

Zhejiang Southeast Electric Power Company Limited

900949

Interim Report 2009

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Section I. Important Notice

1. The Board of Directors, the Supervisory Committee, the directors, the supervisors and the senior management of Zhejiang Southeast Electric Power Company Limited (the “Company”) confirm that there are no false representations, misleading statements or material omissions in this Report. And they jointly and severally accept full responsibility for the authenticity, accuracy and completeness of the information contained herein.
2. This Report was reviewed and approved in the 5th meeting of the 5th board of directors of the Company. Director Zhang Qian, Director Cao Lu and Director Liu Hong could not attend the meeting due to conflict of business schedules and entrusted Board Chairman Mao Jianhong, Director Wang Lina and Director Xing Junjie to attend the meeting as their proxies and exercise their voting rights.
3. The interim financial statements attached hereto are unaudited.
4. There are no cases of non-recurrent capital occupation by the controlling shareholders and related parties of the Company.
5. There are no cases of providing guarantees for other companies in contravention of the prescribed decision procedure in the Company.
6. Board Chairman Mao Jianhong, General Manager Shou Desheng, Chief Accountant Hu Senjian and Manager of Finance Department Yang Xiaodong of the Company state that the financial statements contained herein are true and complete.

Section II. About the Company

1. Particulars of the Company

(1) Registered Name in Chinese:

浙江东南发电股份有限公司

Abbreviation of Registered Chinese Name: 东南发电

Registered Name in English:

Zhejiang Southeast Electric Power Company Limited

Abbreviation of the Registered Name in English: ZSEPC

Listing Place of B Shares: Shanghai Stock Exchange

Abbreviation of B Share Name: ZSEPC B Shares

Code of B Shares: 900949

Listing Place of Other Shares of the Company: London Stock Exchange

Abbreviation of the Other Share Name: ZHEJIANG GDR S

Code of the Other Shares: 0949QLT

(2) Registered Address of the Company:

Floor 22-23, Biao Li Tower, 528 Yanan Road,

Hangzhou, Zhejiang Province, P.R. China

Office Address of the Company:

Floor 8-10, Zheneng Tower, 152 Tianmushan Road, Hangzhou, China

Postal Code: 310007

Website: <http://www.zsepc.com/>

E-mail address: webmaster@zsepc.com

(3) Legal Representative: Mao Jianhong

(4) Secretary to the Board of Directors: Xia Jinghan

Tel: 86-571-85774566

Fax: 86-571-85774321

E-mail Address: webmaster@zsepc.com

Office Address:

Floor 8-10, Zheneng Tower, 152 Tianmushan Road, Hangzhou, China

(5) Press for Information Disclosure

China Securities Journal, Shanghai Securities News, South China Morning Post (Hong Kong), Wen Wei Po (Hong Kong)

Website for Publication of the Interim Report as designated by the China Securities Regulatory Commission (CSRC):

<http://www.sse.com.cn/>

Venues for inspection of the Interim Report:

The domicile of the Company, Herbert Smith Hong Kong Office and London Office

2. Main Financial Figures and Indicators

(1) Main Accounting Figures and Financial Indicators

Unit: RMB yuan

	At End of Current Period	At End of Prior Year	Increase/decrease at end of current period compared with ending amount of prior year (%)
Total Assets	16,936,985,197.18	15,637,758,966.04	8.31
Owner's Equity (or Shareholders' Equity)	9,106,747,115.39	7,463,832,556.96	22.01
Net Assets per Share (yuan)	4.53	3.71	22.10
	Current Period (Jan.—June)	Prior Period	Increase/decrease in current period compared with prior period (%)
Operating Profit	306,021,117.07	390,361,003.05	-21.61
Total Profit	303,230,258.98	382,462,241.88	-20.72
Net Profit	241,179,065.00	302,525,314.10	-20.28
Net Profit after Deducting Non-recurring Gains & Losses	241,158,658.43	-77,540,445.12	411.01
Earnings per Share (yuan)	0.1200	0.1505	-20.27
Earnings per Share after Deducting Non-recurring Gains & Losses (yuan)	0.1200	-0.0386	410.88
Yield on Net Assets (%)	2.65	3.48	Decreased by 0.83%
Net Cash Flow Generated from Operating Activities	1,032,036,710.15	108,043,408.60	855.21
Net Cash Flow Generated from Operating Activities per Share	0.5135	0.0538	854.46

(2) Non-recurring Gains & Losses

Unit: RMB yuan

Items of Non-recurring gains and losses	Ending Amount
Gains and losses on disposal of non-current assets	990,803.59
Government subsidies recorded as current gains and losses (except those in close connection with the Company's normal operations continuously provided in accordance with the government policy and standards)	2,408,312.60
Other non-operating income and expenses than the above	-3,338,853.90
Subtotal	60,262.29
Less: Impact of income tax (with decrease denoted by "-")	15,065.57
Impact of minority shareholders' equity	24,790.15

Net value of non-recurring gains and losses belonging to shareholders of the Company	20,406.57
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Section III. Change in Share Capital and Shareholder Profile

1. Changes in Share Capital

There was no change in the total number of shares or structure of share capital in the current reporting period.

2. Profile of Shareholders and De facto Controllers

(1) Total Number of Shareholders and Shareholding

Unit: Share

Total number of Shareholders at End of This Reporting period						87,522		
Shareholding of Top 10 Shareholders								
Name of Shareholder	Type of shareholders	Percentage of Shareholding	Total Number of Shares Held	Increase/Decease in Current Period	Type of Shares	Number of Non-listed Shares Held	Number of Shares in Pledge or Freeze	
Zhejiang Provincial Electric Power Development Co.	State-owned legal person	39.80	799,963,200	0	Non-listed	799,963,200	Nil	
China Huaneng Group	State-owned	25.57	514,036,800	0	Non-listed	514,036,800	Nil	
NAITO SECURITIES CO.,LTD.	Foreign legal person	0.38	7,540,785	-34,400	Listed	0	Unknown	
TOYO SECURITIES ASIA LTD.A/C CLIENT	Foreign legal person	0.28	5,633,335	-231,101	Listed	0	Unknown	
Jiang Rongfang	Domestic natural person	0.26	5,182,929	3,964,730	Listed	0	Unknown	
SHENYIN WANGUO NOMINEES (H.K.) LTD.	Foreign legal person	0.21	4,311,242	1,336,970	Listed	0	Unknown	
Zhejiang Bada Company Ltd	Domestic non-state-owned legal person	0.20	4,000,000	0	Non-listed	4,000,000	Nil	
DBS VICKERS (HONG KONG) LTD A/C CLIENT	Foreign legal person	0.15	2,922,656	2,669,956	Listed	0	Unknown	
CREDIT SUISSE ZURICH	Foreign legal person	0.13	2,604,000	0	Listed	0	Unknown	
BOYER ALLAN GREATER CHINA FUND L.P.	Foreign legal person	0.12	2,499,954	2,499,954	Listed	0	Unknown	
Shareholding of Top 10 Holders of Listed Shares								
Name of Shareholder	Number of Listed Shares Held			Type of Shares				
NAITO SECURITIES CO.,LTD.	7,540,785.00			B share				
TOYO SECURITIES ASIA LTD. A/C CLIENT	5,633,335.00			B share				
Jiang Rongfang	5,182,929.00			B share				

SHENYIN WANGUO NOMINEES (H.K.) LTD.	4,311,242.00	B share
DBS VICKERS (HONG KONG) LED A/C CLIENT	2,922,656.00	B share
CREDIT SUISSE ZURICH	2,604,000.00	B share
BOYER ALLAN GREATER CHINA FUND L.P.	2,499,954.00	B share
NORGES BANK	2,414,518.00	B share
STICHTING SHELL PENSIOENFONDS	2,074,700.00	B share
GUOTAI JUNAN SECURITIES(HONGKONG) LIMITED	2,011,109.00	B share

Note on shareholders: there is no connection or joint action among the holders of the non-listed shares. Apart from that, the Company is unaware whether the above shareholders have any connection or joint action.

(2) Controlling Shareholders and De Facto Controllers

The controlling shareholders and the de facto controller of ZSEPC remained unchanged during the current reporting period.

Section IV. Particulars of Directors, Supervisors and Senior Management Personnel

1. Change in Shareholding of Directors, Supervisors and Senior Management Personnel

There was no change in the shareholding of the directors, supervisors and senior management personnel of the Company in the current reporting period.

2. Appointment or Dismissal of Directors, Supervisors and Senior Management Personnel

In the current reporting period, the Board of Directors and the Supervisory Committee of the Company were re-elected upon expiry of their terms of office. Having been reviewed and approved in the shareholders' general meeting for 2008, Mao Jianhong, Gu Biquan, Zhang Qian, Cao Lu, Wang Lina, Shou Desheng, Sun Weiheng, Xing Junjie, Fu Qiyang, Liu Hong, Chen Jimin, Yao Xianguo, Wo Jian, Qiu Guofu and Yan Weimin were elected as directors of the 5th Board of Directors of the Company, among whom Chen Jimin, Yao Xianguo, Wo Jian, Qiu Guofu and Yan Weimin were elected as independent directors; Huang Lixin, Hu Xing'er, Shi Jiwen and Tian Shuying were elected as supervisors of the 5th Supervisory Committee of the Company; Huang Huafen, Huang Guanlin and Jiang Pingzhou were supervisors of the 5th Supervisory Committee representing employees.

Having been reviewed and approved in the 1st meeting of the 5th Board of Directors, Mao Jianhong was elected as Chairman of the Board of Directors, and Gu Biquan as Vice-chairman of the Board; Shou Desheng was appointed as General Manager, Xia Jinghan as Deputy General Manager and Secretary to Board of Directors, and Hu Senjian as Chief Accountant of the Company.

Having been reviewed and approved in the 1st meeting of the 5th Supervisory Committee, Huang Lixin was elected as Chairman of the Supervisory Committee of the Company.

Section V. Report of Board of Directors

1. Review and Analysis of Overall Business Operations

Due to continual impact of the global financial crisis on the real economy (especially the export economy) and the accelerating industrial upgrading, the power consumption by the whole society of Zhejiang from January to June this year registered a negative growth. At the same time, with the rapid increase in installed generator capacity in recent years in Zhejiang, the utilization hours of the generating units dropped markedly. In the current reporting period, the electricity generation completed by the Company decreased by 13.82% to 8.570 billion kwh, and the electricity sales up to the power grid by the Company decreased by 13.73% to 7.935 billion kwh compared with those in the prior period.

In line with the related documents issued by Zhejiang Provincial Pricing Bureau, the electricity sale tariff applicable to the generating units owned by the power plants under the Company was duly adjusted in the second half of last year. The raise of the electricity tariff effectively alleviated the effect of the electricity generation drop on the operating income of the Company. The operating income achieved by the Company in the current reporting period amounted to RMB 3.249 billion yuan, declining by 3.05% compared with that in the prior period.

In the current reporting period, the coal supply for the Company was generally in a steady state, with stable coal price and assured coal quality. Due to stabilized coal price and reduced coal consumption for power generation, the fuel cost incurred by the Company dropped by RMB 420 million yuan or 17.28% compared with that in the prior period.

In the current reporting period, the net profit belonging to the owners of the parent company after deducting non-recurring gains and losses made by the Company in the current reporting period reached RMB 241 million yuan, which turned the loss-making principal business of the Company into profit.

2. Principal Operations and Operational Status

(1) Status of Principal Operations by Sector or by Product

Unit: in RMB yuan

By Sector or by Product	Operating Income	Operating Cost	Operating profit rate (%)	Increase/decrease in operating income compared with prior period (%)	Increase/decrease in operating cost compared with prior period (%)	Increase/decrease in operating profit rate compared with prior period (%)
By Sector						
Electric Power Generation	3,244,447,666.06	2,767,093,214.81	14.71	-2.75	-13.30	Increased by 10.37%

By Product						
Electricity	3,244,447,666.06	2,767,093,214.81	14.71	-2.75	-13.30	Increased by 10.37%

(2) Principal Operations by Region

Unit: in RMB yuan

By Region	Operating Income	Increase/decrease in operating income compared with prior period (%)
East China Region	3,244,447,666.06	-2.75

(3) Operational Status of Subsidiaries (contributing investment returns accounting for more than 10% of the Company's net profit)

Unit: RMB yuan

Name of Subsidiaries	Scope of Business	Net Profit	Investment Return Contributed by Subsidiaries	Percentage out of Net Profit of the Company
Zhejiang Zheneng Jiahua Power Generation Co. Ltd [Note]	Production and sale of electric energy and derivative/auxiliary industries	364,896,864.75	87,575,247.54	36.31
Zhejiang Zheneng Lanxi Power Generation Co. Ltd	Development, construction and operation of Zhejiang Zheneng Lanxi Power Plant; production and sale of electric energy and derivative/auxiliary industries	282,287,687.68	70,571,921.92	29.26

[Note]: As approved by the industrial and commercial administrative authorities, Zhejiang Jiahua Power Generation Co. was re-named Zhejiang Zheneng Jiahua Power Generation Co. Ltd (ZJPGC) in July 2009.

(4) Note on Significant Change in Profitability (Gross Profit Rate) of Principal Operations Compared with Prior Year

In the current reporting period, the Company's gross profit rate rose by 10.37% compared with that in the prior period, which is mainly attributable to a rise in power sale tariff and the stabilized coal price.

(5) Analysis of Significant Change in Profit Breakdown Compared with Prior Year

Unit: RMB yuan

Item	Current Period	Prior Period	Increase/Decrease (%)	Cause of Change
Operating Income	3,249,477,904.10	3,351,783,934.63	-3.05	
Operating Cost	2,770,481,504.58	3,192,510,504.60	-13.22	[Note 1]
Returns on Investment	159,668,006.97	581,788,388.54	-72.56	[Note 2]
Operating Profit	306,021,117.07	390,361,003.05	-21.61	
Net Profit Belonging to Owners of Parent Company	241,179,065.00	302,525,314.10	-20.28	

[Note 1]: which is mainly because the stabilized coal price and the reduced coal

consumption for power generation led to a decrease in fuel cost amounting to RMB 420 million yuan.

[Note 2]: which is mainly because the partial reduction of the Company's shareholding of listed banks in the prior period resulted in investment return amounting to RMB 511.8 million yuan, whereas no reduction of the Company's shareholding of the listed banks in the current period made the investment return go down substantially.

(6) Analysis of Reasons for Significant Changes in Net Cash Flow Generated from Operating Activities Compared with Prior Year

In the current period, the net cash flow generated from the operating activities increased by 855.21% compared with that in the prior year, which is mainly because the cash payment for coal purchase decreased substantially.

(7) Major Problems/Difficulties Faced by the Company and Its Business Development Plan and Risk-addressing Measures for Second-half Year

In the first half of 2009, due to the impact of the global financial crisis, the economic development in Zhejiang province slowed down, the power demand dropped, and the generator utilization hours decreased remarkably, exerting great pressure on the Company's production and operation.

Since March 2009, as the large-scale economic stimulus package initiated by the national and local government at different levels began to work, the power demand across the province stabilized, with the decrease rate of cumulative power consumption dropping month after month. In June this year, the monthly total power consumption and the monthly industrial power consumption in Zhejiang increased by 8.09% and 7.97% respectively compared with the same period in last year, putting an end to the continuous decrease in power consumption for months.

In the context of the economic development and power supply/demand fluctuation in Zhejiang and the actual operations of the Company, while seeing that the improvement of the power supply/demand status has brought about favourable factors in the second half of 2009, the Company took full account of the various difficulties and uncertainties that it might encounter. Effort will be made to increase power generation, provided that the safety, reliability and operational stability of the Company's generating units will be ensured and the power dispatch orders will be complied with. With the coal price trend remaining uncertain for the months to come, the summer power consumption peak with a stable coal price will be fully utilized in an all-out effort to achieve safe, steady power generation in greater quantity, laying a solid foundation for the completion of the yearly production task.

