654,712.30	3,377,082,661.21	1,560,159,384.89	2,210,206,019.75
Sale of heat power	8,338,395.95	13,251,499.50	10,943,567.41	14,880,927.70
Sale of fuel oil	28,605,779.36	25,091,598.15	2,243,793.42	2,197,450.63
Engineering services	27,271,138.96	15,060,357.05	24,168,960.49	10,292,026.88
Sludge desiccation	27,929,280.47	14,917,789.76	-	-
Sale of equipment	25,285,653.00	22,763,586.84	-	-
Other income	-	-	893,480.00	-
Total	2,294,084,960.04	3,468,167,492.51	1,598,409,186.21	2,237,576,424.96

(4) Main business (region)

Unit: RMB Yuan

Region name	This year's occurrence amount		Last year's occurrence amount	
	Business income	Business cost	Business income	Business cost
Domestic	2,265,634,158.00	3,444,875,457.59	1,591,909,186.21	2,234,953,049.75
Foreign	28,450,802.04	23,292,034.92	6,500,000.00	2,623,375.21
Total	2,294,084,960.04	3,468,167,492.51	1,598,409,186.21	2,237,576,424.96

(5) The business income of the group's top five customers

Unit: RMB Yuan

Customer name	Business income	Proportion of all business income
Guangdong Province Electric Power Company	2,176,379,260.21	90.09
Guangzhao Yongmao Trade Co., Ltd.	70,617,503.44	2.92
Shenzhen Xiyang Petroleum and Chemical Co., Ltd.	41,275,312.26	1.71
Shenzhen Water Authorities	27,929,280.47	1.16
Sandler Expert Limited	25,285,653.00	1.05
Total	2,341,487,009.38	96.93

(V) Notes on consolidated financial statements- continued

33. Business taxes and surcharges

Unit: RMB Yuan

Item	This year's occurrence amount	Last year's occurrence amount	Planned standard
Business taxes	6,358,100.85	6,047,498.46	Amount to 3% or 5% of the tax income
Taxes for city maintenance and construction	3,544,640.66	1,183,686.70	1%、5% or 7% of the taxed circulation tax
Others	2,672,247.40	131,957.38	
Total	12,574,988.91	7,363,142.54	

34. Management fees

Unit: RMB Yuan

Item	This year's occurrence amount	Last year's occurrence amount
Wage	38,034,516.12	34,589,977.46
Tax	7,299,465.03	7,612,290.47
Leasing fee	6,978,347.03	6,635,278.50
Entertainment expenses	5,258,373.43	5,238,625.72
Board of directors' expenses	4,624,007.48	3,202,198.76
Transport costs	4,095,752.61	3,837,816.94
intermediary agency fee	3,171,158.21	4,275,658.85
Amortization of intangible assets	2,594,554.53	2,202,783.34
Depreciate fee	2,247,307.79	2,436,676.40
Environmental protection costs	1,859,562.54	1,831,180.96
Welfare and food fee	1,733,040.18	1,606,501.90
Property management fee	1,653,733.44	1,425,781.46
Housing fund	1,546,088.90	2,924,475.00
Administrative expenses	1,472,322.66	1,156,724.97
Corporate culture fee	1,296,443.47	1,578,280.85
Old-age insurance	1,229,857.24	1,057,475.80
Warrant charges	1,006,927.40	849,235.80
Travelling expense	959,815.57	867,725.05
Communication expense	913,552.17	914,866.59
Medical insurance	675,601.30	705,904.97
Enterprise annuity	206,040.48	1,901,300.02
Amortization of long-term prepaid expenses	157,950.10	211,800.96
Project checking fee	130,397.00	2,079,368.48
Inventory profit	(4,871,794.87)	(2,752,528.13)
Others	13,265,865.83	9,537,027.08
Total	97,538,885.64	95,926,428.20

(V). Notes on consolidated financial statements—Continued

35. Financial expenses

Unit: RMB Yuan

Items	Amount of current year	Amount of last year
Interest expenses	246,051,596.92	170,566,720.97
Less: Capitalized interest expenses	44,697,588.67	43,671,973.12
Less: Interest income	6,681,077.09	3,212,235.52
Exchange balance	475,293.52	2,559,927.62
Others	9,149,725.22	2,055,364.03
Total	204,297,949.90	128,297,803.98

36. Impairment loss of assets

Unit: RMB Yuan

Items	Amount of current year	Amount of last year
I. Bad debt loss	1,175,743.88	(1,401,978.50)
II. Losses on inventory depreciation	15,854,028.57	4,589,340.59
III. Losses on fixed assets depreciation	6,265,762.65	5,620,433.76
I (V). Losses on construction in progress depreciation	226,400.00	753,840.36
(V). Losses on other assets depreciation	-	1,633,199.83
Total	23,521,935.10	11,194,836.04

37. Investment income

(1) Detail investment income

Unit: RMB Yuan

Items	Amount of current year	Amount of last year
Investment income on equity method	(90,201,890.81)	(49,082,776.11)
Investment income on disposal of long-term equity	113,531,216.51	(47,678.00)
Total	23,329,325.70	(49,130,454.11)

(2) Investment income on equity method

Unit: RMB Yuan

Investment unit	Amount of current year	Amount of last year	Reason on changes in the current year compared to last year
CPI JIANXI XINCHANG POWER GENERATION CO.,LTD	(90,201,890.81)	(49,082,776.11)	Changes on net income of Investment unit

No significant limits exist in repatriation of investment income.

(V). Notes on consolidated financial statements-Continued

38、Non-operating income

(1)Detail non-operating income

Unit: RMB Yuan

Items	Amount of current year	Amount of last year	Non-recurring profit and loss amount in current period
Total disposal gains and losses on non-current assets:	4,732,446.60	11,234,912.70	4,732,446.60
Disposal gains and losses on fixed assets	4,732,446.60	11,234,912.70	4,732,446.60
Government subsidy	1,292,207,296.10	650,709,673.81	245,208.34
Value-added tax restitution on imported natural gas (Note 1)	214,622,872.15	140,642,403.84	214,622,872.15
Compensation on unit capacity	-	25,678,800.00	-
Others	5,228,236.41	4,051,057.71	5,228,236.41
Total	1,516,790,851.26	832,316,848.06	229,561,210.10

Note 1: Value-added tax restitutions on imported natural gas are RMB 151,365,319.02 and RMB 63,257,553.13 this year, obtained from CNOOC Gas & Power Group(Guangdong Trade Branch) by Weimei Power company and our company respectively .

(2)Detail government subsidy

Unit: RMB Yuan

Items	Amount of current year	Amount of last year	Notes
Income on fuel subsidy	636,055,900.00	320,502,966.41	Note
Income on fuel processing fees subsidy	655,906,187.76	330,156,707.40	Note
Special funds on energy-saving	-	50,000.00	
National debt subsidy on sludge drying project	233,750.00	-	
Recycling economy supporting funds on sludge drying project	11,458.34	-	
Total	1,292,207,296.10	650,709,673.81	

Note 1: Income on fuel subsidy of the company in the year of 2011 is RMB 636,055,900.00 based on calculation method prescribed in Notification on Temporary Charges scheme on Fuel Processing Fees to Subsidy Local Gas Turbine Power Plant of peak generation by Shenzhen Municipal, Shenfubang [2010] No.74, Replied Letter on Definition of Shenzhen Gas Turbine Power Plant Subsidy Scheme in 2011 by Shenzhen Municipal, K. G. M.X.W. [2011] No.206, and Notification on Shenzhen Local Gas Turbine Power Plant Subsidy Management Temporary Method by Shenzhen Municipal, Shenfubang [2009] No.54.

Note 2: Fuel processing subsidy for Zhongshan Company and Weimei Power company together in 2011 are RMB 655,906,187.76 based on related provisions prescribed in Notice on Temporary Charges of Fuel Processing Fees (Yuefuhuan [2008] No.31) by Guangdong Provincial Government and related documents by Bureau of Price in Guangdong Province.

(V).Notes on consolidated financial statements-Continued

39. Non-operating expenses

Unit: RMB

Items	Amount of current year	Amount of last year	Non-recurring profit and loss amount in current period
Loss on disposal of fixed assets	4,985,709.23	16,537.00	4,985,709.23
Loss on scrapped inventories	-	477,348.21	-
Donation expenses	240,000.00	80,000.00	240,000.00
Others	-	20.00	-
Total	5,225,709.23	573,905.21	5,225,709.23

40. Income tax expenses

Unit: RMB Yuan

Items	Amount of current year	Amount of last year
Current income tax calculated on tax law and related provisions	12,313,851.50	7,430,010.28
Adjustment on deferred income tax	910,290.83	17,357,751.77
Total	13,224,142.33	24,787,762.05

The adjustment schedule of income tax expenses and accounting profits is as follows:

Unit: RMB Yuan

Items	Amount of current year	Amount of last year
Accounting profits	22,255,754.48	(98,645,669.78)
Income tax expenses calculated on 24% tax rate (Last year: 22%)	5,341,381.08	(21,702,047.35)
Paying tax influence of non-deductible expenses	1,108,326.18	555,815.88
Paying tax influence of tax-free income	20,169,767.51	8,387,699.16
Paying tax influence of unrecognized deductible losses and the contemporary differences	10,880,622.62	18,045,285.60
Paying tax influence of unrecognized deductible losses and the contemporary differences in previous years	(36,005,107.29)	(7,400,516.36)
Changes on deferred income tax assets/ debts balance in the beginning of the period due to tax rate adjustment	(43,577.10)	(176,102.80)
Influences on different tax rate of subsidiaries	11,772,729.33	10,128,476.87
Paying tax influence of repatriation of recognized deferred income tax assets in previous years	-	16,949,151.05
Income tax expenses	13,224,142.33	24,787,762.05

(V). Notes on consolidated financial statements-Continued

41. Calculation on basic income per share and diluted income per share

Net income attributed to shareholders of parent company in current period during calculation on basic income per share:

Unit: RMB Yuan

Items	Amount of current year	Amount of last year
Net income attributed to shareholders of parent company in current period	17,529,063.37	(114,638,678.20)
Net income as a going-concern	17,529,063.37	(114,638,678.20)
Net income as a terminated business	-	-

Denominator is weighted average of outstanding ordinary shares during calculation on basic income per share:

Unit: Share

Items	Amount of current year	Amount of last year
Outstanding ordinary shares in the beginning of the year	602,762,596	602,762,596
Add: weighted outstanding ordinary shares in current year	-	-
Less: weighted outstanding ordinary shares repurchased in current year	-	-
weighted outstanding ordinary shares at the end of the year	602,762,596	602,762,596

Income per share

Unit: RMB

Items	Amount of current year	Amount of last year
Calculation on net profit attributed to shareholders of parent company:		
Basic income per share	0.03	(0.19)
Diluted income per share	Not applicable	Not applicable
Calculation on net profit attributed to shareholders of parent company as a going concern:		
Basic income per share	0.03	(0.19)
Diluted income per share	Not applicable	Not applicable
Calculation on net profit attributed to shareholders of parent company as a terminated business:		
Basic income per share	-	-
Diluted income per share	Not applicable	Not applicable

No diluted potential ordinary shares are issued by the company. Therefore, income per diluted share is zero.