3. Investment by the Company

(1) Use of Proceeds Raised Through IPO

In the current reporting period, the Company made no capital raising, nor use of the proceeds raised previously through IPO.

(2) Use of Capital Not Raised from IPO

a. Zhejiang Jiaxing Power Plant Phase III “Replacing Small-capacity Generators With Large-capacity Generators” Project

Zhejiang Jiaxing Power Plant Phase III “Replacing Small-capacity Generators With Large-capacity Generators” Project will erect 2 x 1,000 MW coal-fired generating units for ZJPGC. The Company holds 24% of ZJPGC’s equity.

Based on Document Fa Gai Neng Yuan [2009] 1338 “NDRC’s Consent to Zhejiang Jiaxing Power Plant Phase III Replacing Small-capacity Generators With Large-capacity Generators Project” issued by the National Development & Restructuring Commission (NDRC), the dynamic total investment of the project amounts to RMB 7,890 million yuan, of which the registered capital of the project amounts to RMB 1,580 million yuan, accounting for about 20% of the total dynamic investment, to be contributed by the shareholders of ZJPGC in proportion to their shareholding ratios. The remaining amount of RMB 6,310 million yuan needs to be financed with the bank loans.

As reviewed and approved in the 3rd meeting of the 5th board of directors and the 1st extraordinary shareholders’ general meeting, the Company will make additional investment up to RMB 379.2 million yuan in ZJPGC in proportion to its shareholding ratio to co-finance the construction of Jiaxing Power Plant Phase III “Replacing Small-capacity With Large-capacity Generators” Project. Meanwhile, the management team of the Company was authorized to inject additional capital in installments into ZJPGC in keeping with the projection construction schedule based on the resolutions of the board meetings and the shareholders’ general meetings of ZJPGC up to a ceiling of RMB 379.2 million yuan.

In the current period, based on the resolution of the shareholders’ general meeting 2009 of ZJPGC, the Company paid in RMB 88.80 million yuan as its contribution to the equity capital of ZJPGC.

b. Renovation of Xiaoshan Power Plant 2 x 130 MW Coal-fired Generating Units Into Heat Supply Units

Based on Document Zhe Fa Gai Neng Yuan [2008] 798 “Letter of Consent to Renovation of Xiaoshan Power Plant 2 x 130 MW Coal-fired Generating Units Into Heat Supply Units” issued by Zhejiang Provincial Development & Reform Commission (ZPDRC), as per the installation material price level 2006 and the construction material price level 2008, the total project investment is estimated to be RMB 169.75 million yuan (including investment in construction of the heat supply grid).

As reviewed and approved in the 3rd meeting of the 5th board of directors, the Company will implement renovation of Xiaoshan Power Plant 2 x 130 MW coal-fired generating units in accordance with ZPDRC’s document.

As at the end of the current reporting period, the preconstruction preparation for the renovation of Xiaoshan Power Plant 2 x 130 MW coal-fired generating units into heat supply units is under way.

Section VI. Important Events

1. Governance of the Company

The Company followed the stipulations set out in the Company Act, the Securities Act and the Rules for Governance of Listed Companies to refine its governance structure and regularize its corporate operations.

In the current reporting period, in line with CSRC Decree [2008]57 “Decision to Amend Stipulations About Distribution of Cash Dividends of Listed Companies” issued by CSRC, the Company revised its Articles of Association to set forth the its policy about distribution of cash dividends. Meanwhile, in line with CSRC Announcement [2008]48, it revised the article on annual report work procedure in the Implementation Rules for Auditing Committee under Board of Directors.

In the current reporting period, the Company was honoured with three awards, i.e. “The Secretary to Board of Directors Best at Investor Relation Management”, “The Best Information Disclosure Website” and “The Best Investor Relation Interactive Platform” in the “Appraisal of The Most Valuable Listed Company and The Investors’ Favourite Website in China in 2008” sponsored by Securities Times Press.

2. Implementation of Profit Distribution Plan

As approved in the shareholders’ general meeting 2008, the Company would not conduct cash dividend distribution for 2008. Thus the Company made no distribution of cash dividends to shareholders in the current reporting period.

3. Implementation of Cash Dividend Distribution Policy

Based on the Articles of Association, the Company should make cash dividend distribution at least once in three consecutive years; and the cumulative cash dividends distributed in three consecutive years should be not less than 30% of the yearly average distributable profit realized in these three years. The concrete profit distribution plan shall be drawn up by the board of directors based on the profitability of the Company and the future capital disbursement plan, submitted to the shareholders’ general meeting for approval, after which it will be implemented.

In 2008, the Company’s principal business of power generation sustained severe policy-induced losses, realizing low earnings per share for the year. Taking into account the capital status in 2009 and the predicted capital demand in 2009 and 2010, as approved in the shareholders’ general meeting 2008, the Company would make no distribution of cash dividends for 2008 in order to ensure that the Company’s capital demand for production and construction in 2009 and capital demand for debt service peak in 2010 can be met.

4. Major Cases of Litigation and Arbitration

The Company was not subjected to any major cases of litigation or arbitration during the current reporting period.

5. Shares of Other Listed Companies and Financial Companies Held by the Company

(1) Shares of Other Listed Companies Held

Unit: RMB yuan

Code of Security	Name of Security	Initial Investment	Percentage of Total Shares	Ending Book Value	Gains & Losses in Current Period	Changes in Shareholders' Equity in Current Period	Accounting Title	Source of Stock
601328	Bank of Communication	277,840,363.00	0.2985	1,317,548,247.70	0.00	624,409,657.90	Available-for-sale financial assets	Funded by shareholders
600036	Merchants Bank	80,222,224.79	0.2806	924,726,240.00	0.00	422,956,000.00	Available-for-sale financial assets	Funded by shareholders
601166	Industrial Bank	75,190,000.00	0.7300	1,354,515,000.00	16,425,000.00 [Note]	821,615,000.00	Available-for-sale financial assets	Funded by shareholders
Total		433,252,587.79		3,596,789,487.70	16,425,000.00	1,868,980,657.90		/

[Note]: which is the dividend distribution for 2008 from Industrial Bank to the Company.

(2) Shares of Non-listed Financial Institutions

Unit: RMB yuan

Name of Financial Institution	Initial Investment	Number of Shares Held	Percentage of Total Shares	Ending Book Value	Gains & Losses in Current Period	Changes in Shareholders' Equity in Current Period	Accounting Entry	Source of Stock
China Everbright Bank Co. Ltd	312,000,000.00	176,000,000.00	0.62	312,000,000.00	0.00	0.00	Long-term equity investment	Funded by shareholders
China Southern Securities Co.	220,000,000.00	200,000,000.00	5.78	0.00	0.00	0.00	Long-term equity investment	Funded by shareholders
Total	532,000,000.00	376,000,000.00	/	312,000,000.00	0.00	0.00	/	/

6. Acquisition and Sale of Assets and Merger by The Company

In the spirit of the Minutes of Meeting on Enhancing Cooperation signed between Zhejiang Provincial Government and China Petrochemical Corporation, as approved in the 1st meeting of the 5th board of directors of the Company, the Company and China Petroleum & Chemical Corp.(Sinopec) signed Term Sheets of Agreement on Stock Transfer, based on which 10% of the stock of Zhejiang Provincial Natural Gas Development Co. will be transferred to Sinopec. This matter will be submitted to the board meeting for review after the asset appraisal is completed and the Agreement on Stock Transfer is drawn up.

7. Important Related Party Transactions

(1) Purchase of Coal

Unit: RMB yuan

Related Party	Related Transaction	Pricing Principle	Transaction Price	Transaction Cost	Percentage out of same type of transaction (%)	Account Settlement Method
Zhejiang Zheneng Fuxing Fuel Co. Ltd (ZNFFC)	Purchase of coal needed for power generation	[Note]	Contract Price	2,259,271,170.25	100.00	Based on actual cost
Note on Related Party Transaction	The Company and Zhejiang Provincial Electric Power Fuel Co. signed Fuel Supply Agreement with a validity of 20 years in 1997, based on which the coal needed for power generation was supplied by the latter to the Company. Due to power industry restructuring and business reorganization, the Fuel Supply Agreement was handed over to and currently implemented by ZNFFC.					
Necessity, Continuity and Reason of Related Party Transaction	The coal supplier of the Company enjoy preferential price of bulk purchase and stable supply/transportation channels, which ensure the normal operations of the power plants under the Company. This related party transaction was reviewed and approved in the 2 nd extraordinary shareholders' general meeting 2008 of the Company.					
Impact on Independence of the Company	This related party transaction has no impact on the independence of the Company.					

[Note]: Pursuant to the Fuel Supply Agreement, the Company and the coal supplier shall enter into an Annual Coal Supply Contract every year to determine the quality, specifications, quantity and price of the coal supply for that year. The coal supplier shall supply fuel to the Company at a price neither higher than the price at which it charges other power plants for the same type of fuel, nor higher than the price at which the Company can purchase the same type of fuel in the open market at the time of the price negotiation between both sides. Otherwise, the Company shall have the right to purchase fuel at its own discretion.

(2) Financial Services

As approved in the first extraordinary shareholders' general meeting in 2006 and the shareholders' general meeting 2008 of the Company, the Company entered into "Financial Service Cooperation Agreement" with Zhejiang Provincial Energy Group Finance Co. Ltd (ZEFL), which permits ZEFL to provide financial services within its business scope to the Company and the Company's holding subsidiaries.

As approved by China Banking Regulatory Commission, the scope of business of ZEFL covers financial advisory service for member companies, credit appraisal and related consulting and agency services, assisting member companies in collecting and making payment, taking in member companies' deposit and providing loans and financial lease to member companies.

Based on the Financial Service Cooperation Agreement, the interest rate on deposit offered by ZEFL to the Company and its holding subsidiaries shall be not lower than the prime rate for the same type of loan published by the People's Bank of China; at the same time, the preferential terms for loans offered by ZEFL based on the prime rate shall neither be inferior to those offered by other financial

institutions to the Company and its holding subsidiaries, nor inferior to those offered by ZEFL to other customers.

As at the end of the reporting period, the cash deposited by the Company and its holding subsidiaries in ZEFL amounted to RMB 365,852,043.70 yuan; the loans provided by ZEFL to the Company and its holding subsidiaries totaled RMB 1,250 million yuan; the Company and its holding subsidiaries received interest accruing on the deposit in ZEFL totaling RMB 2,745,274.33 yuan, and paid interest expenses on loans totaling RMB 32,325,290.24 yuan.

(3) Energy-related Services

Related Party	Related Transaction	Pricing Principle	Transaction Price	Transaction Cost	Percentage out of same type of transaction (%)	Account Settlement Method
Zhejiang Investment and its subsidiaries	Xingyuan Co. Ltd and its controlling subsidiaries [Note 1]	[Note 2]	Contract Price	21,486,240.17	100.00	Based on actual cost
Necessity, and Reason of Related Party Transaction	Continuity	The service provider enjoys the advantage of being professional, large-scaled and informatized in providing energy-related service, which can help the Company reduce operating cost and get better service quality. This related party transaction was reviewed and approved in the 2 nd extraordinary shareholders' general meeting 2008 of the Company.				
Impact on Independence of the Company	This related party transaction has no impact on the independence of the Company.					

[Note 1]: which include (1) supply of goods needed for operation of the Company-owned generating units, including spare parts and consumables; (2) supply of full-range or partial logistic services, including goods procurement consultancy, procurement agency, tendering/inquiry service, supplier management, goods supply hastening, processing, packaging, transport, conveyance, loading/unloading, warehousing, wharf service and rent of facilities; (3) disposal and multipurpose utilization of the waste water and waste substance discharged from the generator operation of the Company in compliance with the environmental protection requirement, and supply of design, construction, repair and maintenance of the environmental protection facilities and projects.

[Note 2]: The payment for the services is to be negotiated and agreed between the two parties based on the prevailing market price and the principle of fair trade, neither higher than the price at which it charges other power plants for supply of the same type of service or goods, nor higher than the price available in the open market at the time of the price negotiation between both sides.

(4) Other Related Party Transactions

As approved in the shareholders' general meeting 2008, the Company and Zhejiang Provincial Natural Gas Development Co. Ltd (ZPNGDC) signed Agreement on Sale of Natural Gas, based on which ZPNGDC shall supply natural gas needed for the gas-fired generating units of Xiaoshan Power Plant. In the current reporting period, ZPNGDC supplied the Company with natural gas valued at RMB 6,716,503.76 yuan.

8. Important Contracts and Execution

(1) Trust Management, Contracting and Leases

There was no significant events of trust management, contracting and leases during the current reporting period.

(2) Guarantees

Unit: in RMB millions yuan

Guarantees Provided by the Company (excluding guarantees for subsidiaries)						
Guaranteed Party	Start Date	Amount of Guarantee	Type of Guarantee	Term of Guarantee	Whether Guarantee Expires	Whether Providing Guarantee for Related Parties
ZJPGC	17-12-2001	132.00	Share-proportional shareholder's guarantee with joint liability	17-12-2001 ~ 16-12-2026	No	Yes
Zhejiang Changxing Jietong Logistics Co. Ltd (ZCJLC)	6-12-2005	12.036		6-12-2005 ~ 6-12-2009	No	Yes
Total amount of guarantee in current reporting period (excluding guarantees for holding subsidiaries)					-12.00	
Total balance of guarantee at current period end (excluding guarantees for holding subsidiaries)					144.036	
The Company's Guarantees for Subsidiaries						
Total amount of guarantee for holding subsidiaries in current reporting period					0	
Total balance of guarantee for holding subsidiaries at current period end					0	
Total Amount of Guarantee of the Company (including guarantees for subsidiaries)						
Total amount of guarantee					144.036	
Percentage of total amount of guarantee out of net assets of the Company (%)					1.58	
Including:						
Amount of guarantees for shareholder, de facto controller and related parties					144.036	
Amount of direct or indirect debt guarantees for companies with debt ratio greater than 70%						
Amount of guarantees exceeding 50% of net assets						
Total of the above 3 types of guarantees					144.036	
Note on potential joint liability with the guarantees not yet reaching maturity					There appears no sign of potential joint liability on the part of the Company.	
Note on guarantee	The provision of the guarantee by the Company's subsidiary Zhejiang Zheneng Changxing Power Generation Co. Ltd (ZCPGC) to ZCJLC was stated under the heading "The Company's Guarantees for Subsidiaries" previously, but was stated under the heading "Guarantees Provided by the Company (excluding guarantees for subsidiaries)" in the current period. For details, refer to Para. 12 "Other Important Events" under Section 6 "Important Events" herein.					

No new guarantee was made by the Company and its holding subsidiaries in the current reporting period. As at the end of the reporting period, the Company and its subsidiaries had a total of two guarantees.

(1) Share-proportional Shareholder's Guarantee Provided by the Company to ZJPGC

The Company holds 24% of ZJPGC's equity. In order to meet the capital needs of

ZJPGC for construction of 4 x 600 MW generating units of Jiaying Power Plant Phase II, as approved in the extraordinary shareholders' general meeting 2001, the Company provided ZJPGC with share-proportional shareholder's guarantee. The resolutions of the shareholders' meeting were announced in Shanghai Securities News, Hongkong-based South China Morning Post and Wen Wei Po dated 11 December 2001.

Based on Document Ji Ji Chu [2002]2349 "State Planning Commission's Approval of Adjustment to Construction Plan of Zhejiang Jiaying Power Plant Phase II" issued by the State Development & Planning Commission, the adjusted dynamic investment of ZJPGC totals RMB 10.28 billion yuan. The project equity amounts to RMB 2.57 billion yuan, accounting for 25% of the total investment. The capital needed for the project other than the equity will be sourced from Industrial & Commercial Bank of China (ICBC) providing a loan of RMB 4.5 billion yuan and China Construction Bank (CCB) providing a loan of RMB 3.21 billion yuan separately.

In 2001, ZJPGC applied to ICBC Zhejiang Branch and CCB Zhejiang Branch for a loan up to a ceiling of RMB 4.5 billion yuan and a loan up to a ceiling of RMB 3.2 billion yuan respectively. In proportion to its equity investment ratio, the Company shall bear joint liability for the corresponding part of debt incurred by ZJPGC under the Loan Contract, but without joint liability among the shareholders.

In December 2006, ICBC Zhejiang Branch changed the loan on shareholders' guarantee to the loan on credit, thus releasing the Company and other shareholders from their guarantee obligations.

As at the end of the current reporting period, the balance of ZJPGC's long-term loan from CCB Zhejiang Branch amounted to RMB 550 million yuan. Thus the Company's guarantee amounted to RMB 132 million yuan.

(2) Share-proportional Shareholder's Guarantee Provided by Company's subsidiary ZCPGC to Its Holding Subsidiary ZCJLC

ZCPGC holds 45% of ZCJLC's equity. In order to meet the capital needs of ZCJLC for renovation of Jietong Jetty, as approved in the shareholders' general meeting of ZCPGC, ZCPGC provided ZCJLC with share-proportional shareholder's guarantee.

Based on Document Hu Ji Tou Zhi [2005]90 "Approval of ZCJLC's Jetty Renovation Project" issued by Huzhou Municipal Development Planning Commission, the total investment for the project amounts to RMB 49.80 million yuan, of which ZCJLC's equity capital amounts to RMB 14.94 million yuan, with the remaining amount of RMB 34.86 million yuan to be financed with the bank loans.

In December 2005, the shareholders of ZCJLC signed Ceiling Guarantee Contract with Shanghai Pudong Development Bank Hangzhou Branch separately to provide share-proportional shareholder's guarantee in proportion to their respective shareholding ratios for a loan ceiling of RMB 34.86 million yuan, with the term of guarantee being from 6 December 2005 to 6 December 2009.

As at the end of the current reporting period, the balance of the bank loan under the contract amounted to RMB 30 million yuan, of which ZCPGC's guarantee amounted to RMB 12.036 million yuan.

(3) Trust Fund Management

The Company made no trust fund management in the current reporting period.

(4) Other Important Contracts

The Company signed no new important contracts in the current reporting period.

9. Implementation of Commitments

- (1) As approved in the 3rd meeting of the 5th board of directors and the 1st extraordinary shareholders' general meeting 2009, the Company will make additional investment up to RMB 379.2 million yuan in ZJPGC for construction of Zhejiang Jiaying Power Plant Phase III "Replacing Small-capacity With Large-capacity Generators" Project (For details, refer to Paragraph 3 "Investment by the Company" under Section V "Report of Board of Directors"). As at the end of the current reporting period, the Company had made equity investment amounting to RMB 88.80 million yuan.
- (2) As approved in the 1st extraordinary shareholders' general meeting of the Company in 2003, the Company was assigned 25% of the equity of Zhejiang Zheneng Beihai Hydropower Generation Co. Ltd (ZBHGC) to co-finance construction of three 200 MW Francis type hydraulic generating units. Based on Document Fa Gai Neng Yuan [2004]1614 issued by NDRC, the dynamic total investment of the project amounts to RMB 4,719 million yuan, of which the registered capital of the project accounts for 26.50%, amounting to about RMB 1,251 million yuan, of which 25% will be sourced from the Company. As at the end of the reporting period, the cumulative investment by the Company amounted to RMB 313 million yuan.

10. Appointment of Accounting Firms

Unit: in RMB million yuan

Whether	Changing	No	Current Appointment	Cost of Audit
Appointment				
Name of Domestic Accounting Firm			Zhejiang Pan-China Dongfang Certified Public Accountants	1.15
Name of Overseas Accounting Firm			PricewaterhouseCoopers Zhong	1.20

11. Punishment on the Company, Board of Directors and Directors and Rectification

The Company, its directors, supervisors, senior management personnel, shareholders and de facto controllers were free from any investigation, punishment by legal, disciplinary departments, or open accusation by the stock exchanges during the reporting period.

12. Other Important Events

(1) Change in Scope of Consolidated Financial Statements

In the light of stock restructuring of ZCJLC, ZCPGC separately signed agreements in the current reporting period with ZCJLC's two other shareholders, namely Zhejiang Xingyuan Investment Company Limited and Zhejiang Zheneng Fuxing Fuel Company Limited. Effective from 1 January 2009, they will no longer entrust their 15% and 10% share of voting rights to ZCPGC. Instead, they will exercise their voting rights in proportion to their shareholding ratios.

In view of the fact that ZCPGC currently owns 40.12% of equity of ZCJLC with no controlling power over ZCJLC after the entrustment of voting rights was terminated, ZCJLC was no longer incorporated into the Company's consolidated financial statements.

- (2) Based on "State Council's Approval of NDRC and Energy Office's Proposal to Expedite Shutdown of Small Fossil-Fuel Generating Units" (Document Guo Fa[2007]2), "Zhejiang Provincial Government's Comment on Shutdown of Small Fossil-fuel Generating Units"(Document Zhe Zheng Fa [2007]32) and "Zhejiang Provincial Economic & Trade Commission's Notice on Method of Management for Replacement Generation To Retain Generation Quota of Shutdown Fossil-fuel Generating Units in Zhejiang" (Document Zhe Jing Mao Dian Li [2007]435), the plan to decommission Unit 1 to 6 of Taizhou Power Plant was reviewed and approved in the 17th meeting of the 4th board of directors on 18 November 2007. As of the end of the current reporting period, the above generating units were not yet closed down. Based on Notice on Power Purchase Plan 2009 for ZPEPC-dispatched Power Plants (Document Zhe Dian Fa Zhan [2009]47) issued by Zhejiang Provincial Electric Power Co. (ZPEPC), the above generating units will be deployed for power generation in 2009 along with other ZPEPC-dispatched coal-fired generating units based on average annual unit utilization hours.

13. Index of Announcements

Contents	Name of Press Publishing Announcements	Date of Publication	Publication Websites
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Announcement on Forecasted Profit Reduction in 2008		22-01-2009	
Announcement of Resolutions of 29 th Meeting of 4 th Board of Directors	China Securities Journal, Shanghai Securities News, South China Morning Post (Hong Kong) and Wen Wei Po (Hong Kong)	21-03-2009	http://www.sse.com.cn/ http://www.zsepc.com/
Announcement of Resolutions of 13 th Meeting of 4 th Supervisory Committee		21-03-2009	
Announcement on Holding the Shareholders' General Meeting 2008		21-03-2009	
Announcement on Day-to-day Related Party Transactions		21-03-2009	
Announcement on Changing Time of Shareholders' General Meeting 2008		04-04-2009	
Announcement of Resolutions of Shareholders' General Meeting 2008		11-04-2009	
Announcement of Resolutions of 1 st Meeting of 5 th Board of Directors		11-04-2009	
Announcement of Resolutions of 1 st Meeting of 5 th Supervisory Committee		11-04-2009	
Announcement of Resolutions of 3 rd Meeting of 5 th Board of Directors and Decision to Hold 1 st Extraordinary Shareholders' General Meeting 2009		06-06-2009	
Announcement of Resolutions of 1 st Extraordinary Shareholders' General Meeting 2009		23-06-2009	

Section VII. Financial Statements

Consolidated Balance Sheet

30 June 2009

Prepared by: Zhejiang Southeast Electric Power Company Limited

Unit: RMB yuan

Item	Note	Ending Amount	Beginning Amount
Current assets:			
Monetary assets		814,699,639.03	892,449,847.25
Provisions for account settlement			
Loaned capital			
Transactional financial assets			
Bills receivable		4,540,500.00	
Accounts receivable		445,019,194.82	533,629,136.05
Prepayment		17,899,690.02	97,105,004.05
Insurance premium receivable			
Re-insurance accounts receivable			
Re-insurance contract reserve receivable			
Interest receivable			
Dividend receivable			
Other receivable		17,920,954.90	21,268,739.93
Purchase of resold financial assets			
Inventories		248,016,618.45	292,920,777.96
Non-current assets due within 1 year			
Other current assets		3,782,707.58	
Total current assets		1,551,879,304.80	1,837,373,505.24
Non-current assets:			
Loans and advances provided			
Available-for-sale financial assets		3,596,789,487.70	1,727,808,829.80
Hold-up-to-maturity investment			
Long term accounts receivable			
Long term equity investments		1,975,172,391.05	1,704,459,838.32
Investing real estate		23,179,453.30	23,700,034.78
Fixed assets		9,386,486,688.56	9,886,285,366.92
Construction in progress		49,097,388.00	16,541,407.31
Project equipment and materials		1,091,168.40	1,091,368.40
Disposal of fixed assets			
Productive assets			
Oil and gas assets			
Intangible assets		261,449,404.25	322,961,192.14
Development cost			
Goodwill			
Long-term deferred expenses		127,398.00	1,941,462.00
Deferred income tax asset		91,712,513.12	115,595,961.13

Other non-current assets			
Total non-current assets		15,385,105,892.38	13,800,385,460.80
Total assets		16,936,985,197.18	15,637,758,966.04
Current liabilities:			
Short term borrowings		1,219,970,000.00	1,299,970,000.00
Borrowings from central bank			
Absorbed deposit and enterprise deposit			
Borrowed capital			
Transactional financial liabilities			
Bills payable		150,000,000.00	200,000,000.00
Accounts payable		300,721,321.74	265,796,387.25
Accounts received in advance			8,000.00
Sale of repurchased financial assets			
Service charges and commission payable			
Wages payable		118,325,650.14	122,960,378.18
Tax payable		50,963,473.44	36,644,883.02
Interest payable		4,058,325.00	13,083,512.54
Dividend payable			
Other payables		404,876,531.13	445,748,766.95
Reinsurance accounts payable			
Reinsurance contract reserves			
Agency fee for dealing in securities			
Agency fee for underwriting sale of securities			
Non-current liabilities due within one year		230,000,000.00	430,000,000.00
Other current liabilities			14,769,019.10
Total current liabilities		2,478,915,301.45	2,828,980,947.04
Non-current liabilities:			
Long term borrowings		4,145,250,000.00	4,575,250,000.00
Bonds payable			
Long term payables			
Special payables			
Anticipated liabilities			
Deferred income tax liabilities		803,124,441.64	335,879,277.17
Other non-current liabilities		40,823,062.44	40,136,375.04
Total non-current liabilities		4,989,197,504.08	4,951,265,652.21
Total liabilities		7,468,112,805.53	7,780,246,599.25
Shareholders' equity			
Share capital		2,010,000,000.00	2,010,000,000.00
Capital reserve		4,305,675,377.78	2,903,939,884.35

Less: shares in stock			
Surplus reserve		1,299,037,986.07	1,299,037,986.07
Ordinary risk allowance			
Undistributed profits		1,492,033,751.54	1,250,854,686.54
Foreign currency statement conversion variance			
Total owner's equity belonging to owners of parent company		9,106,747,115.39	7,463,832,556.96
Minority shareholders' equity		362,125,276.26	393,679,809.83
Total shareholders' equity		9,468,872,391.65	7,857,512,366.79
Total liabilities and shareholders' equity		16,936,985,197.18	15,637,758,966.04

Parent Company's Balance Sheet

30 June 2009

Prepared by: Zhejiang Southeast Electric Power Company Limited

Unit: RMB yuan

Item	Note	Ending Amount	Beginning Amount
Current assets:			
Monetary assets		605,935,022.67	737,005,708.06
Transactional financial assets			
Bills receivable		4,540,500.00	
Accounts receivable		180,653,873.57	286,073,649.64
Prepayment		16,878,690.02	88,090,004.05
Interest receivable			
Dividend receivable			
Other receivable		15,418,204.11	17,403,527.55
Inventories		140,901,033.03	154,230,671.22
Non-current assets due within 1 year			
Other current assets		199,668.00	199,668.00
Total current assets		964,526,991.40	1,283,003,228.52
Non-current assets:			
Available-for-sale financial assets		3,596,789,487.70	1,727,808,829.80
Hold-up-to-maturity investment			
Long term accounts receivable			
Long term equity investments		2,625,978,709.78	2,397,030,018.68
Investing real estate		23,179,453.30	23,700,034.78
Fixed assets		6,153,361,284.58	6,446,004,677.55
Construction in progress		48,265,075.98	13,057,619.51
Project equipment and materials		1,091,168.40	1,091,368.40
Disposal of fixed assets			
Productive assets			
Oil and gas assets			
Intangible assets		259,454,797.51	264,440,113.39
Development cost			
Goodwill			
Long-term deferred expenses		127,398.00	1,941,462.00
Deferred income tax asset		21,323,728.95	21,323,728.95
Other non-current assets			
Total non-current assets		12,729,571,104.20	10,896,397,853.06
Total assets		13,694,098,095.60	12,179,401,081.58
Current liabilities:			
Short term borrowings		469,970,000.00	469,970,000.00
Transactional financial liabilities			
Bills payable			200,000,000.00

Accounts payable		269,122,944.90	143,290,107.43
Accounts received in advance			
Wages payable		114,865,334.03	118,566,339.71
Tax payable		44,803,379.23	43,358,230.25
Interest payable			6,911,903.54
Dividend payable			
Other payables		375,667,955.45	419,136,476.43
Non-current liabilities due within one year			
Other current liabilities			
Total current liabilities		1,274,429,613.61	1,401,233,057.36
Non-current liabilities:			
Long term borrowings		2,430,250,000.00	2,850,250,000.00
Bonds payable			
Long term payables			
Special payables			
Anticipated liabilities			
Deferred income tax liabilities		803,124,441.64	335,879,277.17
Other non-current liabilities		40,823,062.44	40,136,375.04
Total non-current liabilities		3,274,197,504.08	3,226,265,652.21
Total liabilities		4,548,627,117.69	4,627,498,709.57
Shareholders' equity			
Share capital		2,010,000,000.00	2,010,000,000.00
Capital reserve		4,291,700,377.78	2,889,964,884.35
Less: shares in stock			
Surplus reserve		1,299,037,986.07	1,299,037,986.07
Undistributed profits		1,544,732,614.06	1,352,899,501.59
Foreign currency statement conversion variances			
Total shareholders' equity		9,145,470,977.91	7,551,902,372.01
Total liabilities and shareholders' equity		13,694,098,095.60	12,179,401,081.58