(V).Notes on consolidated financial statements-Continued

42. Notes on Statement of Cash Flows

(1)Cash received from operating activities

Unit: RMB Yuan

Items	Amount of current year	Amount of last year
Income on fuel subsidy	870,805,655.00	223,691,620.79
Special funds on economic development	-	1,500,000.00
Interest income	6,681,077.09	3,740,184.55
Value-added tax restitution on imported natural gas	214,622,872.15	140,642,403.84
Compensation on unit capacity	-	25,678,800.00
Special funds on energy-saving	-	50,000.00
Others	3,422,084.62	4,714,040.32
Total	1,095,531,688.86	400,017,049.50

(2) Cash paid for operating activities

Unit: RMB Yuan

Items	Amount of current year	Amount of last year
Leasing expenses	6,978,347.03	6,635,278.50
Social expenses	5,258,373.43	5,238,625.72
Fleet expenses	4,095,752.61	3,837,816.94
Agency expenses	3,171,158.21	4,275,658.85
Others	1,052,676.93	1,869,727.54
Total	20,556,308.21	21,857,107.55

(3)Cash received from financing activities

Unit: RMB Yuan

Items	Amount of current year	Amount of last year
Guaranty funds received	-	12,800,000.00

(4) Cash paid for financing activities

Unit: RMB Yuan

Items	Amount of current year	Amount of last year
Guaranty funds paid	52,536,060.00	-
Paid loans from third parties (Note)	-	74,838,156.81
Total	52,536,060.00	74,838,156.81

Note: The loans paid back to Xingzhong Group and Bureau of Finance in Zhongshan Municipal by Shenzhong Development Co., Ltd.

(V).Notes on consolidated financial statements-Continued

43. Supplementary data on Statement of Cash Flows

Supplementary data on Statement of Cash Flows:

Unit: RMB Yuan

Supplementary data	Amount of current year	Amount of last year
1. Reconciling net income with cash flows from operating activities:		
Net income	9,031,612.15	(123,433,431.83)
Add: Impairment of Assets	23,521,935.10	11,194,836.04
Depreciation of Fixed assets and investment property	210,819,287.24	178,247,111.12
Amortization of intangible assets	3,301,244.81	3,263,423.08
Amortization of long-term amortized expenses	177,401.80	211,800.96
Losses (gains) on disposal of fixed assets, intangible assets and other long-term assets	253,262.63	(11,218,375.70)
Financial expenses(income)	201,354,008.25	127,368,970.33
Investment Losses (income)	(23,329,325.70)	49,130,454.11
Decrease(increase) in deferred income tax assets	910,290.83	15,985,437.11
Decrease(increase) in inventory	78,322,586.24	(11,760,843.34)
Decrease(increase) in operating receivables	(433,109,183.26)	(199,972,199.01)
Decrease(increase) in operating payables	201,032,221.17	(13,119,237.90)
Net cash flows provided by operating activities	272,285,341.26	25,897,944.97
2. Non cash major investing and financing activities:		
Debt to capital conversion	-	-
Convertible bonds due within one year	-	-
Fixed assets leased through financing	-	-
3. Changes in cash and cash equivalents		
Ending balance of cash and cash equivalents	629,318,992.12	591,386,814.04
Less: Beginning balance of cash and cash equivalents	591,386,814.04	356,362,100.63
Net increase in cash and cash equivalents	37,932,178.08	235,024,713.41

(2) Cash and cash equivalents

Unit: RMB Yuan

Items	Amount in the beginning of the year	Amount at the end of the year
I. Cash	629,318,992.12	591,386,814.04
Cash on hand	256,716.21	207,875.16
Cash in bank	628,449,391.91	590,685,309.79
Other currencies on hand	612,884.00	493,629.09
II. Ending balance of cash and cash equivalents	629,318,992.12	591,386,814.04

(VI). Related parties and related party transactions

1. Parent company

Parent company does not exist for the reason that share proportions of any shareholders do not exceed 50% and no control relation will be formed through other ways.

2. Subsidiaries

Detail of subsidiaries can be referred to appendix (IV).

3. Other related parties

Other related parties	Relation with the company	Organization code
Energy Group Co., Ltd.	Shareholder exerting significant influence on the company	192189185
Weimei Ceramics Co., Ltd.	Minority shareholder	72919361X
Xingzhong Group	Minority shareholder	733112675
Shenzhen Mawan Power Co., Ltd, ("Mawan Power Co., LTD")	Subsidiaries of Energy Group Co., Ltd.	618816706
Shenzhen Moonport Oil Co., Ltd. ("Moonport Oil Co., Ltd.")	Subsidiaries of Energy Group Co., Ltd.	618849428
Energy Corporation	Subsidiaries of Energy Group Co., Ltd.	19224115-8
Directors and Executives	Key managers	Not applicable

4. Related party transactions

(1) Purchase & sale of commodities and provision & receipt of services

Purchase of commodities and receipt of services schedule

Unit: RMB Yuan

Related Parties	Related party transactions	Contents	Price setting and decision making of related transactions	Amount of current year		Amount of last year	
				Amounts	Proportion in the same transactions (%)	Amounts	Proportion in the same transactions (%)
Mawan Power Co., Ltd.	Purchase of commodities	Fuel	Price issued by charging departments or market price	-	-	21,140,652.48	0.98
Mawan Power Co., Ltd.	receipt of services	Pipe expenses	Price issued by charging departments or market price	-	-	181,955.27	100.00
Moonport Oil Co., Ltd.	receipt of services	Wharfage	Price issued by charging departments or market price	-	-	877,857.45	100.00

(2) Related party financing

This year:

Unit: RMB Yuan

Related parties	Financed amount	Beginning day	Ending day	Ending balance	Explanation
Borrowing					
Xingzhong Group	125,316,816.85	2011.01.01	2011.12.31	125,316,816.85	Renewal
Xingzhong Group	23,750,000.00	2011.01.01	2011.12.31	23,750,000.00	Renewal
Xingzhong Group	16,250,000.00	2011.01.01	2011.12.31	16,250,000.00	Renewal
Xingzhong Group	14,335,291.80	2011.01.01	2011.12.31	14,335,291.80	Renewal
Xingzhong Group	2,500,000.00	2011.01.01	2011.12.31	2,500,000.00	Renewal

Weimei Ceramics Co., LTD	35,785,979.94	2011.07.16	2012.07.16	35,785,979.94	
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(VI). Related parties and related party transactions -Continued

4. Related party transactions -Continued

(2) Related party financing-Continued

Last year:

Unit: RMB Yuan

Related parties	Financed amount	Beginning day	Ending day	Ending balance	Explanation
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	
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	Note
Xingzhong Group	2,500,000.00	2009.03.27	2010.12.31	2,500,000.00	

Note: the amounts are borrowed in October 15, 2007 and November 19, 2007. The borrowing period is one year which can be renewed at the end of period.

(3) Asset transfer of related party

Unit: RMB Yuan

Related party	Related party transaction	Related party transaction content	Price setting	Amount of current year		Amount of last year	
				Amounts	Proportion in the same transactions (%)	Amounts	Proportion in the same transactions (%)
Energy Group Co., Ltd.	10% share transfer of Energy Environmental Protection company shares	Asset transfer	Market price	123,078,900.00	36.19	-	-

(4) Remuneration for key managers

Unit: RMB Yuan

Item	Amount of current year	Amount of last year
Remuneration for key managers	7,311,300.00	7,162,700.00

(5) Capital occupying fee

Unit: RMB

Related party	Related party transaction	Related party transaction content	Price setting	Amount of current year		Amount of last year	
				Amounts	Proportion in the same transactions (%)	Amounts	Proportion in the same transactions (%)
Xingzhong Group	Capital occupying fee	Interest expenses	Note	11,192,994.08	90.99	9,906,544.84	100.00
Weimei Ceramics Co., Ltd.	Capital occupying fee	Interest expenses	Note	1,108,570.13	9.01	-	-

Note: Capital occupying fee is calculated based on equivalent flow fund borrowing rate in bank.

Shenzhen Nanshan Power Co., Ltd.

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(VI). Related parties and related party transactions –Continued

4. Related party transactions –Continued

(5) Receivables and Payables of Related parties

Payables of Related parties

Unit: RMB Yuan			
Items	Related parties	Ending balance	Beginning balance
Other payables	Xingzhong Group	182,152,108.65	182,152,108.65
	Weimei Ceramics Co., Ltd.	36,385,912.01	-
Prepaid amount	Energy Corporation	14,586,000.00	14,586,000.00
Interest payable	Xingzhong Group	43,299,375.93	32,106,381.85

(VII). Contingency

In March 2008, Contract confirmations (referred to as “confirmation”) of Contract 165723967102.11 and 165723968102.11 had been signed between Jierun Corporation and the company.

The validity period of first confirmation is from March 3, 2008 to December 31, 2008. And the confirmation consists of three option contracts. The company can obtain USD 300,000 each month (200,000 barrels* USD1.50 /barrel) when the floating price(Arithmetic average of closing price on light crude oil futures contracts in current month at New York Commodity Exchange during each deciding time limit) is higher than USD 63.50 each barrel; the company can obtain benefits of (floating price- USD 63.5 /barrel) *200,000 barrels, when the floating price is higher than USD 62.00/barrel and lower than USD 63.50/barrel; the company shall pay USD or equivalents of (USD 62.00/barrel-floating price) *400,000 barrels to Jierun Corporation, when the floating price lower than USD 62.00/barrel.

The validity period of second confirmation is from January 1, 2009 to October 31, 2009. And the confirmation consists of three option contracts. Jierun Corporation has the implement options before 1800 o'clock, December 30, 2008. The company can obtain USD 340,000 each month (200,000 barrels* USD1.70 /barrel) when the floating price is higher than USD 66.50 each barrel; the company can obtain benefits of (floating price- USD 64.8 /barrel) *200,000 barrels, when the floating price is higher than USD 64.80/barrel and lower than USD 66.50/barrel; the company shall pay USD or equivalents of (USD 64.50/barrel-floating price) *400,000 barrels to Jierun Corporation, when the floating price lower than USD 64.50/barrel.

From April to 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 RMB) to our company. Our company has calculated received expense into “other payable”.

(VII). Contingency – Continued

On November 6, 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 21st, 2008 and meeting opinions on October 29, 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 27th, 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 27th, 2009. The company has replied a letter on January 25th, 2010 and refused to accept the losses compensation requirements.

On March 31st, 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 6th, 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 6th, 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.

On February 6, 2012, Jierun Corporation has sent a letter again to the company, asking for money in arrears of USD 83,699,901.66 and related interests. On February 10, 2012, the company has replied Jierun Corporation, not adopting the compensation requirements from Jierun Corporation and asking for payables of USD 300,000.00 occurred since October 2008 and interests since November 7, 2008 under No. 165723967102.11 confirmation. The company is willing to negotiate and settle the matter in the way which will not affect rights of both sides with the consideration of invitation from Jierun Corporation. If consensus cannot be reached, it is possible to settle the dispute by judicial methods.

Board of directors in the company believes, based on the legal opinions from independent attorney:

- (1) Both two confirmations and transactions have been terminated by both parties.
- (2) It is impossible to estimate the possible settlements and results under current circumstance due to several indefinite factors in the matter.
- (3) Estimated liabilities shall not be recognized in the financial statements of 2011 due to the impossibly estimated results of the matter.

Board of directors of the company will notify relevant accounting treatments timely based on the matter progress.

(VIII). Commitments

1、Capital commitments

Unit: RMB

Items	Amount at the end of the year	Amount at the end of the year
Singed but unrecognized in financial statements		
- Commitment to purchase long-term assets	17,900,039.34	22,732,380.00

2、Operating and leasing commitments

Irrevocable operating and leasing contracts signed externally at the date of Balance Sheet are as follows:

Unit: RMB

Items	Amount at the end of the year	Amount at the end of the year
Minimum leasing payments of irrevocable operating and leasing		
First year after the date of Balance Sheet	3,378,118.33	4,394,861.29
Second year after the date of Balance Sheet	6,133,712.63	1,376,850.00
Third year after the date of Balance Sheet	1,427,596.50	1,389,536.63
Years afterward	65,009,429.93	66,616,466.43
Total	75,948,857.39	73,777,714.35

(IX). Subsequent events on Balance Sheet

Unit: RMB Yuan

Items	Content	Effected amount on financial position and operating results	Reasons impossible to estimate
Investment	<p>On September 30, 2011, the fourth temporary general meeting of shareholders had been held and Motion on Capital Increase to Shenzhen Nanshan (Zhongshan) Electric Power Co., Ltd. had been approved to increase capital of RMB 350,000,000 Yuan to Zhongshan Power Company, and the shareholders shall contribute in accordance with the stock right ratio. Among which, the company had been assigned to offer RMB 192,500,000 Yuan for holding 55% of the stock, and Xingdesheng Company had been assigned to offer RMB 87,500,000 Yuan for holding 25% of the stock and Xingzhong Group had been assigned to offer RMB 70,000,000 Yuan for holding 20% of the stock</p> <p>Till the approval and submit day of the financial statement, the company, Xingdesheng Company and Xingzhong Group have already contributed the capital in accordance with the resolution, relevant commercial and industrial registration procedures are in progress.</p>	None	Not applicable

(X) Other important matters

1. Borrowing costs

Unit: RMB Yuan

Item	Amount of capitalized borrowing costs in current period	Capitalization rate
Goods in stock	44,697,588.67	6.14
Total capitalized borrowing costs in current	44,697,588.67	

period		
Borrowing costs reckoned in the profits and losses in current period	201,354,008.25	
Total borrowing costs in current period	246,051,596.92	

(X) Other important matters-Continued

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.

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Year to December 31, 2011

(X) Other important matters – Continued

2. Segment report–Continued

(1) Segment report information

Unit: RMB Yuan

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	2,314,110.50 3.62	1,574,029.394.14	10,874,172.45	2,855,478.19	-	-	81,032.69 3.38	24,168.96 0.49	9,800,360.90	676,632.48	-	-	2,415,817.73 0.35	1,601,730.4 65.30
Inter-segment trade income	18,709,970.47	50,980,191.84	25,118,111.94	48,280,291.20	-	-	2,159,000.00	400,000.00	431,765.02	8,842,667.56	(46,418,847.43)	(108,503.15 0.60)	-	-
Total segment business income	2,332,820.47 4.09	1,625,009.585.98	35,992,284.39	51,135,769.39	-	-	83,191.69 3.38	24,568.96 0.49	10,232,125.92	9,519,300.04	(46,418,847.43)	(108,503.15 0.60)	2,415,817.73 0.35	1,601,730.4 65.30
Total statement business income	2,332,820.47 4.09	1,625,009.585.98	35,992,284.39	51,135,769.39	-	-	83,191.69 3.38	24,568.96 0.49	10,232,125.92	9,519,300.04	(46,418,847.43)	(108,503.15 0.60)	2,415,817.73 0.35	1,601,730.4 65.30
Subdivisional expense	3,561,094.22 3.49	2,308,545.723.04	34,279,942.58	48,798,735.87	226,978.36	1,869,851.41	64,783.44 1.41	10,402.12 9.90	16,042,723.28	2,576,178.22	(49,807,701.06)	(113,428.22 6.80)	3,626,619.60 8.06	2,258,764.3 91.64
Subdivisional business profits (losses)	(1,228,273.7 49.40)	(683,536.1 37.06)	1,712,341.81	2,337,033.52	(226,978.36)	(1,869,851.41)	18,408.25 1.97	14,166.83 0.59	(5,810,597.36)	6,943,121.82	3,388,853.63	4,925,076.20	(1,210,801.8 77.71)	(657,033.9 26.34)
Management expense	35,149,345.24	55,576,484.22	5,614,666.56	8,072,342.86	8,936,054.02	8,142,739.17	8,590,797.29	5,818,345.22	39,248,022.53	18,316,516.73	-	-	97,538,885.64	95,926,428.20
Financial expenses	125,478,090.52	84,071,406.43	(706,457.31)	103,100.67	2,486,260.10	4,967,564.21	(2,033,286.22)	(3,367,965.80)	79,772,659.07	42,339,675.95	(699,316.26)	184,022.52	204,297,949.90	128,297,803.98
Investment return	-	-	91,188.94 4.68	-	-	-	-	-	151,166,247.74	(49,130,454.11)	(219,025,866.72)	-	23,329,325.70	(49,130,454.11)
Business profit	(1,388,901.1 85.16)	(823,184.0 27.71)	87,993,077.24	(5,838,410.0 1)	(11,649,292.48)	(14,980,154.79)	11,850,740.90	11,716.45 1.17	26,334,968.78	(102,843.5 24.97)	(214,937,696.83)	4,741,053.68	(1,489,309.3 87.55)	(930,388.6 12.63)
Non-business income	719,183,406.93	401,127,815.30	4,470,431.09	8,189,147.59	5,178,379.08	32,059,175.72	245,208.34	-	787,454,425.82	390,940,709.45	259,000.00	-	1,516,790,851.26	832,316,848.06
Non-business expenditure	4,974,189.48	82,090.00	151,519.75	20.00	-	477,348.21	-	14,447.00	100,000.00	-	-	-	5,225,709.23	573,905.21
Total profit	(674,691,967.71)	(422,138.3 02.41)	92,311,988.58	2,350,717.58	(6,470,913.40)	16,601,672.72	12,095,949.24	11,702.00 4.17	813,689,394.60	288,097,184.48	(214,678,696.83)	4,741,053.68	22,255,754.48	(98,645,669.78)
Income tax	2,607,330.76	6,334,193.92	6,905,536.60	131,919.99	-	45,018.34	3,944,363.08	2,699,793.41	-	16,949,151.06	(233,088.11)	(1,372,314.67)	13,224,142.33	24,787,762.05
Net profit	(677,299,298.47)	(428,472.4 96.33)	85,406,451.98	2,218,797.59	(6,470,913.40)	16,556,654.38	8,151,586.16	9,002,210.76	813,689,394.60	271,148,033.42	(214,445,608.72)	6,113,368.35	9,031,612.15	(123,433.4 31.83)