Consolidated Statement of Profit

January – June 2009

Prepared by: Zhejiang Southeast Electric Power Company Limited

Unit: RMB Yuan

Item	Note	Current Amount	Prior Amount
1. Total operating income		3,249,477,904.10	3,351,783,934.63
Including: operating income		3,249,477,904.10	3,351,783,934.63
Interest income			
Insurance premium income			
Service charges and commission income			
2. Total operating cost		3,103,124,794.00	3,543,994,320.12
Including: operating cost		2,770,481,504.58	3,192,510,504.60
Interest expenditure			
Service charges and commission expenditure			
Refunded insurance premium			
Net value of compensation expenditure			
Net value of insurance contract allowance			
Payment of insurance policy dividends			
Reinsurance expenses			
Operating tax and surcharges		22,536,028.98	26,059,461.23
Marketing expenses			
Administrative expenses		134,857,982.62	175,635,006.28
Financial expenses		175,249,277.82	149,789,348.01
Asset devaluation loss			
Add: gains from changes in fair values (with loss denoted by “-”)			783,000.00
Return on investment (with loss denoted by “-”)		159,668,006.97	581,788,388.54
Including: returns on investment in affiliated enterprises and joint ventures		143,243,006.97	35,196,608.43
Foreign exchange income (with loss denoted by “-”)			
3. Operating profit (with loss denoted by “-”)		306,021,117.07	390,361,003.05
Add: non-operating income		3,623,554.86	1,832,574.71
Less: non-operating expenses		6,414,412.95	9,731,335.88
Including: loss on disposal of non-current assets			
4. Total profit (with loss denoted by “-”)		303,230,258.98	382,462,241.88
Less: income tax expenditure		35,890,563.03	100,690,185.01
5. Net profit (with net loss denoted by “-”)		267,339,695.95	281,772,056.87
Net profit belonging to owners of the parent company		241,179,065.00	302,525,314.10
Minority shareholders' equity		26,160,630.95	-20,753,257.23
6. Earnings per Share			
(1) Basic earnings per share		0.1200	0.1505
(2) Diluted earnings per share			

Parent Company's Statement of Profit

January – June 2009

Prepared by: Zhejiang Southeast Electric Power Company Limited

Unit: RMB Yuan

Item	Note	Current Amount	Prior Amount
1. Operating income		2,078,888,693.75	2,151,326,400.54
Less: operating cost		1,811,854,468.73	2,068,038,173.62
Operating tax and surcharge		16,237,631.70	17,417,835.02
Marketing expenses			
Administrative expenses		110,503,665.62	140,266,946.45
Financial expenses		92,383,682.79	54,979,056.43
Asset devaluation loss			
Add: gains from changes in fair values (with loss denoted by “-”)			783,000.00
Return on investment (with loss denoted by “-”)		156,573,691.10	664,107,055.52
Including: return on investment in affiliated enterprises and joint ventures		140,148,691.10	33,293,551.47
2. Operating profit (with loss denoted by “-”)		204,482,936.01	535,514,444.54
Add: non-operating income		3,304,116.19	1,732,762.98
Less: non-operating expenses		4,200,799.26	6,937,806.75
Including: loss on disposal of non-current assets			
3. Total profit (with loss denoted by “-”)		203,586,252.94	530,309,400.77
Less: income tax expenditure		11,753,140.47	102,906,031.59
4. Net profit (with net loss denoted by “-”)		191,833,112.47	427,403,369.18

Consolidated Statement of Cash Flow

January-June 2009

Prepared by: Zhejiang Southeast Electric Power Company Limited

Unit: RMB yuan

Item	Note	Current Amount	Prior Amount
1. Cash flow generated from operating activities			
Cash received from sale of goods and supply of labor service		3,877,901,874.03	4,089,837,710.96
Net increase in customer deposit and enterprise deposit			
Net increase in borrowings from the central bank			
Net increase in borrowed capital from other financial institutions			
Cash gained from receipt of insurance premium			
Net cash received from reinsurance			
Net increase in deposit and investment of the insured			
Net increase on disposal of transactional financial assets			
Cash gained from receipt of interest, service charges and commission			
Net increase in borrowed capital			
Net increase in repurchase			
Cash received from refund of taxes			
Other cash received relating to operating activities		17,501,741.26	15,958,287.03
Sub-total of cash inflow		3,895,403,615.29	4,105,795,997.99
Cash paid for purchase of goods and labor services		2,324,976,664.66	3,173,941,449.15
Net increase in customer loan and advance			
Net increase in deposit in central bank and in enterprise of same trade			
Cash payment of insurance compensation			
Cash payment of interest, service charges and commission			
Cash payment of insurance policy dividend			
Cash paid to and for the employees		209,500,291.63	217,071,105.57
Taxes paid		252,885,700.71	448,978,476.83
Other cash paid relating to operating activities		76,004,248.14	157,761,557.84
Sub-total of cash outflow		2,863,366,905.14	3,997,752,589.39
Net cash flow generated from operating activities		1,032,036,710.15	108,043,408.60
2. Cash flow generated from investment activities			
Cash received from investment recovery			
Cash received from investment return		16,425,000.00	192,798,955.25
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		789,741.76	548,540,959.05
Net cash received from disposal of subsidiaries and other business units			
Other cash received relating to investment activities		153,294.36	
Sub-total of cash inflow		17,368,036.12	741,339,914.30
Cash paid for acquisition of fixed assets, intangible assets and		143,520,361.25	252,943,499.52

other long-term assets			
Cash paid for investment		91,208,841.48	
Net increase in pledged loans			
Net cash paid for acquisition of subsidiaries and other business units			
Other cash paid relating to investment activities		25,036,432.82	
Sub-total of cash outflow		259,765,635.55	252,943,499.52
Net cash flow generated from investment activities		-242,397,599.43	488,396,414.78
3. Cash flow from financing activities			
Cash received by absorbing investment			
Including: cash received by subsidiaries absorbing minority shareholders' investment			
Cash received from borrowing		250,000,000.00	560,000,000.00
Cash received from issuance of bonds			
Other cash received relating to financing activities			
Sub-total of cash inflow		250,000,000.00	560,000,000.00
Cash paid for debt service		920,000,000.00	455,000,000.00
Cash paid for distribution of dividend, profit or repayment of interest		195,554,076.52	657,109,767.71
Including: subsidiaries' distribution of minority shareholders' dividends			
Other cash paid relating to financing activities		1,830,000.00	985,500.00
Sub-total of cash outflow		1,117,384,076.52	1,113,095,267.71
Net cash flow generated from financing activities		-867,384,076.52	-553,095,267.71
4. Impact of foreign exchange rate fluctuation on cash and cash equivalents		-5,242.42	202,763.65
5. Net increase in cash and cash equivalents		-77,750,208.22	43,547,319.32
Add: beginning amount of cash and cash equivalents		892,449,847.25	751,845,772.38
6. Ending amount of cash and cash equivalents		814,699,639.03	795,393,091.70

Parent Company's Statement of Cash Flow

January-June 2009

Prepared by: Zhejiang Southeast Electric Power Company Limited

Unit: RMB yuan

Item	Note	Current Amount	Prior Amount
1. Cash flow generated from operating activities			
Cash received from sale of goods and supply of labor service		2,532,848,406.08	2,637,005,450.10
Cash received from refund of taxes			
Other cash received relating to operating activities		9,929,973.09	9,525,983.77
Sub-total of cash inflow		2,542,778,379.17	2,646,531,433.87
Cash paid for purchase of goods and labor services		1,534,583,858.85	2,084,763,703.14
Cash paid to and for the employees		173,055,391.76	181,413,246.02
Taxes paid		187,490,298.20	329,424,070.93
Other cash paid relating to operating activities		64,595,491.92	93,450,380.20
Sub-total of cash outflow		1,959,725,040.73	2,689,051,400.29
Net cash flow generated from operating activities		583,053,338.44	-42,519,966.42
2. Cash flow generated from investment activities			
Cash received from investment recovery			
Cash received from investment return		16,425,000.00	192,798,955.25
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		789,741.76	548,540,959.05
Net cash received from disposal of subsidiaries and other business units			
Other cash received relating to investment activities			
Sub-total of cash inflow		17,214,741.76	741,339,914.30
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		118,360,886.25	238,742,829.72
Cash paid for investment		91,208,841.48	
Net cash paid for acquisition of subsidiaries and other business units			
Other cash paid relating to investment activities			
Sub-total of cash outflow		209,569,727.73	238,742,829.72
Net cash flow generated from investment activities		-192,354,985.97	502,597,084.58
3. Cash flow from financing activities			
Cash received by absorbing investment			
Cash received from borrowing			360,000,000.00
Other cash received relating to financing activities			
Sub-total of cash inflow			360,000,000.00
Cash paid for debt service		420,000,000.00	200,000,000.00
Cash paid for distribution of dividend, profit or repayment of interest		101,763,795.44	561,604,552.71
Other cash paid relating to financing activities			
Sub-total of cash outflow		521,763,795.44	761,604,552.71

Net cash flow generated from financing activities		-521,763,795.44	-401,604,552.71
4. Impact of foreign exchange rate fluctuation on cash and cash equivalents		-5,242.42	202,763.65
5. Net increase in cash and cash equivalents		-131,070,685.39	58,675,329.10
Add: beginning amount of cash and cash equivalents		737,005,708.06	526,272,768.41
6. Ending amount of cash and cash equivalents		605,935,022.67	584,948,097.51

Consolidated Statement of Changes in Owner's Equity

January-June 2009

Prepared by: Zhejiang Southeast Electric Power Company Limited

Unit: RMB yuan

Item	Current Amount								
	Equity Belonging to Owners of Parent Company							Minority shareholders' equity	Total owner's equity
	Paid-in capital (share capital)	Capital reserve	Less: shares in stock	Surplus reserve	Ordinary risk allowance	Undistributed profit	Others		
1. Ending amount at end of last year	2,010,000,000.00	2,903,939,884.35		1,299,037,986.07		1,250,854,686.54		393,679,809.83	7,857,512,366.79
Add: changes in accounting policies									
Correction of prior errors									
2. Beginning amount at beginning of current year	2,010,000,000.00	2,903,939,884.35		1,299,037,986.07		1,250,854,686.54		393,679,809.83	7,857,512,366.79
3. Increase/decrease in current period with decrease denoted by "-")		1,401,735,493.43				241,179,065.00		-31,554,533.57	1,611,360,024.86
(1) Net profit						241,179,065.00		26,160,630.95	267,339,695.95
(2) Gains and losses directly incorporated in owner's equity		1,401,735,493.43							1,401,735,493.43
a. Net value of changes in available-for-sale financial assets		1,401,735,493.43							1,401,735,493.43
b. Impact of changes of other owner's equity of investee based on equity accounting									
c. Impact of income tax associated with owner's equity									
d. Others									
Sum of foregoing (1) and (2)		1,401,735,493.43				241,179,065.00		26,160,630.95	1,669,075,189.38
(3) Owner's investment and decreasing capital								-57,715,164.52	-57,715,164.52
a. Owner's injection of capital									
b. Amount of shares disbursement incorporated into owner's equity									
c. Others								-57,715,164.52	-57,715,164.52
(4) Profit distribution									
a. Allocation of surplus reserve									
b. Allocation of ordinary risk allowance									
c. Distribution to owners (or shareholders)									
d. Others									
(5) Internal transfer of owner's equity									
a. Capital reserve transferred to equity (or share capital)									
b. Surplus reserve transferred to equity (or share capital)									
c. Surplus reserve offsetting loss									
d. Others									
4. Ending Amount	2,010,000,000.00	4,305,675,377.78		1,299,037,986.07		1,492,033,751.54		362,125,276.26	9,468,872,391.65

Unit: RMB yuan

Item	Prior Amount								
	Equity Belonging to Owners of Parent Company							Minority shareholders' equity	Total owner's equity
	Paid-in capital (share capital)	Capital reserve	Less: shares in stock	Surplus reserve	Ordinary risk allowance	Undistributed profit	Others		
1. Ending amount at end of last year	2,010,000,000.00	6,444,920,251.87		1,270,298,424.38		1,714,848,191.56		505,439,642.00	11,945,506,509.81
Add: changes in accounting policies									
Correction of prior errors									
2. Beginning amount at beginning of current year	2,010,000,000.00	6,444,920,251.87		1,270,298,424.38		1,714,848,191.56		505,439,642.00	11,945,506,509.81
3. Increase/decrease in current period (with decrease denoted by "-")		-2,594,433,350.17				-159,774,685.90		-66,103,416.27	-2,820,311,452.34
(1) Net profit						302,525,314.10		-20,753,257.23	281,772,056.87
(2) Gains and losses directly incorporated in owner's equity		-2,594,433,350.17							-2,594,433,350.17
a. Net value of changes in available-for-sale financial assets		-2,594,433,350.17							-2,594,433,350.17
b. Impact of changes of other owner's equity of investee based on equity accounting									
c. Impact of income tax associated with owner's equity									
d. Others									
Sum of foregoing (1) and (2)		-2,594,433,350.17				302,525,314.10		-20,753,257.23	-2,312,661,293.30
(3) Owner's investment and decreasing capital									
a. Owner's injection of capital									
b. Amount of shares disbursement incorporated into owner's equity									
c. Others									
(4) Profit distribution						-462,300,000.00		-45,350,159.04	-507,650,159.04
a. Allocation of surplus reserve									
b. Allocation of ordinary risk allowance									
c. Distribution to owners (or shareholders)						-462,300,000.00		-45,350,159.04	-507,650,159.04
d. Others									
(5) Internal transfer of owner's equity									
a. Capital reserve transferred to equity (or share capital)									
b. Surplus reserve transferred to equity (or share capital)									
c. Surplus reserve offsetting loss									
d. Others									
4. Ending Amount	2,010,000,000.00	3,850,486,901.70		1,270,298,424.38		1,555,073,505.66		439,336,225.73	9,125,195,057.47

Parent Company's Statement of Changes in Owner's Equity

January-June 2009

Prepared by: Zhejiang Southeast Electric Power Company Limited

Unit: RMB yuan

Item	Current Amount					
	Paid-in capital (share capital)	Capital reserve	Less: shares in stock	Surplus reserve	Undistributed profit	Total owner's equity
1. Ending amount at end of last year	2,010,000,000.00	2,889,964,884.35		1,299,037,986.07	1,352,899,501.59	7,551,902,372.01
Add: changes in accounting policies						
Correction of prior errors						
2. Beginning amount at beginning of current year	2,010,000,000.00	2,889,964,884.35		1,299,037,986.07	1,352,899,501.59	7,551,902,372.01
3. Increase/decrease in current period (with decreased denoted by "-")		1,401,735,493.43			191,833,112.47	1,593,568,605.90
(1) Net profit					191,833,112.47	191,833,112.47
(2) Gains and losses directly incorporated in owner's equity		1,401,735,493.43				1,401,735,493.43
a. Net value of changes in available-for-sale financial assets		1,401,735,493.43				1,401,735,493.43
b. Impact of changes of other owner's equity of investee based on equity accounting						
c. Impact of income tax associated with owner's equity						
d. Others						
Sum of foregoing (1) and (2)		1,401,735,493.43			191,833,112.47	1,593,568,605.90
(3) Owner's investment and decreasing capital						
a. Owner's injection of capital						
b. Amount of shares disbursement incorporated into owner's equity						
c. Others						
(4) Profit distribution						
a. Allocation of surplus reserve						
b. Distribution to owners (or shareholders)						
c. Others						
(5) Internal transfer of owner's equity						
a. Capital reserve transferred to equity (or share capital)						
b. Surplus reserve transferred to equity (or share capital)						
c. Surplus reserve offsetting loss						
d. Others						
4. Ending Amount	2,010,000,000.00	4,291,700,377.78		1,299,037,986.07	1,544,732,614.06	9,145,470,977.91