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Year to December 31, 2011

(X) Other important matters - Continued

2. Segment report - Continued

Unit: RMB Yuan

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
Total subdivisional assets	3,985,686,884.83	3,582,479,751.19	453,571,505.43	371,605,020.14	1,191,800,881.62	1,181,805,033.59	325,782,913.43	316,989,922.55	3,417,914,981.73	2,770,795,095.82	(3,922,010,484.13)	(2,944,720,473.39)	5,452,746,682.91	5,278,954,349.90
Total subdivisional liabilities	(1,009,701,740.93)	(1,836,510,433.07)	37,352,328.55	40,784,255.24	1,041,079,656.08	1,024,612,894.65	192,496,978.00	107,040,636.33	6,956,704,749.96	6,681,686,619.00	(3,652,996,281.80)	(2,671,117,973.06)	3,564,935,689.86	3,346,495,999.09
Additional information:														
Depreciation and amortization expenses	204,365,548.77	177,507,241.00	6,729,826.09	6,921,264.13	151,859.27	305,402.35	6,412,062.17	498,420.22	2,136,442.90	1,815,083.66	(5,497,805.35)	(5,325,076.20)	214,297,933.85	181,722,335.16
Interest income	13,241,610.20	7,184,449.93	1,156,388.18	31,081.69	4,839,821.07	3,582,142.30	6,452,791.60	3,979,149.75	75,559,381.18	58,513,979.16	(94,568,915.14)	(70,078,567.31)	6,681,077.09	3,212,235.52
Interest expenditure	135,181,513.98	87,870,425.29	-	-	7,316,235.60	8,538,307.19	4,254,685.44	584,539.38	149,170,488.36	99,980,043.30	(94,568,915.13)	(70,078,567.31)	201,354,008.25	126,894,747.85
Impairment loss confirmed in the current period	22,119,791.22	12,092,537.18	216,395.00	(1,128,922.47)	-	1,633,199.83	(500,207.00)	(1,401,978.50)	1,736,004.16	-	(50,048.28)	-	23,521,935.10	11,194,836.04
Investment benefits confirmed by long-term stock right investment as verified through equity method	-	-	-	-	-	-	-	-	(90,201,890.81)	(49,082,776.11)	-	-	(90,201,890.81)	(49,082,776.11)
Capital expenditure	92,860,116.24	68,581,424.46	2,006,340.31	-	33,820.00	30,882.00	26,855,475.15	13,869,338.28	13,125,516.24	16,949,852.91	(950,000.00)	(1,350,000.00)	133,931,267.94	98,081,497.65
Wherein: Expenditure for projects under construction	90,487,566.56	49,825,059.85	1,846,636.98	-	-	-	26,661,096.15	13,775,038.28	13,073,934.45	7,621,566.91	(950,000.00)	(950,000.00)	131,119,234.14	70,271,665.04
Expenditure for purchasing fixed assets	2,372,549.68	18,756,364.61	27,891.67	-	33,820.00	30,882.00	194,379.00	94,300.00	51,581.79	16,120.00	-	(400,000.00)	2,680,222.14	18,497,666.61
Expenditure for purchasing intangible assets	-	-	131,811.66	-	-	-	-	-	-	9,312,166.00	-	-	131,811.66	9,312,166.00

(X) Other important matters-Continued

3. Financial tools and risk management

Major financial tools of our group include equity investment, deposits held in banks, loan, accounts receivable, other accounts receivable, accounts payable, other accounts payable and etc, of which the detailed explanation can be found in Note (V). Risk related to these financial tools and the policies of risk management adopted to reduce these risks of our group are illustrated as below. The management layer of our group manages and monitors these risk exposure to control the above risks in limited range.

(1) Target and policy of risk management

The target of our group to undertake risk management is to balance the risk and profit and reduce the negative influence of these risks to the operating performance of our group so as to maximize the profits of stockholders and other equity investors. Based on the target of the risk management, the basic strategy of our company's risk management is to ensure and analyze all risks confronted before our group, establishing proper deadline of risk enduring, conducting risk management, reliably supervising all risks in time and controlling the risks in limited range

1.1 Market risk**1.1.1 Risk of foreign exchange**

Risk of foreign exchange refers to the risk of loss produced from the fluctuation in exchange rate. The enduring foreign exchange risk of our group is mainly related to the HKD, USD, Euro and SGD. Except part of subsidiaries conducting purchase and sale with HKD, USD, Euro and SGD, other major business of our group are evaluated and settled through RMB. On December 31, 2011, except the stated assets as below are remaining balance of HKD, USD, Euro and SGD, the asset and liability of our group are remaining balance of RMB. The foreign exchange risk produced from the asset and liability of the foreign currency's remaining balance may influence the operating performance of our group.

Unit: RMB Yuan

Items	Amount at the end of the year	Amount in the beginning of the year
Cash and money equivalent-USD	12,417,149.30	10,993,828.42
Cash and money equivalent- Euro	8,308.37	8,963.88
Cash and money equivalent-HKD	736,734.06	4,639,415.66
Cash and money equivalent-SGD	481,337.03	113,361.80
Other accounts receivable-USD	1,695,323.96	2,684,814.93
Other accounts receivable-HKD	-	434,063.79
Other accounts receivable-SGD	463,465.14	15,679.80
Accounts payable-USD	49,740.70	52,281.05
Other accounts payable-USD	13,859,889.14	13,172,461.88
Other accounts payable-HKD	-	508,226.00
Other accounts payable-SGD	1,370,194.55	1,485,283.10

Our group pays close attention to the influence on the foreign exchange risk of the fluctuation in exchange rate. So far, our group has not yet adopted any measures to avoid foreign exchange risk.

(X) Other important matters-Continued

3. Financial tools and risk management-Continued

•Target and policy of risk management-Continued

1.1.2. Interest rate risk- Risk of cash flow's fluctuation

The risk of cash flow's fluctuation of the financial tools caused by the fluctuation of interest rate in our group has much to do with the bank loan's floating interest rate. (Referring to the Note V for the detail) Our policy is to hold the floating rate of the loan and eliminate fluctuation risk of the interest rate caused by the fluctuation of interest rate.

1.2 Credit risk

December 31, 2011, the biggest credit risk exposure that probably causes financial loss of our group is mainly from the other party of the contract which can not fulfill the liabilities and lead to the financial loss.

Our company examines and verifies the recovering condition of each single account receivable in every balance sheet date to count and draw sufficient preparation of bad debt in accordance with the fund that is unable to get recovered.

Since the working capital of our company is stored in the bank with higher credit, the credit risk of working capital is lower.

1.3 Liquidity risk

While manage liquidity risk, our group keeps and monitors sufficient cash and money equivalent confirmed by management layer to satisfy the operating need and lower the influence from the floating of cash flow. The management layer monitors the utilization of bank loan and obeys the loan treaty.

Our company regards bank loan as main source of funds. December 31, 2011, bank credit limit that has not been used is RMB 1,070,322,657.14(December 31, 2010: RMB 1,412,600,000.00Yuan).

(X) Other important matters- Continued

3. Financial tools and risk management- Continued

(1) Target and policy of risk management-Continued

1.3 Liquidity risk-Continued

The financial asset and financial liability our company holds are analyzed as below according to the deadline of the responsibilities on the contract that has not been discounted and still remained left.

Unit: RMB Yuan

Items	Within one year	1-5 years	More than 5 years
Fund of currency	695,095,052.12	-	-
Accounts receivable	934,640,019.03	-	-
Other accounts receivable	124,599,842.72	-	-
Short-term loan	3,396,816,761.64	-	-
Bill payable	43,820,200.00	-	-
Accounts payable	214,748,889.66	-	-
Interest payable	75,462,594.51	-	-
Other accounts payable	358,597,380.00	-	-
Non-flow liability due in one year	50,828,972.60	-	-
Long-term loan	1,790,880.00	7,163,520.00	27,285,508.38

(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.

(X) Other important matters- Continued

3. Financial tools and risk management- Continued**(3) Sensitivity analysis**

Our company adopts sensitivity analysis to technically analyze what kind of influence the rational and possible change of the risk variation produced on the current balance or the stockholders' interest. Since no risk variation change isolatedly and the dependence existing in the variation plays an important role in the

3.1 Risk of foreign exchange

While other variation remaining invariable, the possible and rational fluctuation of exchange rate influence the current balance and stockholders' interest before tax as below:

Unit: RMB Yuan

Item	Fluctuation of exchange rate	This year		Last year	
		Influence on profit	Influence on rights and interest of stockholders	Influence on profit	Influence on rights and interest of stockholders
All foreign currency	5% Appreciation to the RMB	26,124.67	26,124.67	(183,593.81)	(183,593.81)
All foreign currency	5% Devaluation to the MB	(26,124.67)	(26,124.67)	183,593.81	183,593.81

3.2 Interest rate risk

3.2.1 Sensitivity analysis of interest rate risk is based on the below assumption:

- The change of market rate influences the interest income or fees of financial tools with changeable interest rate.

3.2.2 On the basis of above assumption, with other variation remaining invariable, the rational fluctuation that interest rate may occurred influences the current balance and interests of stockholders before tax as below:

Unit: RMB Yuan

Item	Fluctuation of interest rate	This year		Last year	
		Influence on profit	Influence on rights and interests of stockholders	Influence on profit	Influence on rights and interests of stockholders
Loan with floating interest rate	Interest rate floating 1 % Upward	(24,070,000.00)	(24,070,000.00)	(21,400,000.00)	(21,400,000.00)
Loan with floating interest rate	Interest rate floating 1 % downward	24,070,000.00	24,070,000.00	21,400,000.00	21,400,000.00

(XI) Notes on Company's financial statements

1. Accounts receivable

(1) Accounts receivable are exposed according to the categories:

Unit: RMB Yuan

Category	Amount at the end of the year				Amount in the beginning of the year			
	Carrying amount		Preparation of bad debt		Carrying amount		Preparation of bad debt	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)
Accounts receivable with great single amount and counting and drawing of bad debt preparation	-	-	-	-	-	-	-	-
Accounts receivable with no great single amount or great single amount without devaluation after test	646,023,065.42	100.00	-	-	277,107,630.12	100.00	-	-
No major single amount but with accounts receivable of bad debt preparation counted and drawn of single term	-	-	-	-	-	-	-	-
In total	646,023,065.42	100.00	-	-	277,107,630.12	100.00	-	-

Age analysis of accounts receivable as below:

Unit: RMB Yuan

Age of account	Amount at the end of the year				Amounts in the beginning of year			
	Amount	Proportion (%)	Preparation of bad debt	Carrying amount	Amount	Proportion (%)	Preparation of bad debt	Carrying amount
With 1 year	645,982,237.80	99.99	-	645,982,237.80	277,104,741.12	100.00	-	277,104,741.12
1~2 years	37,938.62	0.01	-	37,938.62	-	-	-	-
2~3 years	-	-	-	-	2,889.00	-	-	2,889.00
Over 3 year	2,889.00	-	-	2,889.00	-	-	-	-
In total	646,023,065.42	100.00	-	646,023,065.42	277,107,630.12	100.00	-	277,107,630.12

(2) There is no accounts receivable with great amount but counting and drawing bad debt preparation separately.

(3) There is no balance of amount receivable of stockholders who hold over 5 % (containing 5 %) of vote stock.