Unit: RMB yuan

Item	Prior Amount					
	Paid-in capital (share capital)	Capital reserve	Less: shares in stock	Surplus reserve	Undistributed profit	Total owner's equity
1. Ending amount at end of last year	2,010,000,000.00	6,430,945,251.87		1,270,298,424.38	1,556,543,446.34	11,267,787,122.59
Add: changes in accounting policies						
Correction of prior errors						
2. Beginning amount at beginning of current year	2,010,000,000.00	6,430,945,251.87		1,270,298,424.38	1,556,543,446.34	11,267,787,122.59
3. Increase/decrease in current period (with decrease denoted by "-")		-2,594,433,350.17			-34,896,630.82	-2,629,329,980.99
(1) Net profit					427,403,369.18	427,403,369.18
(2) Gains and losses directly incorporated in owner's equity		-2,594,433,350.17				-2,594,433,350.17
a. Net value of changes in available-for-sale financial assets		-2,594,433,350.17				-2,595,433,350.17
b. Impact of changes of other owner's equity of investee based on equity accounting						
c. Impact of income tax associated with owner's equity						
d. Others						
Sum of foregoing (1) and (2)		-2,594,433,350.17			427,403,369.18	-2,167,029,980.99
(3) Owner's investment and decreasing capital						
a. Owner's injection of capital						
b. Amount of shares disbursement incorporated into owner's equity						
c. Others						
(4) Profit distribution					-462,300,000.00	-462,300,000.00
a. Allocation of surplus reserve						
b. Distribution to owners (or shareholders)					-462,300,000.00	-462,300,000.00
c. Others						
(5) Internal transfer of owner's equity						
a. Capital reserve transferred to equity (or share capital)						
b. Surplus reserve transferred to equity (or share capital)						
c. Surplus reserve offsetting loss						
d. Others						
4. Ending Amount	2,010,000,000.00	3,836,511,901.70		1,270,298,424.38	1,521,646,815.52	8,638,457,141.60

Notes to Financial Statements

January-June 2009

Unit: RMB yuan

I. Company Profile

Zhejiang Southeast Electric Power Company Limited (the Company) is a joint stock limited company established by Zhejiang Provincial Electric Power Company (ZPEPC), Zhejiang Provincial Electric Power Development Company (ZPEPDC), Zhejiang Bada Company Limited, Zhejiang Electric Power Equipment & Materials Supply Company and Zhejiang Electric Power Real Estate Development Company Limited as the promoters in accordance with Document Zhe Zheng Wei (1997) 49 entitled “Approval for Establishment of Zhejiang Southeast Electric Power Company Limited” released by the Securities Commission of Zhejiang Provincial Government and Document (1997) 4 entitled “Reply to the Proposal of Zhejiang Southeast Electric Power Company Limited (Preparation Office) to Issue New Shares Right After Its Incorporation” released by Division of International Affairs of China Securities Regulatory Commission. The registration of the Company with the local industrial and commercial administration authority was made on 15th May 1997, and the Business License No. 14294345 was obtained. It now has a registered capital of RMB 2,010 million yuan, and a total of 2,010 million shares (with a par value of RMB 1 yuan per share) including listed shares amounting to 690 million B shares. The Company’s shares went public on Shanghai Stock Exchange on 23 September 1997.

The Company was transformed to a stock limited company with foreign investment on 23 May 2000 upon the approval by the Ministry of Foreign Trade & Economic Cooperation with Document Wai Jing Mao Zi Er Han Zi (2000)373. The procedure relating to the re-registration with the industrial and commercial administration was then completed on 18 April 2001, and the Business License Qi Gu Zhe Zong No.002189 was obtained.

In accordance with Document Ji Ji Chu [2002]2704 “The State Planning Commission’s Approval of the Plan for Restructuring of the Generation Assets of the State Power Corp.” issued by the State Planning Commission, the 514,036,800 state-owned legal person shares of the Company originally held by ZPEPC were decreed to be transferred to China Huaneng Group Corporation (CHNG) at no cost, which was approved by the State-owned Assets Supervision & Administration Commission under the State Council of China with Document Guo Zi Chan Quan [2005]161 on 7 February 2005 and by the Ministry of Commerce with Document Shang Zi Pi [2006]1361 on 21 June 2006. The procedure relating to the re-registration with the industrial and commercial administration was then completed on 14 December 2007, and the altered Business License No.330000400000852 was obtained.

The Company belongs to the power sector, with its business scope covering investment in, development and operation of the electric power projects.

II. Standards and Methods for Preparation of Financial Statements

The Company implemented the “Enterprise Accounting Standards” issued by Ministry of Finance in February 2006.

III. Main Accounting Policies and Assumptions Adopted by the Company

1. Statement on Conformity with Enterprise Accounting Standards

The financial statements prepared by the Company conform to the enterprise accounting standards, giving a true and complete representation of the Company’s financial position, operating results and cash flow.

2. Basis for Preparation of Financial Statements

The preparation of the Company’s financial statements is based on a going concern.

3. Accounting Period

The accounting year starts from 1 January and ends on 31 December of the Gregorian calendar year.

4. Bookkeeping Base Currency

RMB is adopted as the bookkeeping base currency.

5. Accounting Measurement Attribute

Items in the financial statements are mainly based on historical cost. The financial assets/liabilities measured at fair value with their changes recorded as current gains and losses, available-for-sale financial assets and derivative financial instruments are measured at their fair values; the inventories and fixed assets purchased with their payment schedule extended beyond the normal credit conditions are measured at their present value of purchasing prices; the devaluated inventories are measured at their net realizable values; other devaluated assets are measured at their recoverable values (the higher of fair value or present value); assets with inventory gains are measured at their replacement costs.

6. Identification of Cash Equivalents

Cash equivalents refer to the investment made by the Company with a short maturity (generally mature within 3 months after the date of purchase), strong liquidity, ready convertibility to cash of known amount and low volatility in value.

7. Foreign Currency Conversion

The accounting of the foreign currency transaction is based on RMB converted as per the spot exchange rate on the transaction date. For the foreign currency monetary items, the ending balances of the various foreign currency accounts are converted at the spot exchange rate on the balance sheet date with the variance recorded as current gains and losses; for the foreign currency non-monetary items measured at historical cost, the ending balances are converted at the spot exchange rate on the transaction date; for the foreign currency non-monetary items measured at fair value, the ending balances are converted at the spot exchange rate on the date of determination of fair value with variance recorded at the gains and losses from change in fair value.

8. Recognition and Measurement of Financial Instruments

(1) Classification of financial assets and liabilities

Financial assets, when initially recognized, are classified into the following four categories: financial assets measured at fair values with their changes recorded as current gains & losses (including transactional financial assets and financial assets determined to be measured at fair values with changes recorded as current gains & losses), hold-up-to-maturity investment, loans and accounts receivable, and available-for-sale financial assets.

Financial liabilities, when initially recognized, are classified into the following two categories: financial liabilities measured at fair values with changes recorded as current gains & losses (including transactional financial liabilities and financial liabilities determined to be measured at fair values with changes recorded as current gains & losses), and other financial liabilities.

(2) Recognition basis and measurement method for financial assets and liabilities

When the Company becomes one party to the financial instrument contract, a financial asset or liability is recognized. When initially recognized as financial asset or liability, they are measured at fair values; for financial assets and liabilities measured at fair values with their changes recorded as current gains & losses, the related transaction expenses are directly recorded as current gains & losses; for other financial assets or liabilities, the related transaction expenses are incorporated into the initially recognized values.

The Company makes follow-up measurement of financial assets at their fair

values, not deducting possible transaction expenses when disposing of financial assets in future, with the exception of the following cases: 1) Hold-up-to-maturity investment, loans and accounts receivable will be measured at their residual cost based on actual interest rate; 2) The equity instrument investment with no quotation in active market and no reliably measurable fair value as well as the derivative financial asset associated with this equity instrument and settled via this equity instrument will be measured at their costs.

The Company adopts the actual interest rate method to make follow-up measurement of financial liabilities based residual cost, within the exception of the following cases: 1) For financial liabilities measured at fair values with changes recorded as current gains & losses, they are measured at fair values, without deducting possible transaction expenses incurred when settling financial liabilities in future; 2) The derivative financial liabilities associated with equity instrument with no quotation in active market and no reliably measurable fair value and settled via this equity instrument will be measured at their costs; 3) The financial guarantee contract not belonging to financial liabilities determined to be measured at fair values with changes recorded as current gains & losses, or the loan commitment not determined to be measured at fair values with changes recorded as current gains & losses committing to lend at an interest rate lower than market rate, will be measured at the best estimated amount of expenditure in performance of relevant obligations or the initially recognized value after deducting amount of amortization based on the actual interest rate, whichever is higher.

(3) Recognition basis and measurement method for transfer of financial assets

Those whose risks and returns on ownership have nearly all been transferred by the Company to the transferee will cease to be recognized as financial asset; those whose risks and returns on ownership have nearly all been retained will continue to be recognized as financial asset, and the consideration received will be identified as a financial asset; those whose nearly all risks and returns on ownership have neither been transferred nor retained will be treated as follows: 1) in case of giving up control of financial asset, it will cease to be recognized as financial asset; 2) in case of not giving up control of financial asset, it will continue to be recognized as financial asset to the extent of transfer, and the related financial liability will be recognized.

If the whole transfer of financial asset satisfies conditions for cease of its recognition, the difference between the following two amounts will be recorded as current gains and losses: 1) the book value of the transferred financial asset; 2) the sum of the consideration received from transfer and cumulative changes in fair values of the owner's equity directly recorded. If the partial transfer of the financial asset satisfies conditions for cease of its recognition, the book value of

the transferred financial asset will be apportioned at fair values between those ceased to be recognized as such and those not ceased to be recognized as such, and the difference between the following two amounts will be recorded as the current gains and losses: (1) the book value of the portion ceased to be recognized as financial asset; (2) the sum of the consideration received from the portion ceased to be recognized as financial asset and cumulative changes in fair values of the corresponding owner's equity directly recorded.

(4) Ways of determining fair values of main financial assets and liabilities

For the financial assets and liabilities with active markets, the quotations in active markets will be their fair values; for those without active markets, valuation techniques (including referring to market prices of recently-concluded transactions, referring to current fair values of other financial instruments of same substance, cash flow discount method and option pricing model, etc) will be employed to determine their fair values; for initially acquired or newly-formed financial assets or liabilities, their market transaction prices will be used as basis for determining fair values.

(5) Devaluation test and devaluation reserve allocation method for financial assets

On the balance sheet date, devaluation test will be done to the financial assets other than the financial assets measured at fair values with changes recorded as current gains and losses. A single financial asset will undergo devaluation test singly; the financial assets without devaluation (including those in large and small amount) will undergo test alone, including devaluation test to the financial asset portfolio with similar credit risks.

For financial assets measured at residual values, if objective evidences indicate they are devaluated, the devaluation loss will be computed based on the difference between the book value and the present value of anticipated future cash flow; for equity instrument investment with no quotation in active market and no reliably measurable fair value, or the derivative financial assets associated with such equity instrument and settled via such equity instrument, if they are devaluated, their devaluation loss will be computed based on the differences between their book values and the present values of the similar financial assets with their future cash flow discounted at the market rate of return. For the available-for-sale financial assets, if their fair values decrease significantly and the trend of decrease is non-temporary, their devaluation loss will be recognized, and their cumulative loss on the fair values directly incorporated into owner's equity will be transferred out and recorded as devaluation loss.

9. Allocation of Allowance for Bad Debt for Accounts Receivable

For a single item of receivable (including account receivable and other receivable) with significant amount and with concrete evidence of devaluation, an amount equal to the difference of its present value of future cash flow less than its book value would be allocated as the allowance for bad debt; for a single item of receivable (including account receivable and other receivable) with insignificant amount and a single item of receivable with significant amount which proves to be subject to no devaluation after being individually examined, the percentage of allowance for bad debt will be determined in consideration of specific conditions, i.e. at 0.5% for those with account age under 1 year (inclusive), 20% for those with account age between 1 and 2 years, 50% for those with account age between 2 and 3 years, and 80% for those with account age above 3 years.

For other accounts receivable (including bills receivable, prepayment, interest receivable, long-term receivable, etc.), an amount equal to the difference of its present value of future cash flow less than its book value would be allocated as the allowance for bad debt.

10. Recognition and Measurement of Inventories

- (1) The inventories include the fuel, auxiliary materials, spare parts for repair, low-cost consumables, etc. stored for the purposes of sale or consumption in the process of production and operation.
- (2) The outgoing fuel is accounted for based on weighted average cost method; the spare parts for repair in warehouse and auxiliary materials such as cement, steel and wood are accounted for based on moving weighted average method.
- (3) On the balance sheet date, the inventories will be measured at its cost or its net realizable value, whichever is lower. The devaluation reserve for inventories will be allocated per the difference of the cost of a single inventory item higher than its net realizable value. For inventories of salable goods such as finished products, goods and salable materials, their net realizable values equal to their estimated selling prices minus their estimated sales expenses and taxes; for inventories of materials to be processed, their net realizable values equal to the estimated selling prices of the finished products produced in the normal production process minus their estimated sales expenses and taxes; on the balance sheet date, for the same item of inventory with some parts contractually priced and some parts not priced, their net realizable values are separately measured and compared with their corresponding cost so as to separately determine the amount of devaluation reserve to be allocated or the amount to be reversed.
- (4) The inventories are taken using the perpetual inventory method.
- (5) The low-cost consumables are amortized based on lump-sum write-off method.

11. Accounting of Long-term Equity Investment

- (1) Determination of initial investment cost of long-term equity investment

- a. For those formed on consolidation of the enterprises under the same control, the consolidating party makes cash payment, transfers non-cash assets, takes liabilities or issues equity securities as consideration for consolidation, the book value of the owner's equity of the consolidated party on the consolidation date will be taken as the initial investment cost. The capital reserve will be adjusted based on the difference between the initial investment cost of the long-term equity investment and the book value of the paid consideration upon consolidation or the aggregate value of the issued shares; in the event that the capital reserve is insufficient for deduction, the retained earnings will be adjusted.
 - b. For those formed on consolidation of enterprises not under the same control, the fair value of the consideration paid on the acquisition date along with the various related direct expenses will be stated as the initial investment cost.
 - c. For those not formed on consolidation of enterprises: in case of acquisition by cash payment, the purchasing price actually paid will be stated as the initial investment cost; in case of acquisition by issuing equity securities, the fair value of the issued equity securities will be stated as the initial investment cost; in case of investment by investors, the value agreed in the Investment Contract or Agreement will be stated as the initial investment cost (except that the contractual or agreed value is not the fair value).
- (2) The long-term equity investment under control is accounted for based on the cost, and adjusted based on equity when preparing consolidated financial statements. For the investment without joint control or significant influence, and with no quotation in the active market nor reliably measurable fair value, it is accounted for using the cost method; for the investment with joint control or significant influence, it is accounted for using the equity method.
 - (3) On the balance sheet date, for long-term equity investment accounted for via cost method with no quotation in active market and no reliably measurable fair value but having objective evidence of devaluation, the devaluation reserve will be allocated based on the difference between the present values of the similar investment with their future cash flow discounted at the market rate of return and their book values; for other investment, when showing signs of devaluation, the devaluation reserve for long term equity investment is allocated using the method stated in Section III-16-(3) of this Notes to Financial Statements herein.
 - (4) Basis for identifying joint control and significant influence over investees: based on the contractual agreement, if important financial and business decisions concerning the investees require the agreement of the investors, it is identified as joint control; if important financial and business decisions concerning the investees involve investors' participation but no control or joint control, it is identified as significant influence.

12. Recognition and Measurement of Investing Real Estate

- (1) The investing real estate includes the leased land use right, the land use right held to be transferred after appreciation and the leased buildings.
- (2) The initial valuation of the investing real estate is based on cost, and the follow-up valuation based on the cost model.
- (3) For the investing real estate valued on cost basis, depreciation or amortization will be allocated in the same way as the fixed assets and the intangible assets.
- (4) For the investing real estate measured on cost basis, in the event that there are signs of devaluation on the balance sheet date, the devaluation reserve will be allocated using the method stated in Section III-16-(3) of this Notes to Financial Statements herein.