(4) Top five units with accounts receivable

Unit: RMB Yuan

Name of units	Relations with our company	Amount	Age limit	Proportion in the general accounts receivable
Shenzhen Bureau of Finance	Government department	564,250,490.62	Within one year	87.34
Guangdong Grid Corporation	Irrelevant customer	81,253,737.90	Within one year	12.58
Shenzhen University	Irrelevant customer	194,386.50	Within one year	0.03
Zhongcai Energy Management Service.Co	Irrelevant customer	170,887.80	Within one year	0.03
Shenzhen Nanshan Meet Processing Factory	Irrelevant customer	91,458.00	Within one year	0.01
In total		645,960,960.82		99.99

(XI) Notes on Company's financial statements -Continued

2. Other accounts receivable

(1) Other accounts receivable are exposed according to categories:

Unit: RMB Yuan

Category	Amount at the end of the year				Amount in the beginning of the year			
	Carrying remaining		Preparation of bad debt		Carrying remaining		Preparation of bad debt	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)
Other accounts receivable with great single amount and counting and drawing of bad debt preparation	22,677,404.46	1.46	22,677,404.46	100.00	22,677,404.46	2.47	22,677,404.46	100.00
Other accounts receivable with no great single amount or great single amount without devaluation after test	1,523,503,252.69	98.19	-	-	892,922,760.15	97.23	-	-
Other accounts receivable with no great single amount but preparation of counting and drawing of single term	5,362,330.44	0.35	3,140,957.25	58.57	2,729,502.62	0.30	1,404,953.09	51.47
In total	1,551,542,987.59	100.00	25,818,361.71	1.66	918,329,667.23	100.00	24,082,357.55	2.62

Age analysis of other accounts receivable as below:

Unit: RMB Yuan

Age of account	Amount at the end of the year				Amount in the beginning of the year			
	Account	Proportion (%)	Preparation of bad debt	Carrying account	Account	Proportion (%)	Preparation of bad debt	Carrying account
Within one year	683,777,747.42	44.07	-	683,777,747.42	55,697,645.24	6.06	-	55,697,645.24
1~2 years	46,951,064.34	3.03	-	46,951,064.34	261,428,722.35	28.47	-	261,428,722.35
2~3 years	242,850,051.86	15.65	173,524.12	242,676,527.74	100,975,970.51	11.00	-	100,975,970.51
Over 3 years	577,964,123.97	37.25	25,644,837.59	552,319,286.38	500,227,329.13	54.47	24,082,357.55	476,144,971.58
In total	1,551,542,987.59	100.00	25,818,361.71	1,525,724,625.88	918,329,667.23	100.00	24,082,357.55	894,247,309.68

(2) Other accounts receivable of which the single amount is not that great with bad debt preparation counted and drawn separately:

Unit: RMB Yuan

Content of other accounts receivable	Carrying amount	Amount of counting and drawing bad debt preparation	Proportion of counting and drawing	Reason
Guarantee deposit receivable	3,278,632.28	1,404,953.09	42.85	Overdue part cannot be withdrawn
Dormitory amount receivable	2,083,698.16	1,736,004.16	83.31	Overdue part cannot be withdrawn
In total	5,362,330.44	3,140,957.25	58.57	

(3) There is no balance of other amount receivable of stockholders who hold over 5 % (containing 5 %) of vote stock.

(4) Top five units with other accounts receivable

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Unit: RMB Yuan

Name of company	Relation with our company	Amount	Age limit	Proportion in the general accounts receivable (%)
Shenzhong Development Co., Ltd.	Subsidiary	688,629,880.98	Within 1 year to over 3 years	44.38
Zhongshan Electric Power Co., Ltd.	Subsidiary	626,243,082.60	Within 1 year to over 3 years	40.36
Jiangxi Zhongdian Corporation	Irrelevant customer	106,342,100.00	Within 1 year	6.85
Weimei Electric Power Co., Ltd.	Subsidiary	85,437,069.99	Within 1 year and 1 to 2 years	5.51
Huiyang Kangtai Industrial Corporation	Cooperation party of the project	14,311,626.70	Over 3 years	0.92
Total		1,520,963,760.27		98.02

(5) Accounts receivable of related party refers to the Note (XI) 7

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(XI) Notes on Company's financial statements -Continued

3. Long-term equity investment

Detail of long-term equity investment as below:

Unit: RMB Yuan

The invested entity	Business accounting method	Cost of investment	Beginning balance	Fluctuation of increase (decrease)	Ending balance	Share holding proportion in invested unit (%)	Proportion of vote right in invested unit (%)	Inconsistent explanation of share holding proportion and vote right proportion in invested unit	Preparation of devaluation	Counting and drawing devaluation preparation in this year	Cash bonus in this year
Xiefu Oil Supply Co., Ltd.	Cost method	26,650,000.00	26,650,000.00	-	26,650,000.00	50.00	50.00	Not applicable	-	-	-
New Electric Power Co., Ltd.	Cost method	71,270,000.00	71,270,000.00	-	71,270,000.00	75.00	75.00	Not applicable	-	-	-
Zhongshan Electric Power Co., Ltd.	Cost method	218,240,000.00	218,240,000.00	-	218,240,000.00	55.00	55.00	Not applicable	-	-	-
Engineering Company	Cost method	6,000,000.00	6,000,000.00	-	6,000,000.00	60.00	60.00	Not applicable	-	-	56,264,962.17
Weimei Electric Power Co., Ltd.	Cost method	115,319,049.76	115,319,049.76	-	115,319,049.76	40.00	40.00	Not applicable	-	-	71,571,959.87
Shennan Company Singapore	Cost method	6,703,800.00	6,703,800.00	-	6,703,800.00	100.00	100.00	Not applicable	-	-	-
Environmental Company(Note 1)	Cost method	55,300,000.00	46,340,000.00	8,960,000.00	55,300,000.00	70.00	70.00	Not applicable	-	-	-
Shenzhong Development Co., Ltd	Cost method	-	-	-	-	75.00	75.00	Not applicable	-	-	-
Shenzhong Real Estate Co., Ltd.	Cost method	-	-	-	-	75.00	75.00	Not applicable	-	-	-
Energy Environmental Company(Note 2)	Cost method	89,671,000.00	41,790,000.00	(41,790,000.00)	-	10.00	10.00	Not applicable	-	-	-
Jiangxi Nuclear Power Co., Ltd	Cost method	37,315,000.00	37,315,000.00	-	37,315,000.00	5.00	5.00	Not applicable	-	-	-
Jiangxi Xinchang Co., Ltd (Note 2)	Right and profit method	286,285,715.00	227,103,274.30	(227,103,274.30)	-	30.00	30.00	Not applicable	-	-	-
In total		864,873,564.76	796,731,124.06	(259,933,274.30)	536,797,849.76				-	-	127,836,922.04
Decrease: Devaluation preparation			-		-						
Net amount of long-term equity investment			796,731,124.06		536,797,849.76						

Note 1: On January 28, 2011, our company handed in the second segment capital 8,960,000.00 to environmental protection company. So far, the capital to environmental protection company has been sufficient. The above contribution of capital has been inspected by Shenzhen Zhongfa Accounting Firm which has provided capital verification report S.Z.F.(W)Y..Z.[2011] No.2.

Note 2: Details refer to Note (V)8.

(XI) Notes on Company's financial statements -Continued

4. Operating income, operating cost

(1) Operating income

Unit: RMB Yuan

Item	Amount incurred in this year	Amount incurred in last year
Major business income	903,571,321.23	385,171,238.11
Other business income	86,708,420.29	41,800,634.74
Operating cost	1,598,330,636.84	765,825,140.43

(2) Major business (different industries)

Unit: RMB Yuan

Name of industry	Amount incurred in this year		Amount incurred in last year	
	Operating income	Operating cost	Operating income	Operating cost
Energy business	903,571,321.23	1,545,500,300.35	385,171,238.11	764,932,810.44

(3) Major business (different products)

Unit: RMB Yuan

Name of products	Amount incurred in this year		Amount incurred in last year	
	Operating income	Operating cost	Operating income	Operating cost
Electric power sale	897,391,552.02	1,537,625,216.47	383,410,977.08	758,156,861.40
Heat power sale	6,179,769.21	7,875,083.88	1,760,261.03	6,775,949.04
In total	903,571,321.23	1,545,500,300.35	385,171,238.11	764,932,810.44

(4) Major business (different areas)

Unit: RMB Yuan

Name of areas	Amount incurred in this year		Amount incurred in last year	
	Operating income	Operating cost	Operating income	Operating cost
Inland	903,571,321.23	1,545,500,300.35	385,171,238.11	764,932,810.44

(5) Operating income of our top five customers:

Unit: RMB Yuan

Name of customer	Operating income	Proportion on the whole operating income (%)
Shenzhen Power Supply Bureau of Guangdong Power Grid Corporation	897,391,552.02	90.62
Shenzhen Xiyang Petroleum Chemical Industry Co., Ltd	41,275,312.26	4.17
New Electric Power Company	22,586,300.24	2.28
Yuehe Petroleum Chemical Industry Co., Ltd. in Xiangzhou District, Zhuhai	6,427,205.13	0.65
Shenzhen University	901,504.27	0.09
Total	968,581,873.92	97.81

(XI) Notes on Company's financial statements -Continued

5. Investment income

(1) Detail of investment income

Unit: RMB Yuan

Item	Amount incurred in this year	Amount incurred in last year
Long-term investment income checked by cost method	127,836,922.04	-
Long-term investment income checked by equity method	(90,201,890.81)	(49,082,776.11)
Investment income from the disposal of long-term investment equity	113,531,216.51	(47,678.00)
In total	151,166,247.74	(49,130,454.11)

(2) Long-term investment income checked by cost method

Unit: RMB Yuan

Invested unit	Amount incurred in this year	Amount incurred in last year	Reason of increased/decreased fluctuation comparing with last year
Weimei Electric Power company	71,571,959.87	-	The subsidiary allocates dividend this year while no allocation last year.
Engineering company	56,264,962.17	-	The subsidiary allocates dividend this year while no allocation last year.
Total	127,836,922.04	-	

(3) Long-term investment income checked by equity method

Unit: RMB Yuan

Invested unit	Amount incurred in this year	Amount incurred in last year	Reason of increased/decreased fluctuation comparing with last year
Jiangxi Xinchang Company	(90,201,890.81)	(49,082,776.11)	Referring to Note (V) 37

There is no great limitation on the return of investment income.