13. Recognition and Measurement of Fixed Assets

- (1) The fixed assets refer to the tangible assets that possess the following features simultaneously: (a) held for purposes of goods production, labor service provision, lease or management; (b) with their useful life exceeding 1 accounting year.
- (2) The fixed assets are recognized when meeting the following conditions simultaneously: (a) the economic benefit in connection with the fixed assets will very likely flow into the enterprise; (b) the cost of this fixed asset can be reliably measured. The subsequent expenditure in connection with the fixed asset meeting the above conditions is stated as cost of fixed asset; the subsequent expenditure in connection with the fixed asset not meeting the above conditions is stated as current gains and losses.
- (3) The fixed assets are initially measured at actual cost.
- (4) The depreciation of the fixed assets is on straight-line basis. The useful life, estimated residual value and annual depreciation rate of the various fixed assets are as follows:

Classification of Fixed Assets	Useful Life (year)	Estimated Net Residual Value	Annual Depreciation Rate (%)
Housing and Buildings	8-35	0-3%	12.50-2.86
General Equipment	4-18	0-3%	25.00-5.56
Special Equipment	7-18	0-3%	14.29-5.56
Vehicles	6	0-3%	16.67
Other Equipment	5-9	0-3%	20.00-11.11
Decoration of fixed assets	5	0	20.00

- (5) The fixed assets in disuse for 3 consecutive months due to underproduction or natural calamities will be recognized as idle fixed assets (except for seasonal disuse). The idle fixed assets will be depreciated using the same method as other fixed assets.

- (6) On the balance sheet date, if there is sign of devaluation, the devaluation reserve for the fixed assets will be allocated using the method stated in Section III-16-(3) of this Notes to Financial Statements herein.

14. Recognition and Measurement of Construction in Progress

- (1) The construction in progress is identified when the economic benefits in connection therewith will very likely flow into the enterprise and the cost thereof can be reliably measured. The construction in progress will be accounted for based on its actual cost incurred before reaching readiness for use.
- (2) When reaching readiness for use, the actual cost of the construction in progress is transferred into the fixed assets. If final accounting upon completion is not yet done, it will be transferred into the fixed assets per its estimated value. Adjustment will be made after the actual value is determined after the final accounting. Yet the allocated depreciation will not be adjusted.
- (3) On the balance sheet date, if there is sign of devaluation, the devaluation reserve for the construction in progress will be allocated using the method stated in Section III-16-(3) of this Notes to Financial Statements herein.

15. Recognition and Measurement of Intangible Assets

- (1) The intangible assets are initially stated at the actual cost.
- (2) Based on the contractual or legal rights of the intangible assets, the historical experience and the relevant experts' appraisal, if it can be reasonably ascertained that the intangible assets can bring economic benefits to the company, they are treated as intangible assets with limited useful life; if not, they are treated as intangible assets with indefinite useful life.
- (3) For intangible assets with limited life, their life will be estimated based on the following factors: (a) the normal life cycle of the product produced with this asset and information about useful life of similar assets; (b) current status and development trend of the technology and working processes; (c) market demand for product produced with this intangible asset; (d) anticipated actions taken by current or potential competitors; (e) anticipated maintenance cost for maintaining the capability of the intangible asset to bring economic benefits and the company's anticipated ability to pay for related expenses; (f) legal limitations on life of intangible asset, e.g. franchise, lease term, etc; and (g) association with life of other assets held by the company
- (4) The intangible assets with limited life will be reasonably amortized over its useful life in the manner that the economic benefits in connection with the intangible assets are foreseeably realized, or amortized on straight line basis in case of no foreseeable realization manner. The intangible assets with indefinite life will not be amortized, but their life will be appraised every year, and tested to ascertain whether devaluation occurs.
- (5) On the balance sheet date, the capability of the intangible assets to bring economic

benefits to the company will be examined, the devaluation reserve for the intangible assets will be allocated using the method stated in Section III-16-(3) of this Notes to Financial Statements herein.

- (6) The outlays for internal research and development projects during the research stage are stated as current gains and losses at the time of occurrence. The outlays for internal research and development projects during the development stage are identified as intangible assets if meeting the following conditions simultaneously: (a) the use or sale of the intangible asset is technically feasible; (b) there is intention to complete, use and sell the intangible asset; (c) the manner that the intangible asset makes economic benefits can verify that the intangible asset or the product produced with the intangible asset have a market, or that the intangible asset for internal use has utility; (d) there are sufficient technical, financial and other support to enable completion of the development, use or sale of the intangible asset; (e) the outlays incurred during the development stage in connection with the intangible asset can be reliably measured.

16. Asset Devaluation

- (1) On the balance sheet date, assets (except inventories, equity instrument investment with no quotation in market and no reliably measurable fair value, investing real estate measured at fair value mode, depletive bio-assets, assets formed from construction contract, deferred income tax, residual value not guaranteed by lessor in financial lease and assets other than financial assets) will be appraised to ascertain whether devaluation occurs. If there is sign of one asset subject to devaluation, its recoverable value will be estimated based on the single asset; if it is difficult to estimate the recoverable value of a single asset, its recoverable value will be appraised based on the asset group which it belongs to.
- (2) The recoverable value is determined based on the fair value of a single asset or an asset group net of its disposal cost, or the present value of the anticipated future cash flow of the single asset or asset group, whichever is higher.
- (3) In the event that the recoverable value of a single asset is lower than its book value, the devaluation reserve for the asset is allocated per the difference between its book value and recoverable value. In the event that the recoverable value of an asset group is lower than its book value, its devaluation loss is determined, which firstly deducts the book value of goodwill and then deducts the book values of other assets per percentages of their share. The above deduction of book values will be treated as devaluation loss of various single assets (including goodwill), and thus allocating devaluation reserves for single assets.
- (4) Once the above devaluation loss is recognized, no reversal will be made in the succeeding accounting periods.

17. Recognition and Measurement of Borrowing Expenses

- (1) Principles for capitalization of borrowing expenses

The borrowing expenses meeting conditions of capitalization will be capitalized and stated as cost of assets; other borrowing expenses will be recognized as expenses at the time of occurrence and stated as current gains and losses. The assets meeting capitalization conditions refer to such assets as fixed assets, investing real estate and inventories which require a considerable period of time of acquisition or production to reach readiness for use or sale.

(2) Borrowing expenses capitalization period

a. When the following conditions are met at the same time, the capitalization of begins: (i) the expenditure has occurred; (ii) the borrowing expenses have occurred; (iii) the activities to bring the fixed assets to readiness for use or sale have started.

b. Suspension of capitalization

In case the purchase/building of fixed assets is interrupted for more than 3 consecutive months, the capitalization of borrowing expenses will be suspended with the borrowing expenses being recognized as current expenses until the asset purchase/building activities are resumed.

c. Termination of capitalization

When the purchased fixed assets reach readiness for use or sale, the capitalization terminates.

(3) Amount of borrowing expense capitalization

In case of borrowing special loan for purchase or production of assets meeting capitalization conditions, the actual interest accrued (including amortization of discount or premium determined at the actual interest rate) less interest income on deposit of unused capital or investment returns on short-term investment will be the amount of capitalization; in case of borrowing ordinary loan for purchase or production of assets meeting capitalization conditions, the amount of interest capitalization will be computed by multiplying the weighted average asset expenditures and the capitalization rate of ordinary loan (weighted average interest rate). During the capitalization period, the amount of interest capitalization in each accounting period does not exceed the amount of interest accrued on loans in that period. The exchange variance of the principal and interest of the foreign currency special loan will be capitalized in the capitalization period. The auxiliary expenses of the special loan incurred before the asset reaches readiness for use or sale will be capitalized; those incurred thereafter will be recorded as current gains and losses. The auxiliary expenses of the ordinary loan will be recorded as current gains and losses at the time of occurrence.

18. Income Recognition Principle

(1) Sale of Commodities

The business income is recognized when the significant risk and the remuneration in connection with the ownership of the commodity have transferred to the buyer so that the Company no longer has custody and control of the commodity; the amount of the received income can be reliably measured; the related economic

benefit is very likely to flow in; and the related cost that have occurred or is about to occur can be measured reliably.

(2) Supply of Labour Service

For the labour service whose transaction result can be reliably estimated (i.e. reaching a state whereby the received income can be reliably measured, the related economic benefit is very likely to flow in, the transaction progress can be reliably measured, and the cost having occurred or about to occur can be reliably measured) on the balance sheet date, the income from the labour service will be recognized based on the percentage of progress completion to be determined as per the percentage of the incurred cost out of the estimated total cost. For the labour service whose transaction result cannot be reliably estimated on the balance sheet date, in the event that the incurred labour cost can be presumably reimbursed, the income from the labour service will be recognized based on the incurred labour cost, and the same amount of cost will be settled and transferred; in the event that the incurred labour cost cannot be presumably reimbursed, the cost will be stated as current gains and losses with no labour service income recognized.

(3) Assignment of Asset Use Right

The income from assignment of asset use right is recognized when the related economic benefit can flow in and the amount of income can be reliably measured. Interest income is computed based on the time of other companies using the Company's cash and the actual interest rate; the income from the usage fees is computed based on the charging time and method specified in related contract or agreement.

19. Recognition and Measurement of Corporate Income Tax

- (1) Based on the difference between the book value of asset and liability and the taxation base (the difference between the taxation base and the book value), the deferred income tax asset or liability will be calculated using the applicable tax rate during the anticipated time to recover the asset or repay the liability.
- (2) The recognition of deferred income tax asset is limited to the taxable income deducting deductible temporary variance. On the balance sheet date, if there is firm evidence indicating sufficient taxable income can be used to deduct deductible temporary variance, the deferred income tax asset not recognized in previous accounting period will be recognized.
- (3) On the balance sheet date, the book value of the deferred income tax will be re-checked. If it is highly likely not to be able to obtain sufficient taxable income to deduct the benefit of the deferred income tax, the book value of the deferred income tax will be reduced; otherwise, the reduced amount is reversed.

20. Enterprise Annuity Plan and Significant Change Therein

In addition to the legal basic endowment insurance, the Company took out supplementary endowment insurance for its employees in accordance with the national Enterprise Annuity System and entrusted ZEPGC with the management

of the insurance. The premium payment method is as follows:

Taking [Employee's performance-cum-seniority-related monthly pay + [(Employee's post rating - 1) × 3]] as 1 share, the Company will pay 10 shares and the employee will pay 2 shares. The full amount of enterprise annuity borne by the Company will be recorded as the current gains and losses.

21. Method for Preparation of Consolidated Financial Statement

The parent company incorporated all the subsidiaries under its control into the scope of consolidation of financial statements. The consolidated financial statements are prepared by the parent company based on the financial statements of the parent company and its subsidiaries in conjunction with other relevant documents in accordance with "No.33 Rule for Enterprise Accounting – Preparation of Financial Statements" after having made adjustment to long-term equity investment in subsidiaries on equity accounting basis.

21. Changes in Important Account Policies and Accounting Assumptions

Nil

IV. Taxation

1. Value-added tax: at a rate of 17%
2. Operating tax: at a rate of 5%, except for the Company's subsidiary Taizhou Haitian Electric Power Project Co. Ltd (THEPPC) whose construction and installation income will be taxed at 3%.
3. Urban maintenance & construction tax:

The head office of the Company and Xiaoshan Power Plant were exempted from this tax as agreed respectively by International Division of Zhejiang Local Taxation Bureau and Hangzhou Xiaoshan Local Taxation Bureau Linpu Branch; Taizhou Power Plant was taxed at 7% of the turnover tax payable, the subsidiary ZCPGC at 5% and the subsidiary THEPPC at 7%.

4. Education surtax:

The head office of the Company and Xiaoshan Power Plant were exempted from this tax as agreed respectively by International Division of Zhejiang Local Taxation Bureau and Hangzhou Xiaoshan Local Taxation Bureau Linpu Branch. Taizhou Power Plant, ZCPGC and THEPPC were taxed at 3% of the turnover tax payable.

5. Local education surtax

The local education surtax was payable at 2% of the turnover tax payable.

6. Comprehensive dues

The Company's subsidiary ZCPGC was taxed at 0.15% of sales income in line with Document [2006]9 "Notice on Adjusting Policy Concerning Comprehensive Dues" issued by Changxing County Local Taxation Bureau.

7. Corporate income tax: at a rate of 25%

V. Consolidation of Enterprises and Consolidated Financial Statements

(I) Important Subsidiaries Controlled

1. Subsidiary acquired through consolidation

Subsidiary acquired through consolidation of an enterprise controlled by a different shareholder

Full Name of Enterprise	Registered Address	Code of Organization	Type of Business	Registered Capital (RMB million yuan)	Scope of Business
Taizhou Haitian Electric Power Project Co. Ltd	1 Jiandian Road, Qiansuo Street, Jiaojiang District, Taizhou City	7352879-X	Project construction	25	Installation, repair, operation and maintenance of power equipment and electrical equipment

(continued)

Full Name of Enterprise	Actual Investment Up to Current Period End (RMB yuan)	Net Investment in Subsidiary (RMB yuan)	Shareholding Percentage (%)	Percentage of Voting Share (%)	Worth of Goodwill (Negative Goodwill)
Taizhou Haitian Electric Power Project Co. Ltd	29,088,414.80	29,088,414.80	100	100	

2. Subsidiaries acquired by other means:

Full Name of Enterprise	Registered Address	Code of Organization	Type of Business	Registered Capital (RMB million yuan)	Scope of Business
Zhejiang Zheneng Changxing Power Generation Co. Ltd	Fucheng Building, North of Central Square, Huzhou City	73033805-4	Coal-fired power generation	1,096	Production and sale of electricity

(continued)

Full Name of Enterprise	Actual Investment Up to Current Period End (RMB yuan)	Balance of Net Investment in Subsidiary (RMB yuan)	Shareholding Percentage (%)	Percentage of Voting Share (%)
Zhejiang Zheneng Changxing Power Generation Co. Ltd	712,400,000.00	712,400,000.00	65	65

(II) Reasons for Incorporating Subsidiaries of Which Parent Company Has 50% and Below Voting Shares into Consolidated Financial Statements

Nil

(III) Note on Change in Scope of Consolidation of Financial Statements in Current Reporting Period

In the current reporting period, in the light of stock restructuring of ZCJLC, ZCPGC separately signed agreements with ZCJLC's two other shareholders, namely Zhejiang Zheneng Fuxing Fuel Company Limited and Zhejiang Xingyuan Investment Company Limited. Effective from 1 January 2009, the voting right entrustment was terminated, and the shareholders of ZCJLC will exercise their voting rights in proportion to their shareholding ratios. In view of the fact that ZCPGC has no control over ZCJLC, starting from 1 January 2009, ZCJLC would no longer be incorporated into the scope of the consolidated financial statements of the Company.

The status of ZCJLC's assets and liabilities as at 31 December 2008 was as follows:

Item	31 December 2008
Current Assets	43,610,835.78
Fixed Assets	52,912,881.43
Construction in Progress	3,483,787.80
Intangible Assets	56,212,858.41
Current Liabilities	49,835,653.14
Long-term Debt	10,000,000.00

VI. Distribution of Profit

According to the Profit Distribution Plan for 2008 approved in the shareholders' general meeting 2008 of the Company, no distribution of cash dividends will be conducted.

VII. Notes to the Consolidated Financial Statements

(I) Notes to the Consolidated Balance Sheet

1. Monetary Assets Ending Amount: 814,699,639.03

(1) Details

Item	Ending Amount	Beginning Amount
Cash	7,371.14	6,164.52
Cash in bank	813,126,895.63 [Note]	891,631,643.63
Other monetary assets	1,565,372.26	812,039.10
Total	<u>814,699,639.03</u>	<u>892,449,847.25</u>

[Note]: including the cash deposited at ZEFL amounting to RMB 365,852,043.70 yuan.