(XI) Notes on Company's financial statements -Continued

6. Updates of cash flow statement

(1) Updates of cash flow statement

Unit: RMB Yuan

Updates	Amount of this year	Amount of last year
1. Net profit is adjusted to be cash flow for operating business		
Net profit	185,763,215.13	(92,683,444.17)
Increase: preparation of asset devaluation	16,041,488.47	12,092,537.18
Depreciation of fixed asset	72,292,401.99	50,430,765.04
Amortization of intangible asset	1,399,802.89	1,362,361.36
Amortization of long-term deferred expenses	75,783.60	113,200.92
Loss(profit) through disposing fixed asset, intangible asset and other long-term asset	4,609,078.93	-
Financial expense(profit)	149,697,744.85	99,981,483.72
Loss(Profit) of investment	(151,166,247.74)	49,130,454.11
Decrease(increase) of deferred income tax asset	-	16,949,151.06
Decrease (increase) of stock	43,401,627.44	22,760,110.30
Decrease (increase) of operating items receivable	(427,014,813.17)	(211,190,292.78)
Increase (decrease) of operating items payable	454,256,195.79	58,721,834.02
Net amount of cash flow incurred in operating activity	349,356,278.18	7,668,160.76
2. Great investment and financing activity that are not involved in cash balance		
Conversion of debt into capital	-	-
Changeable company debenture share due in one year	-	-
Financing to rent in fix assets	-	-
3. Net fluctuation of cash and money equivalent		
Year-end remaining of cash and money equivalent	303,150,447.89	269,369,131.18
Decrease: Remaining in the beginning of year of cash and money equivalent	269,369,131.18	35,564,935.05
Net increasing amount of cash and cash equivalent	33,781,316.71	233,804,196.13

(2) Constitution of cash and money equivalent

Unit: RMB Yuan

Item	Amount at the end of the year	Amount in the beginning of the
I. Cash	303,150,447.89	269,369,131.18
There into: value-cash	73,554.85	48,656.09
Bank deposits used to pay at any time	302,539,423.53	268,895,495.56
Other currency fund used to pay at any time	537,469.51	424,979.53
II. Year-end remaining of cash and money equivalent	303,150,447.89	269,369,131.18

(XI) Notes on Company's financial statements -Continued

7. Situation of related transaction

(1)Purchase and sale of goods, provision and acceptance of labor service

Goods purchase and service acceptance table:

Unit: RMB Yuan

Related party	Related transaction content	Pricing method and decision-making process of related transaction	Amount incurred in the current year		Amount incurred in last year	
			Amount of money	The proportion in the amount of similar transaction (%)	Amount of money	The proportion in the amount of similar transaction (%)
Xiefu Oil Supply Company	Fuel purchase	According to price released by competent department of refer to market price	-	-	9,560,336.80	0.77
Xiefu Oil Supply Company	Warehousing and transport cost	According to price released by competent department of refer to market price	6,449,632.14	100.00	12,102,818.98	100.00
New electric power company	Fuel purchase	According to price released by competent department of refer to market price	398,021,462.60	22.95	211,480,735.73	16.95
Mawan Electric Power Company	Charge for using oil pipelines	According to price released by competent department of refer to market price	-	-	181,955.27	100.00
Mawan Electric Power Company	Fuel purchase	According to price released by competent department of refer to market price	-	-	21,140,652.48	1.69
Yue Liangwan Oil Company	Charge for using wharf	According to price released by competent department of refer to market price	-	-	877,857.45	100.00
Zhongshan Electric Power Company	Fuel purchase	According to price released by competent department of refer to market price	-	-	17,499,373.95	1.40

Goods sale and service provision table:

Unit:RMB Yuan

Related party	Related transaction content	Pricing method and decision-making process of related transaction	Amount incurred in current year		Amount incurred in last year	
			Amount of money	The proportion in the amount of similar transaction (%)	Amount of money	The proportion in the amount of similar transaction (%)
New electric power company	Charge for using flue gas	According to price released by competent department of refer to market price	2,333,308.80	100.00	2,699,107.20	100.00
New electric power company	Service charge for unit operating trusteeship	According to price released by competent department of refer to market price	16,335,171.00	100.00	29,557,385.50	100.00
New electric power company	Heating power sale	According to price released by competent department of refer to market price	3,917,820.44	63.40	72,825.19	0.02
Zhongshan Electric Power Company	Materials sale	According to price released by competent department of refer to market price	-	-	5,528,376.07	1.29
Weimei Electric Power Company	Materials sale	According to price released by competent department of refer to market price	8,604,673.29	9.92	2,407,094.01	0.56

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Weimei Electric Power Company	Leasing materials	According to price released by competent department of refer to market price	431,765.02	0.50	907,197.48	0.21
Environmental protection company	Hot-water sale	According to price released by competent department of refer to market price	6,547,254.72	7.55	-	-
Environmental protection company	Cooling water sale	According to price released by competent department of refer to market price	2,379,392.46	2.74	-	-
Environmental protection company	Leasing land	According to price released by competent department of refer to market price	1,152,000.00	1.33	-	-
Environmental protection company	Tap-water sale	According to price released by competent department of refer to market price	26,650.00	0.03	-	-

(XI) Notes on Company's financial statements -Continued

7. Situation of related transaction-Continued

(2) Situation of related trusteeship

Trusteeship situation table:

Unit: RMB Yuan

The name of entrusting party	The name of the entrusted party	Transaction types	Situation of the entrusted asset	Starting date of being entrusted	The end date of being entrusted	Pricing basis of trusteeship income	Amount of money
New electric power company	This company	Trusteeship income	Generators of number II, X and XI	January 1, 2011	November 31, 2011	Calculating and determined by 0.025 Yuan/KWH according to generating capacity	16,335,171.00
New electric power company	This company	Trusteeship income	Generators of number II, X and XI	January 1, 2010	November 31, 2010	Calculating and determined by 0.025 Yuan/KWH according to generating capacity	29,557,385.50
New electric power company	This company	Cost apportionments (note)	Generators of number II, X and XI	January 1, 2011	November 31, 2011	Apportionment according to the capacity of the unit of the new electric power company	4,430,043.28
New electric power company	This company	Cost apportionments (note)	Generators of number II, X and XI	January 1, 2010	November 31, 2010	Apportionment according to the capacity of the unit of the new electric power company	9,664,570.61
New electric power company	This company	expense allocation(note)	Generators of number II, X and XI	January 1, 2011	November 31, 2011	Apportionment according to the capacity of the unit of the new electric power company	17,476,977.77
New electric power company	This company	expense allocation(note)	Generators of number II, X and XI	January 1, 2010	November 31, 2010	Apportionment according to the capacity of the unit of the new electric power company	36,427,943.27

Note: According to *Trusteeship Operating Contact of Generator Unit Asset of Shenzhen New Electric Power Industry Co., LTD* signed by this company and New Electric Company on December 23, 2003, operation and management of 2#, 10# and 11# unit assets are all entrusted to this company. The content of entrusting operation includes: production plan, power generation dispatching, power measure and sale by proxy, collection of electricity and management of safe running of the equipment, etc., and works of purchasing, storage and management of consumption materials and necessary parts of repair and maintain, daily maintenance of power generation equipment and facilities, eliminating, he management and quality control of large and medium-sized repair engineering, and technological innovation and transformation of power generation equipments, etc.

For fuel used for power generation, after being purchased by New Electric Power Company, should be submitted to the company for using as a whole, and list the cost according to actual fuel consuming amount of the unit owned by New Electric Power Company.

For big repairing bills and prepared equipments, they should be purchased united by the company according to trusteeship contact, and will belong to cost of relevant unit and be calculated into unit cost of New Power Company in actual process.

For expense that can't be calculated into expense of New Power Company unit (e.g. water and electricity expense, common asset depreciation and personnel salaries, etc.), should be divided to be shared by New Power Company and this company according to proportion of amount of power generated.

This company and New Electric Power Company declare paying taxes according to the above sharing method.

(XI) Notes on Company's financial statements -Continued

7. Situation of related transaction-Continued

(3)Related assurance situation

Offering assurance

Unit: RMB Yuan

Assurance provider	Secured party	Amount of assurance	Starting date of assurance	End date of assurance	Completing of the performance of assurance
This company	Weimei Electric Power Company	100,000,000.00	2011.12.06	2012.06.06	No
This company	Weimei Electric Power Company	10,000,000.00	2011.02.14	2012.02.12	No
This company	Weimei Electric Power Company	90,000,000.00	2011.02.22	2012.02.12	No
This company	Weimei Electric Power Company	100,000,000.00	2011.12.02	2012.07.20	No
This company	Weimei Electric Power Company	100,000,000.00	2011.12.07	2012.07.20	No
This company	Weimei Electric Power Company	80,000,000.00	2011.07.15	2012.07.15	No
This company	Weimei Electric Power Company	100,000,000.00	2011.12.29	2012.12.29	No
This company	Weimei Electric Power Company	20,000,000.00	2011.01.10	2012.01.10	No
This company	Zhongshan Electric Power Company	50,000,000.00	2011.09.09	2012.09.09	No
This company	Zhongshan Electric Power Company	50,000,000.00	2010.04.01	2012.04.01	No
This company	Zhongshan Electric Power Company	90,000,000.00	2011.01.21	2012.01.21	No
This company	Environmental protection company	10,000,000.00	2011.08.03	2012.08.03	No
This company	Environmental protection company	26,000,000.00	2009.11.06	2017.09.20	No
This company	Environmental protection company	10,000,000.00	2011.07.22	2012.06.20	No
This company	New Electric Power Company	30,000,000.00	2011.06.30	2012.06.30	No
This company	New Electric Power Company	30,000,000.00	2011.07.06	2012.07.06	No
This company	New Electric Power Company	30,000,000.00	2011.08.25	2012.08.25	No
This company	New Electric Power Company	10,000,000.00	2011.09.02	2012.09.02	No
This company	New Electric Power Company	100,000,000.00	2011.12.22	2012.12.22	No