(2) Monetary assets—in foreign currency

Item	Ending Amount			Beginning Amount		
	Amount in original currency (USD)	Exchange rate	Equivalent to RMB yuan	Amount in original currency (USD)	Exchange rate	Equivalent to RMB yuan

Cash in bank	USD1,941,362.02	6.8319	13,263,191.18	USD1,941,119.38	6.8346	13,266,774.51
Subtotal			<u>13,263,191.18</u>			<u>13,266,774.51</u>

2. Bills Receivable

Ending Amount: 4,540,500.00

(1) Details

Item	Ending Amount	Beginning Amount
Bank-accepted drafts	4,540,500.00	0.00
Total	<u>4,540,500.00</u>	<u>0.00</u>

The ending amount of RMB 4,540,500.00 yuan was the bank-accepted drafts with different terms varying from 3 to 6 months issued by Hangzhou Lianfa Electrochemical Co. Ltd.

3. Accounts receivable

Ending Amount: 445,019,194.82

(1) Details

Item	Ending Amount			Beginning Amount				
	Book balance	Percentage (%)	Allowance for bad debt	Book value	Book balance	Percentage (%)	Allowance for bad debt	Book value
Single receivables with significant values	443,287,077.59	99.01	2,598,928.52	440,688,149.07	519,785,703.18	96.92	2,598,928.52	517,186,774.66
Other receivables with insignificant values	4,413,670.68	0.99	82,624.93	4,331,045.75	16,524,986.32	3.08	82,624.93	16,442,361.39
Total	<u>447,700,748.27</u>	<u>100.00</u>	<u>2,681,553.45</u>	<u>445,019,194.82</u>	<u>536,310,689.50</u>	<u>100.00</u>	<u>2,681,553.45</u>	<u>533,629,136.05</u>

(2) Classified by account age

Account age	Ending Amount			Beginning Amount				
	Book balance	Percentage (%)	Allowance for bad debt	Book value	Book balance	Percentage (%)	Allowance for bad debt	Book value
Within year	447,700,748.27	100.00	2,681,553.45	445,019,194.82	536,310,689.50	100.00	2,681,553.45	533,629,136.05
Total	<u>447,700,748.27</u>	<u>100.00</u>	<u>2,681,553.45</u>	<u>445,019,194.82</u>	<u>536,310,689.50</u>	<u>100.00</u>	<u>2,681,553.45</u>	<u>533,629,136.05</u>

(3) 99.01% of the balance of accounts receivable were the energy sale charges receivable from ZPEPC.

(4) There were no accounts due from the shareholders holding 5% and above of the Company's voting shares.

(5) Note on percentage of and reason for allocation of allowance for bad debt for single large-value account receivable

Analysis indicated that there was minimal credit risk with single large-value account receivable at the end of the reporting period. Hence its allowance for bad debt was allocated together with single insignificant-value account receivable based on the actual loss rate.

4. Prepayments

Ending Amount: 17,899,690.02

(1) Classified by account age

Account age	Ending Amount				Beginning Amount			
	Book balance	Percentage (%)	Allowance for bad debt	Book value	Book balance	Percentage (%)	Allowance for bad debt	Book value
Within 1 year	17,368,690.02	97.03		17,368,690.02	95,418,270.35	98.26		95,418,270.35
1~2 years	531,000.00	2.97		531,000.00	788,160.00	0.81		788,160.00
2~3 years					898,573.70	0.93		898,573.70
Total	<u>17,899,690.02</u>	<u>100.00</u>		<u>17,899,690.02</u>	<u>97,105,004.05</u>	<u>100.00</u>		<u>97,105,004.05</u>

(2) Note on reason for unsettled significant prepayment with account age greater than 1 year

Name of Organization	Ending Amount	Reason for Unsettlement
Sinopec Changxing Branch	350,000.00	Prepayment
Taizhou Land Resources Bureau Jiaobei Center	181,000.00	Prepayment for land cultivation
Subtotal	<u>531,000.00</u>	

(3) There were no accounts due from main shareholders holding 5% and above of the Company's voting shares.

(4) Large-amount Prepayment

Name of Organization	Ending Amount	What Prepayment For
Beijing Beizhong Steam Turbine Generator Co. Ltd	6,764,000.00	Prepayment for equipment
ZPNGDC	4,883,496.24	Prepayment for natural gas
Subtotal	<u>11,647,496.24</u>	

(5) No obvious signs of devaluation of prepayments was found at the end of the reporting period, hence no allocation of allowance for bad debt.

5. Other receivables

Ending Amount: 17,920,954.90

(1) Details

Item	Ending Amount				Beginning Amount			
	Book balance	Percentage (%)	Allowance for bad debt	Book value	Book balance	Percentage (%)	Allowance for bad debt	Book value
Single receivables with large values	11,458,429.29	56.40	664,357.55	10,794,071.74	12,604,609.74	53.26	664,357.55	11,940,252.19
Other receivables with insignificant values	8,859,290.18	43.60	1,732,407.02	7,126,883.16	11,060,894.76	46.74	1,732,407.02	9,328,487.74
Total	<u>20,317,719.47</u>	<u>100.00</u>	<u>2,396,764.57</u>	<u>17,920,954.90</u>	<u>23,665,504.50</u>	<u>100.00</u>	<u>2,396,764.57</u>	<u>21,268,739.93</u>

(2) Classified by account age

Account age	Ending Amount				Beginning Amount			
	Book balance	Percentage (%)	Allowance for bad debt	Book value	Book balance	Percentage (%)	Allowance for bad debt	Book value
Within 1 year	15,362,241.27	75.61	79,470.99	15,282,770.28	15,894,198.23	67.16	79,470.99	15,814,727.24
1~2 years	3,582,740.00	17.63	1,266,950.46	2,315,789.54	6,334,752.23	26.77	1,266,950.46	5,067,801.77
2~3 years	305,851.20	1.51	164,833.52	141,017.68	329,667.04	1.39	164,833.52	164,833.52
Over 3 years	1,066,887.00	5.25	885,509.60	181,377.40	1,106,887.00	4.68	885,509.60	221,377.40
Total	<u>20,317,719.47</u>	<u>100.00</u>	<u>2,396,764.57</u>	<u>17,920,954.90</u>	<u>23,665,504.50</u>	<u>100.00</u>	<u>2,396,764.57</u>	<u>21,268,739.93</u>

(3) Other large-amount receivables

Name of Organization	Ending Amount	What Receivables are
Preconstruction expenses for "Replacing Small-capacity with Large-capacity Generators"	11,458,429.29	Advance payment for preconstruction expenses
Subtotal	<u>11,458,429.29</u>	

(4) The ending amount of other receivables due from the top 5 debtors totaled RMB 13,836,615.77 yuan, accounting for 68.10% of the book value of other receivables.

(5) There were no accounts due from main shareholders holding 5% and above of the Company's voting shares.

(6) The account receivable from the related parties accounted for 14.21% of the balance of other receivable at the reporting period end.

(7) Note on percentage of and reason for allocation of allowance for bad debt for single large-value other receivable

Analysis indicated that there was minimal credit risk with the single large-value receivable at the end of the reporting period. Hence its allowance for bad debt was allocated together with the single insignificant-value other receivable based on the actual loss rate.

6. Inventories

Ending Amount: 248,016,618.45

(1) Details

Item	Ending Amount			Beginning Amount		
	Book Balance	Devaluation Reserve	Book Value	Book Balance	Devaluation Reserve	Book Value
Raw materials	127,153,188.33		127,153,188.33	124,789,610.62		124,789,610.62
Low-cost consumables				81,091.25		81,091.25
Fuel	120,863,430.12		120,863,430.12	176,162,718.79	8,112,642.70	168,050,076.09
Total	<u>248,016,618.45</u>		<u>248,016,618.45</u>	<u>301,033,420.66</u>	<u>8,112,642.70</u>	<u>292,920,777.96</u>

(2) The ending inventories were not subjected to any debt guarantees.

(3) There was no visible sign of devaluation of inventories at the end of the reporting period, hence no allocation of the devaluation reserve for inventories.

7. Available-for-sale Financial Assets Ending Amount: 3,596,789,487.70

(1) Details

Item	Ending Amount		Beginning Amount			
	Book Balance	Devaluation Reserve	Book Value	Book Balance	Devaluation Reserve	Book Value
Available-for-sale equity instrument	3,596,789,487.70		3,596,789,487.70	1,727,808,829.80		1,727,808,829.80
Total	<u>3,596,789,487.70</u>		<u>3,596,789,487.70</u>	<u>1,727,808,829.80</u>		<u>1,727,808,829.80</u>

(2) Available-for-sale equity instruments—composition of ending balance

Name of Share	Type of Share	Number of Shares	Shareholding Ratio (%)	Investment Cost	Changes in Fair Value	Ending Amount	Ending Market Price
Merchants Bank	Listed shares	41,264,000.00	0.2806	80,222,224.79	844,504,015.21	924,726,240.00	22.41
Bank of Communication	Listed shares	146,231,770.00	0.2985	277,840,363.00	1,039,707,884.70	1,317,548,247.70	9.01
Industrial Bank	Listed shares	36,500,000.00	0.7300	75,190,000.00	1,279,325,000.00	1,354,515,000.00	37.11
Subtotal				<u>433,252,587.79</u>	<u>3,163,536,899.91</u>	<u>3,596,789,487.70</u>	[Note]

[Note]: which was the closing price of this company's shares at Shanghai Stock Exchange on 31 December 2009.

(3) Available-for-sale equity instruments—increase/decrease in current reporting period

Name of Share	Beginning Amount	Increase/decrease in Cost in Current Period	Change in Fair Value in Current Period	Other Increase/decrease in Current Period	Ending Amount
Merchants Bank	501,770,240.00		422,956,000.00		924,726,240.00
Bank of Communication	693,138,589.80		624,409,657.90		1,317,548,247.70
Industrial Bank	532,900,000.00		821,615,000.00		1,354,515,000.00
Subtotal	<u>1,727,808,829.80</u>		<u>1,868,980,657.90</u>		<u>3,596,789,487.70</u>

(4) Reason for change exceeding 30% (inclusive) or comprising 5% (inclusive) of total asset

The ending amount increased by 108.17% compared with the beginning amount, which is mainly because the fair values of the Merchants Bank, Industrial Bank and Bank of Communication rose at the period end.

8. Long-term equity investment Ending Amount: 1,975,172,391.05

(1) Details

Item	Ending Amount			Beginning Amount		
	Book Balance	Devaluation Reserve	Book Value	Book Balance	Devaluation Reserve	Book Value
Investment in affiliated enterprises	1,534,600,962.48		1,534,600,962.48	1,263,888,409.75		1,263,888,409.75
Other equity investment	660,571,428.57	220,000,000.00	440,571,428.57	660,571,428.57	220,000,000.00	440,571,428.57
Total	<u>2,195,172,391.05</u>	<u>220,000,000.00</u>	<u>1,975,172,391.05</u>	<u>1,924,459,838.32</u>	<u>220,000,000.00</u>	<u>1,704,459,838.32</u>

(2) Long-term equity investment using the equity accounting method

a. Composition of ending amount

Investee Company	Shareholding ratio	Investment term	Cost of investment	of Gains & losses adjustment	Other Changes in equity	Ending amount
ZJPGC	24%	25 years	582,050,000.00	124,048,581.18		706,098,581.18
ZBHGC	25%	35 years	316,100,174.16	-25,005,746.09		291,094,428.07
Zhejiang Lanxi Power Generation Co. Ltd (ZLPGC)	25%	30 years	411,375,000.00	28,600,857.16		439,975,857.16
Anhui Xingwan Mining Co. Ltd (AXMC) [Note]	30%	Not specified	13,500,000.00	358,576.63		13,858,576.63
Zhejiang Zheneng Transport & Trade Co. Ltd (ZTTC)	25%	20 years	37,500,000.00	6,275,474.95		43,775,474.95
ZCJLC	40.12%	30 years	36,910,000.00	2,888,044.49		39,798,044.49
Subtotal			<u>1,397,435,174.16</u>	<u>137,165,788.32</u>		<u>1,534,600,962.48</u>

[Note]: The Company and its subsidiary ZCPGC each invested RMB 6.75 million yuan, each holding 15% of AXMC's equity.

b. Increase/decrease in current period

Investee Name	Initial Investment	Beginning amount	Increase/decrease in cost in current period	Increase/decrease in gains & losses in current period	Cash dividends obtained in current period	Increase/decrease in other equity in current period	Ending amount
ZJPGC	582,050,000.00	529,723,333.64	88,800,000.00 [Note 1]	87,575,247.54			706,098,581.18
ZBHGC	313,000,000.00	309,092,906.43		-17,998,478.36			291,094,428.07
ZLPGC	411,375,000.00	369,403,935.24		70,571,921.92			439,975,857.16
AXMC	13,500,000.00	13,858,576.63					13,858,576.63
ZTTC	37,500,000.00	41,809,657.81		1,965,817.14			43,775,474.95
ZCJLC	36,910,000.00		36,910,000.00	2,888,044.49 [Note 2]			39,798,044.49
[Note 2]							
Subtotal	<u>1,394,335,000.00</u>	<u>1,263,888,409.75</u>	<u>125,710,000.00</u>	<u>145,002,552.73</u>			<u>1,534,600,962.48</u>

[Note 1]: Based on the resolution of the 1st extraordinary shareholders' general meeting 2009, the Company invested in construction of Zhejiang Jiaying Power Plant Phase III "Replacing Small-capacity With Large-capacity Generators" Project. In the current period, the Company paid in RMB 88.80 million yuan.

[Note 2]: ZCJLC was accounted for on equity accounting basis. Its investment cost

amounted to RMB 36,910,000.00 yuan, adjustment to gains and losses at the period beginning amounted to RMB 1,759,545.76 yuan, and the adjustment to gains and losses in the current period amounted to RMB 1,128,498.73 yuan.

(3) Long-term equity investment using cost accounting method

Investee	Shareholding percentage	Investment Term	Initial amount	Beginning amount	Increase in this period	Decrease in this period	Ending amount
China Everbright Bank	0.62%	Not specified	312,000,000.00	312,000,000.00			312,000,000.00
China Southern Securities Co., Ltd	5.78%	Not specified	220,000,000.00	220,000,000.00			220,000,000.00
ZPNGDC	10.00%	Not specified	113,000,000.00	113,000,000.00			113,000,000.00
Zhejiang Venture Capital Co., Ltd	10.00%	Not specified	10,571,428.57	10,571,428.57			10,571,428.57
Taizhou Phoenix Hotel Co. Ltd	14.28%	Not specified	5,000,000.00	5,000,000.00			5,000,000.00
Subtotal			<u>660,571,428.57</u>	<u>660,571,428.57</u>			<u>660,571,428.57</u>

(4) Devaluation reserve for long-term equity investment

a. Details

Investee	Beginning Amount	Increase in the Period	Decrease in the Period	Ending Amount
China Southern Securities Co., Ltd	220,000,000.00			220,000,000.00
Subtotal	<u>220,000,000.00</u>			<u>220,000,000.00</u>

b. Reason for allocation

The liquidation of China Southern Securities Co. is not yet completed. There has been no firm evidence indicating that there might be change in the estimated recoverable amount from this investment. Thus the Company retained the full amount of devaluation reserve in the current period.