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This company	New Electric Power Company	100,000,000.00	2011.12.29	2012.12.29	No
This company	New Electric Power Company	50,000,000.00	2011.10.27	2012.10.27	No
This company	Weimei Electric Power Company	40,000,000.00	2010.04.15	2011.02.03	Yes
This company	Weimei Electric Power Company	27,000,000.00	2010.04.20	2011.02.03	Yes
This company	Weimei Electric Power Company	40,000,000.00	2010.05.19	2011.02.03	Yes
This company	Weimei Electric Power Company	25,000,000.00	2010.06.04	2011.02.03	Yes
This company	Weimei Electric Power Company	22,000,000.00	2010.06.21	2011.02.03	Yes
This company	Weimei Electric Power Company	40,000,000.00	2010.06.24	2011.02.03	Yes
This company	Weimei Electric Power Company	40,000,000.00	2010.07.09	2011.02.03	Yes
This company	Weimei Electric Power Company	22,000,000.00	2010.07.15	2011.02.03	Yes
This company	Weimei Electric Power Company	44,000,000.00	2010.07.28	2011.02.03	Yes
This company	Weimei Electric Power Company	80,000,000.00	2010.04.01	2011.04.01	Yes
This company	Weimei Electric Power Company	100,000,000.00	2010.12.29	2011.12.29	Yes
This company	Weimei Electric Power Company	60,000,000.00	2010.02.01	2011.07.29	Yes
This company	Weimei Electric Power Company	40,000,000.00	2010.04.01	2011.07.29	Yes
This company	Zhongshan Electric Power Company	50,000,000.00	2009.09.01	2011.09.01	Yes
This company	Zhongshan Electric Power Company	25,000,000.00	2010.08.26	2011.08.26	Yes
This company	Zhongshan Electric Power Company	40,000,000.00	2010.09.20	2011.09.20	Yes
This company	Zhongshan Electric Power Company	35,000,000.00	2010.09.26	2011.09.26	Yes
This company	Zhongshan Electric Power Company	5,000,000.00	2010.10.28	2011.10.28	Yes
This company	Zhongshan Electric Power Company	35,000,000.00	2010.11.05	2011.11.05	Yes
This company	Environmental protection company	30,000,000.00	2010.03.30	2011.03.30	Yes

(XI) Notes on Company's financial statements -Continued

7. Situation of related transaction-Continued

(4) Financial inter-bank lending of the related party

The present year:

Unit: RMB

Related party	Inter-bank lending amount	Starting date	Due date	Ending balance	Illustrations
Borrowed					
Engineering company	20,000,000.00	2011.08.25	2012.08.25	20,000,000.00	
Engineering company	60,000,000.00	2011.11.21	2012.11.21	60,000,000.00	
Engineering company	60,000,000.00	2009.11.20	2011.11.17	-	Borrowed fund from related party through banks
Xiefu Oil Supply Company	15,000,000.00	2011.08.30	2012.08.29	15,000,000.00	
Xiefu Oil Supply Company	10,000,000.00	2011.07.18	2012.07.17	10,000,000.00	
Weimei Electric Power Company	30,000,000.00	2011.11.01	2012.11.01	30,000,000.00	
Weimei Electric Power Company	100,000,000.00	2011.10.14	2012.10.14	100,000,000.00	
New electric power company	130,000,000.00	2011.12.07	2012.12.07	130,000,000.00	
Shenzhong Development Company	40,000,000.00	2011.09.16	2012.09.16	40,000,000.00	
Open out					
Shenzhong Development Company	70,040,000.00	2011.01.01	2011.12.31	70,040,000.00	Exhibition period
Shenzhong Developemt Company	48,750,000.00	2011.01.01	2011.12.31	48,750,000.00	Exhibition period
Shenzhong Developemt Company	7,500,000.00	2011.01.01	2011.12.31	7,500,000.00	Exhibition period
Shenzhong Developemt Company	375,950,450.55	2011.01.01	2011.12.31	375,950,450.55	Exhibition period
Shenzhong Developemt Company	43,005,307.50	2011.01.01	2011.12.31	43,005,307.50	Exhibition period
Shenzhong Developemt Company	46,280,000.00	2011.01.01	2011.12.31	46,280,000.00	Exhibition period
Weimei Electric Power Company	71,571,959.87	2011.07.15	2013.07.15	71,571,959.87	
Weimei Electric Power Company	63,080,000.00	2010.07.26	2011.03.28	-	Loan issued to related party by entrusting bank
Zhongshan Electric Power Company	25,000,000.00	2011.03.02	2012.03.02	25,000,000.00	Loan issued to related party by entrusting bank
Zhongshan Electric Power Company	180,000,000.00	2010.04.14	2012.04.14	180,000,000.00	Exhibition period of loan issued to related party by entrusting bank
Zhongshan Electric Power Company	24,923,940.43	2009.12.24	2010.12.24	-	Loan issued to related party by entrusting bank has been taken back on January 17, 2011

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Zhongshan Electric Power Company	100,000,000.00	2011.01.18	2011.02.28	-	Loan issued to related party by entrusting bank has been taken back on March 28, 2011
Zhongshan Electric Power Company	50,000,000.00	2010.06.12	2011.06.12	-	Loan issued to related party by entrusting bank has been taken back on June 09, 2011 in advance
Zhongshan Electric Power Company	40,000,000.00	2010.09.20	2011.09.20	-	Loan issued to related party by entrusting bank
Zhongshan Electric Power Company	35,000,000.00	2010.09.28	2011.09.28	-	Loan issued to related party by entrusting bank has been taken back on September 10, 2011
Zhongshan Electric Power Company	50,000,000.00	2010.04.01	2011.12.31	50,000,000.00	Exhibition period
Zhongshan Electric Power Company	40,437,227.87	2010.04.01	2011.12.31	40,437,227.87	Exhibition period
Zhongshan Electric Power Company	28,000,000.00	2010.04.01	2011.12.31	28,000,000.00	Exhibition period
Zhongshan Electric Power Company	19,623,969.20	2010.04.01	2011.12.31	19,623,969.20	Exhibition period
Zhongshan Electric Power Company	50,000,000.00	2011.04.25	2012.04.25	50,000,000.00	
Zhongshan Electric Power Company	40,000,000.00	2011.06.02	2012.06.02	40,000,000.00	
Zhongshan Electric Power Company	50,000,000.00	2011.06.10	2012.06.10	50,000,000.00	
Zhongshan Electric Power Company	60,000,000.00	2011.07.22	2012.07.22	60,000,000.00	
Zhongshan Electric Power Company	35,000,000.00	2011.09.08	2012.09.08	35,000,000.00	
Zhongshan Electric Power Company	50,000,000.00	2011.09.01	2012.09.01	50,000,000.00	
Zhongshan Electric Power Company	40,000,000.00	2011.09.06	2012.09.06	40,000,000.00	
Zhongshan Electric Power Company	100,000,000.00	2011.12.20	2012.12.20	100,000,000.00	
Environment protection company	10,000,000.00	2011.09.19	2012.09.19	-	Has been taken back on December 29, 2011
Environment protection company	10,000,000.00	2011.09.23	2012.09.23	-	Has been taken back on December 29, 2011

(XI) Notes on Company's financial statements -Continued

7. Situation of related transaction-Continued

(4)Inter-bank of funds of related party-Continued

Previous year:

Unit: RMB Yuan

Related party	Inter-bank lending amount	Starting date	Due date	Ending balance	Illustrations
Borrowed					
Engineering company	60,000,000.00	2009.11.20	2011.11.17	60,000,000.00	Borrowed fund from related party through banks
Open out					
Shenzhong Development Company	70,040,000.00	2009.10.14	2010.03.31	70,040,000.00	Expired, the exhibition period is still in the process
Shenzhong Development Company	48,750,000.00	2009.04.25	2010.03.31	48,750,000.00	Expired, the exhibition period is still in the process
Shenzhong Development Company	7,500,000.00	2009.04.05	2010.03.31	7,500,000.00	Expired, the exhibition period is still in the process
Shenzhong Development Company	375,950,450.55	2009.11.18	2010.03.31	375,950,450.55	Expired, the exhibition period is still in the process
Shenzhong Development Company	43,005,307.50	2009.12.28	2010.03.31	43,005,307.50	Expired, the exhibition period is still in the process
Shenzhong Development Company	46,280,000.00	2009.01.01	2009.12.31	46,280,000.00	Expired, the exhibition period is still in the process
Shenzhong Development Company	23,000,000.00	2009.05.19	2010.03.31	-	
Shenzhong Development Company	43,000,000.00	2009.10.09	2010.03.31	-	
Shenzhong Development Company	4,875,000.00	2009.08.29	2010.03.31	-	Has been taken back on January 08, 2010 in advance
Weimei Electric Power Company	10,000,000.00	2008.10.28	2010.03.31	-	Has been taken back on January 08, 2010 in advance
Weimei Electric Power Company	140,000,000.00	2009.07.28	2010.01.27	-	Loan issued to related party by entrusting bank
Weimei Electric Power Company	140,000,000.00	2010.01.27	2010.07.27	-	Loan issued to related party by entrusting bank
Weimei Electric Power Company	63,080,000.00	2010.07.26	2011.07.26	63,080,000.00	Loan issued to related party by entrusting bank
Weimei	50,000,000.00	2010.07.29	2011.07.29	-	Loan issued to related

Electric Power Company					party by entrusting bank has been taken back on November 30, 2010
Zhongshan Electric Power Company	50,000,000.00	2009.03.25	2010.03.31	50,000,000.00	Expired, the exhibition period is still in the process
Zhongshan Electric Power Company	40,437,227.87	2008.09.26	2010.03.31	40,437,227.87	Expired, the exhibition period is still in the process
Zhongshan Electric Power Company	28,000,000.00	2009.01.11	2010.03.31	28,000,000.00	Expired, the exhibition period is still in the process
Zhongshan Electric Power Company	100,000,000.00	2009.12.24	2010.12.23	24,923,940.43	Loan issued to related party by entrusting bank
Zhongshan Electric Power Company	180,000,000.00	2010.04.14	2011.04.14	180,000,000.00	Loan issued to related party by entrusting bank
Zhongshan Electric Power Company	50,000,000.00	2010.06.12	2011.06.12	50,000,000.00	Loan issued to related party by entrusting bank
Zhongshan Electric Power Company	40,000,000.00	2010.09.20	2011.09.20	40,000,000.00	Loan issued to related party by entrusting bank
Zhongshan Electric Power Company	35,000,000.00	2010.09.28	2011.09.28	35,000,000.00	Loan issued to related party by entrusting bank

(5)Reward of key management personnel

Unit: RMB Yuan

Project name	Amount incurred in current year	Amount incurred in last year
Reward of key management personnel	7,311,300.00	7,162,700.00

(XI) Notes on Company's financial statements -Continued

7. Situation of related transaction-Continued

(6) Charge for the use of funds

Unit: RMB Yuan

Related party	Transaction type	Related transaction content	Pricing method and decision-making process of related transaction	Amount incurred in current year		Amount incurred in last year	
				Amount of money	The proportion in the amount of similar transaction (%)	Amount of money	The proportion in the amount of similar transaction (%)
Engineering company	Charge for the use of funds	Interest expense	Note	3,065,486.67	2.04	2,270,800.00	2.27
Weimei Electric Power Company	Charge for the use of funds	Interest expense	Note	1,773,022.23	1.18	4,869,834.11	4.87
Xiefu Oli Supply Company	Charge for the use of funds	Interest expense	Note	640,511.11	0.43	-	-
Zhongshan Electric Power Company	Charge for the use of funds	Interest revenue	Note	37,033,727.95	47.10	21,258,779.30	36.00
Shenzhong Development Company	Charge for the use of funds	Interest revenue	Note	35,568,525.18	45.23	31,850,582.38	31.86
Weimei Electric Power Company	Charge for the use of funds	Interest revenue	Note	3,501,522.33	4.45	-	-
Environment Protection Company	Charge for the use of funds	Interest revenue	Note	364,444.44	0.46	-	-

Note: Charge for the use of funds is calculated according to borrowing rate of bank liquidity of the same level

(7) Asset transfer situation of the related party

Unit: RMB Yuan

Related party	Related transaction content	Transaction type	Pricing method and decision-making process of related transaction	Amount incurred in current year		Amount incurred in last year	
				Amount of money	The proportion in the amount of similar transaction (%)	Amount of money	The proportion in the amount of similar transaction (%)
Energy Group	Transfer 10% of the equity of Energy Environmental Protection Company held by this company	Asset transformation	Market price	123,078,900.00	36.19	-	-

(8) Receivables and payables of the related party

Receivables of the related party

Unit: RMB Yuan

Project name	Related party	Ending balance	Beginning balance
Other receivables	Shenzhong Development Company	688,629,880.98	693,061,355.80

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	Zhongshan Electric Power Company	626,243,082.60	181,927,622.99
	Weimei Electric Power Company	85,437,069.99	7,778,446.81
	Environment protection company	11,017,120.27	-
	Xie fu Oil Supply Company	6,279,745.17	6,280,847.20
	Shennan Singapore Company	138,660.87	31,072.34
	Xing Desheng Company	35,127.06	19,596.65
Dividends receivable	New Electric Power Company	597,875,904.41	597,875,904.41
	Engineering Company	56,264,962.17	-
Other current assets	Zhongshan Electric Power Company	205,000,000.00	329,923,940.43
	Weimei Electric Power Company	-	63,080,000.00

(XI) Notes on Company's financial statements -Continued

7. Situation of related transaction-Continued

(7) Receivables and payables of the related party - Continued

Payables of the related party

Unit: RMB Yuan

Project name	Related party	Ending balance	Beginning balance
Advance receipt	Energy shares	14,586,000.00	14,586,000.00
Account payables	Xiefu Oil Supply Company	332,376.11	849,813.37
Other payables	New Electric Power Company	776,413,945.94	470,222,997.74
	Weimei Electric Power Company	131,773,022.23	-
	Engineering Company	81,036,534.88	115,528.80
	Xiefu Oil Supply Company	26,364,386.39	1,030,238.37
	Xingdesheng Company	1,682,266.99	1,768,797.13
	Environment Protection Company	-	1,129,973.65
Short-term borrowing	Engineering Company	-	60,000,000.00

XII. Approval of financial statements

Financial statement of the company and combined financial statement are approved by the board of directors of this company on April 20, 2012.

1. Detailed statement of the irregular profits and losses

Unit: RMB Yuan

Project	Amount incurred in current year	Illustrations
Disposal of profits and losses of non-current asset	113,277,953.88	
Recon in the government grants of profits and losses of the current period(except for government grants that closely related with business events, and obtained according to national unified standard of ration and quantify)	245,208.34	
receivables impairment that is performed impairment test separately is getting to switch back	1,185,260.28	
Returned money of added tax on imports of natural gas	214,622,872.15	
Other non-operating revenues and payments in addition to the above items	4,988,236.41	
Amount influenced by income tax	(8,532,710.17)	
Amount influenced by minority stockholder's interest(after tax)	(19,560,956.77)	
Total	306,225,864.12	

2. Net asset income rate and earnings of per share

Unit: RMB Yuan

Profit of report period	The weighted average net assets yield (%)	Earnings of per share	
		Basic earnings of per share	Diluted earnings of per share
Net profit belongs to the common shareholders of the company	1.00	0.03	Not applicable
Net profit belongs to the common shareholders of the company after deducting irregular profits and losses	(16.55)	(0.48)	Not applicable

3. Illustrations of exceptional situations and reasons of main accounting statements project of the company

Unit: RMB Yuan

	Report item	Year 2011	Year 2010	Amount of variation	Reasons for difference
1	Monetary fund	695,095,052.12	601,386,814.04	15.58%	It is caused by much cash flow given rise by business activities and investment activities.
res2	Notes receivable	-	700,000.00	(100.00%)	Notes receivable in the beginning of the year are already settled.
3	Accounts receivable	934,640,019.03	518,392,276.69	80.30%	It is caused by increase of allowance receivable of this year.
4	advance payments	31,576,397.23	13,529,901.89	133.38%	It is caused by advance payments of natural gas.
5	Other accounts receivable	124,599,842.72	20,450,149.23	509.29%	It is caused by amounts of equity transfer receivable of Xinchang Company in Jiangxi Province.
6	Inventory	1,258,195,597.25	1,352,372,212.06	(6.96%)	It is caused by disposal of fuel oil in this year.
7	Other current assets	-	4,242,431.37	(100.00%)	It is caused by disposal of capital assets for sale held in the beginning of the year.
8	Long term equity investment	37,315,000.00	306,208,274.30	(87.81%)	It is caused by transformation of equity of Jiangxi Xinchang Company and Energy Environment Protection Company in this year.
9	capital assets	2,227,103,579.26	2,169,226,270.73	2.67%	It is caused by the increase of capital asset of this year.
10	Construction in process	46,866,969.48	196,729,476.64	(76.18%)	It is caused by shifting the sludge drying project to capital asset in this year.
11	Long term deferred expenses	95,810.84	273,212.64	(64.93%)	It is caused by the sharing of long term deferred expenses in the beginning of the year.
12	Other noncurrent assets	24,864,716.98	21,273,223.68	16.88%	It is caused by increase of advance engineering payments and advance land payments.
13	Short-term borrowing	3,265,824,953.89	3,112,400,000.00	4.93%	It is caused by increase of bank loans.
14	Notes payable	43,820,200.00	-	100.00%	It is caused by new issued bills of this year.
15	Accounts receivable	214,748,889.66	61,115,438.61	251.38%	It is caused by receivable payments of natural gas.
16	Advance payments	14,586,000.00	39,274,341.26	(62.86%)	It is caused by decrease of advance engineering payments of this year.
17	Staff salaries payable	32,691,674.04	45,432,950.70	(28.04%)	It is caused by decrease of plan amount of this year.
18	Tax payable	(521,900,793.90)	(501,193,418.09)	4.13%	It is caused by the increase of amount of the debit side of payable value added tax .
19	Interest payable	75,462,594.51	59,348,039.27	27.15%	It is caused by the increase of the base rate of bank loan.
20	Other amounts payable	358,597,380.00	288,768,647.34	24.18%	It is caused by the increase of payable engineering payments.
21	Long-term borrowing	26,000,000.00	186,000,000.00	(86.02%)	It is caused by decrease of long-term borrowing in this year.
22	Undistributed profits	454,070,630.72	436,541,567.35	4.02%	It is caused by the increase of net profit in this year.
23	minority stockholder's interest	134,439,441.22	196,615,862.35	(31.62%)	It is caused by the decrease of net profit of non-wholly owned subsidiary company.
24	Operation revenue	2,415,817,730.35	1,601,730,465.30	50.83%	It is caused by revenue increase in power sales, fuel sales, equipment sales and sludge drying.
25	Operating costs	3,589,704,382.71	2,239,345,909.35	60.30%	It is caused by the cost decrease in power sales, fuel sales, equipment sales and sludge drying.
26	Sales tax and extra charges	12,574,988.91	7,363,142.54	70.78%	It is caused by the increase of city maintenance and construction tax and others of this year.
27	Financial expense	204,297,949.90	128,297,803.98	59.24%	It is caused by the increase of interest expense of this year.
28	Loss from asset	23,521,935.10	11,194,836.04	110.11%	It is caused by the increase of plan amount of

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	devaluation				inventory revaluation reserve and impairment of fixed assets
29	Investment income	23,329,325.70	(49,130,454.11)	147.48%	It is caused by transformation of equity of Jiangxi Xinchang Company and Energy Environment Protection Company in this year.
30	Non-business income	1,516,790,851.26	832,316,848.06	82.17%	It is caused by the increase of fuel subsidies income and returned amount of value added tax on natural gas import of this year.
31	Non-business expenditure	5,225,709.23	573,905.21	810.55%	It is caused by the increase of abandonment loss of capital asset in this year.
32	Income tax expense	13,224,142.33	24,787,762.05	(46.51%)	It is caused by the decrease returning of deferred income tax assets of this year.
33	Net profit belongs to the shareholders of the parent company	17,529,063.37	(114,638,678.20)	115.29%	It is caused by net earnings of this year.