9. Investing Real Estate

Ending Amount: 23,179,453.30

(1) Details

Original cost

Item	Beginning Amount	Increase in current period	Decrease in current period	Ending Amount
Housing and building	31,234,888.00			31,234,888.00
Subtotal	<u>31,234,888.00</u>			<u>31,234,888.00</u>

Accumulated depreciation and accumulated amortization

Item	Beginning Amount	Increase	Decrease	Ending Amount
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		current period	current period	
Housing and building	7,534,853.22	520,581.48		8,055,434.70
Subtotal	<u>7,534,853.22</u>	<u>520,581.48</u>		<u>8,055,434.70</u>

Book value				
Item	Beginning Amount	Increase in current period	Decrease in current period	Ending Amount
Housing and building	23,700,034.78		520,581.48	23,179,453.30
Subtotal	<u>23,700,034.78</u>		<u>520,581.48</u>	<u>23,179,453.30</u>

(2) No investing real estate was used for guarantee at the period end.

(3) No obvious signs of devaluation of investing real estate was found at the end of the reporting period, hence no allocation of devaluation reserve.

10. Fixed assets Ending Amount: 9,386,486,688.56

(1) Details

Original cost

Category	Beginning Amount	Increase in current period	Decrease in current period	Ending Amount	
Housing and buildings	3,807,985,590.37		0.00	35,465,480.17	3,772,520,110.20
General Equipment	1,360,686,246.51	559,714.80		801,912.34	1,360,444,048.97
Special Equipment	11,556,495,574.00	3,493,014.92		409,733.25	11,559,578,855.67
Vehicles	69,420,786.03	2,679,181.20		1,632,131.04	70,467,836.19
Other Equipment	86,752,952.34	575,237.46		30,950,488.23	56,377,701.57
Total	<u>16,881,341,149.25</u>	<u>7,307,148.38</u>		<u>69,259,745.03</u>	<u>16,819,388,552.60</u>

Accumulated depreciation

Category	Beginning Amount	Increase during this period	Decrease during this period	Ending Amount	
Housing and buildings	1,444,654,545.52	75,499,958.40		6,242,904.91	1,513,911,599.01
General Equipment	703,246,373.41	119,045,364.59		507,897.08	821,783,840.92
Special Equipment	4,757,162,293.29	254,840,372.34		468,780.86	5,011,533,884.77
Vehicles	52,171,342.26	2,563,134.18		1,239,665.84	53,494,810.60
Other Equipment	37,821,227.85	2,189,696.09		7,833,195.20	32,177,728.74
Total	<u>6,995,055,782.33</u>	<u>454,138,525.60</u>		<u>16,292,443.89</u>	<u>7,432,901,864.04</u>

Book value

Category	Beginning Amount	Increase during this period	Decrease during this period	Ending Amount
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Housing and buildings	2,363,331,044.85	0.00	104,756,296.39	2,258,574,748.46
General Equipment	657,439,873.10	559,714.80	119,331,823.79	538,667,764.11
Special Equipment	6,799,333,280.71	3,493,014.92	254,840,372.34	6,547,985,923.29
Vehicles	17,249,443.77	2,679,181.20	2,955,599.38	16,973,025.59
Other Equipment	48,931,724.49	575,237.46	25,221,734.84	24,285,227.11
Total	<u>9,886,285,366.92</u>	<u>7,307,148.38</u>	<u>507,105,826.74</u>	<u>9,386,486,688.56</u>

(2) The increase in the period includes RMB 6,410,483.92 yuan transferred in from the completed construction in progress; the decrease in the period mainly resulted from the change in the scope of consolidated financial statements, reducing the beginning amount of the fixed assets of ZCJLC with an original cost of RMB 66,008,925.06 yuan, a depreciation of RMB 13,096,043.63 yuan and a book value of RMB 52,912,881.43 yuan.

(3) There was no temporarily idle fixed assets.

(4) There was no fixed assets rented on financial lease.

(5) No obvious signs of devaluation of fixed assets was found at the period end, hence no allocation devaluation reserve.

11. Construction in progress Ending Amount: 49,097,388.00

(1) Details

Name of project	Ending Amount			Beginning Amount		
	Book Balance	Devaluation reserve	Book value	Book Balance	Devaluation reserve	Book value
Taizhou Power Plant	19,629,713.49		19,629,713.49	11,063,106.71		11,063,106.71
Xiaoshan Power Plant	18,635,362.49		18,635,362.49	1,994,512.80		1,994,512.80
Projects related to subsidiaries	10,832,312.02		10,832,312.02	3,483,787.80		3,483,787.80
Total	<u>49,097,388.00</u>		<u>49,097,388.00</u>	<u>16,541,407.31</u>		<u>16,541,407.31</u>

(2) Devaluation Reserve for Construction in Progress

No obvious signs of devaluation in construction in progress was found at the period end, hence no allocation of the devaluation reserve.

(3) Reason for change exceeding 30% (inclusive) or comprising 5% (inclusive) of total asset

The ending amount increased by 196.83% compared with the beginning amount, which is mainly because Taizhou Power Plant and Xiaoshan Power Plant commenced new overhaul, renovation and sci-tech projects within the year.

12. Project equipment & materials Ending Amount: 1,091,168.40

(1) Details

Item	Ending Amount			Beginning Amount		
	Book Balance	Devaluation Reserve	Book Value	Book Balance	Devaluation Reserve	Book Value
Special materials	1,091,168.40		1,091,168.40	1,091,368.40		1,091,368.40
Total	<u>1,091,168.40</u>		<u>1,091,168.40</u>	<u>1,091,368.40</u>		<u>1,091,368.40</u>

(2) No obvious sign of devaluation in project equipment & material was found at the period end, hence no allocation of the devaluation reserve.

13. Intangible assets

Ending Amount: 261,449,404.25

(1) Details

Original cost

Category	Beginning Amount	Increase during this period	Decrease during this period	Ending Amount
Land use right of Taizhou Power Plant	183,318,704.68			183,318,704.68
Land use right of Xiaoshan Power Plant	133,430,240.74			133,430,240.74
ZCJLC land use right	63,565,107.29		63,565,107.29	0.00
Computer software	28,951,156.53			28,951,156.53
Total	<u>409,265,209.24</u>		<u>63,565,107.29</u>	<u>345,700,101.95</u>

Accumulated amortization

Category	Beginning Amount	Increase during this period	Decrease during this period	Ending Amount
Land use right of Taizhou Power Plant	41,636,356.75	1,839,323.58		43,475,680.33
Land use right of Xiaoshan Power Plant	17,291,790.75	1,330,583.16		18,622,373.91
ZCJLC land use right	7,352,248.88		7,352,248.88	0.00
Computer software	20,023,620.72	2,129,022.74		22,152,643.46
Total	<u>86,304,017.10</u>	<u>5,298,929.48</u>	<u>7,352,248.88</u>	<u>84,250,697.70</u>

Book value

Category	Beginning Amount	Increase during this period	Decrease during this period	Ending Amount
Land use right of Taizhou Power Plant	141,682,347.93		1839,323.58	139,843,024.35
Land use right of Xiaoshan Power Plant	116,138,449.99		1,330,583.16	114,807,866.83
ZCJLC land use right	56,212,858.41		56,212,858.41	0.00
Computer software	8,927,535.81		2,129,022.74	6,798,513.07
Total	<u>322,961,192.14</u>		<u>61,511,787.89</u>	<u>261,449,404.25</u>

The decrease in the current period is mainly because the scope of the consolidated financial statements was changed, thus reducing the beginning amount of ZCJLC's intangible assets.

(2) No obvious signs of devaluation of the intangible assets was found at the end of the current reporting period, hence no allocation of the devaluation reserve.

14. Long-term deferred expenses Ending Amount: 127,398.00

Item	Ending Amount	Beginning Amount
Cost of relocation of affiliated school	127,398.00	1,941,462.00
Total	<u>127,398.00</u>	<u>1,941,462.00</u>

15. Deferred income tax Ending Amount: 91,712,513.12

(1) Details

Item	Ending Amount	Beginning Amount
Asset devaluation reserve	1,458,532.66	2,686,555.48
Organization cost	467,886.60	467,886.60
Performance related wage not yet paid out	20,957,181.69	20,957,181.69
Coverable loss	68,828,912.17	91,484,337.36
Total	<u>91,712,513.12</u>	<u>115,595,961.13</u>

(2) Amount of provisional variances corresponding to assets and liabilities causing provisional variances

Item	Amount of provisional variance
Asset devaluation reserve	5,834,130.64
Organization cost	1,871,546.40
Performance related wage not yet paid out	83,828,726.76
Coverable loss	275,315,648.68
Subtotal	<u>366,850,052.48</u>

16. Short-term borrowings Ending Amount: 1,219,970,000.00

Conditions of Borrowing	Ending Amount	Beginning Amount
Borrowing on credit	750,000,000.00 [Note 1]	500,000,000.00
Borrowing on trust	469,970,000.00 [Note 2]	469,970,000.00

Borrowing on guarantee and mortgage		330,000,000.00
Total	<u>1,219,970,000.00</u>	<u>1,299,970,000.00</u>

[Note 1]: in which RMB 200 million is the loan provided by ZEFL to ZCPGC; and RMB 550 million yuan is the loan that Zhejiang Provincial Energy Group Corp. (ZPEGC) entrusted ZEFL to provide to ZCPGC.

[Note 2]: which is the trust loan that Ping'an Trust Investment Company entrusted China Minsheng Banking Corp. Hangzhou Branch to provide.

17. Bills Payable Ending Amount: 150,000,000.00

(1) Details

Type	Ending Amount	Beginning Amount
Bank-accepted drafts	150,000,000.00	200,000,000.00
Total	<u>150,000,000.00</u>	<u>200,000,000.00</u>

(2) There was no bills payable to the shareholders holding 5% and above of the Company's voting shares.

18. Accounts payable Ending Amount: 300,721,321.74

There was no accounts payable to the shareholders holding 5% and above of the Company's voting shares.

19. Wages payable Ending Amount: 118,325,650.14

(1) Details

Item	Beginning Amount	Increase during this period	Decrease during this period	Ending Amount
Wages, bonus and allowances	83,828,726.76	127,682,183.01	137,433,470.42	74,077,439.35
Employee welfare		19,701,770.59	19,701,770.59	
Annuities	-849,635.61	13,995,738.70	12,656,779.93	489,323.16
Insurance premium	33,603,094.76	57,168,373.50	53,647,149.94	37,124,318.32
Housing reserve	1,815,339.30	37,565,065.00	37,802,415.00	1,577,989.30
Trade union expenses	2,302,029.22	2,727,315.41	3,938,789.90	1,090,554.73
Employee education expenses	2,260,823.75	3,412,444.31	1,707,242.78	3,966,025.28
Compensation for labor dismissal		176,823.95	176,823.95	
Total	<u>122,960,378.18</u>	<u>262,429,714.47</u>	<u>267,064,442.51</u>	<u>118,325,650.14</u>

(2) There was no wage payment in arrears.

(3) Note on performance-related wage

The performance-related wage system is practiced in the Company. The amount of salary for 2009 was proposed by the Company's de facto controller ZPEGC to the State-owned Assets Supervision & Administration Commission under Zhejiang provincial government for approval.

20. Tax payable Ending Amount: 50,963,473.44

(1) Details

Category	Ending Amount	Beginning Amount
VAT	31,070,858.09	32,740,680.08
Operating tax	27,116.50	187,894.41
Urban maintenance and construction tax	2,349,840.35	728,748.18
Corporate income tax	11,287,798.90	1,174,095.06
Individual income tax withheld and paid in advance	771,667.21	-3,169,358.68 [Note]
Property tax	1,691,464.82	1,628,285.04
Land usage tax	783,673.75	1,113,068.74
Stamp duty	729,479.00	746,163.40
Education surtax	1,870,148.41	725,678.68
Comprehensive dues		
Special fund for water conservation construction	381,426.41	355,236.59
Others		414,391.52
Total	<u>50,963,473.44</u>	<u>36,644,883.02</u>

[Note]: The amount in red is the amount paid in advance for employees but not yet deducted from employees.

21. Other payable Ending Amount: 404,876,531.13

(1) Details

Item	Ending Amount	Beginning Amount
Project expenses and performance bond	346,913,898.29	417,347,406.49
Others	57,962,632.84	28,401,360.46
Total	<u>404,876,531.13</u>	<u>445,748,766.95</u>

(2) The Company has no accounts payable to the shareholders holding 5% and above of the Company's voting shares.

(3) Description of other large-amount payable

Name of Organization	Ending Amount	Description
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Dongfang Turbine Works	31,020,000.00	Equipment cost and performance bond
Harbin Boiler Co. Ltd	33,000,000.00	Equipment cost and performance bond
Zhejiang Provincial Thermal Power Construction Co.	9,624,339.00	Equipment cost and performance bond
Pre-allocated annual overhaul cost	45,388,747.89	Cost of repair payable but not yet paid
Subtotal	<u>119,033,086.89</u>	

22. Non-current liabilities due within one year Ending balance: 230,000,000.00

(1) Details

Categories	Ending Amount	Beginning Amount
Long-term borrowings	230,000,000.00	430,000,000.00
Total	<u>230,000,000.00</u>	<u>430,000,000.00</u>

(2) Non-current liabilities due within one year – long term borrowings

Lender	Lending Conditions	Ending Amount
CCB Changxing Branch	On credit	130,000,000.00
China Agricultural Bank (CAB) Changxing Branch	On pledge	100,000,000.00
Subtotal		<u>230,000,000.00</u>

23. Other Current Liabilities Ending Amount: 0.00

Item	Ending Amount	Beginning Amount
Dividends payable	0.00	14,769,019.10
Total	<u>0.00</u>	<u>14,769,019.10</u>

24. Long-term borrowings Ending Amount: 4,145,250,000.00

Lender	Borrowing Conditions	Ending Amount	Beginning Amount
Shanghai Pudong Development Bank Hangzhou Branch	On mortgage	0.00	10,000,000.00
CCB Changxing Branch	On credit	370,000,000.00	420,000,000.00
CAB Changxing Branch	On Credit	100,000,000.00	100,000,000.00
CAB Changxing Branch	On pledge	450,000,000.00	450,000,000.00
ICBC Changxing Branch	On pledge	495,000,000.00	495,000,000.00
Zhongxing Bank Changxing Branch	On credit	100,000,000.00	100,000,000.00

ZEFL	On credit	200,000,000.00	150,000,000.00
ZEFL	On pledge	300,000,000.00	300,000,000.00
ICBC Hangzhou Qingchun Road Branch	On pledge	989,100,000.00	989,100,000.00
China Everbright Bank Hangzhou Qingchun Road Branch	On pledge	0.00	420,000,000.00
CAB Hangzhou East Branch	On pledge	889,150,000.00	889,150,000.00
China Minsheng Bank Hangzhou Branch	On pledge	193,000,000.00	193,000,000.00
Industrial Bank Hangzhou Branch	On pledge	59,000,000.00	59,000,000.00
Total		<u>4,145,250,000.00</u>	<u>4,575,250,000.00</u>

25. Deferred Income Tax Liability Ending Amount: 803,124,441.64

(1) Details

Item	Ending Amount	Beginning Amount
Gains from changes in fair value	790,884,224.97	323, 639, 060. 50
Assets formed from tax-free income	12,240,216.67	12, 240, 216. 67
Total	<u>803,124,441.64</u>	<u>335,879,277.17</u>

(2) Amount of provisional variances corresponding to assets and liabilities causing provisional variances

Item	Amount of Provisional Variances
Gains from changes in fair value	3,163,536,899.88
Assets formed from tax-free income	48,960,866.68
Total	<u>3,212,497,766.56</u>

26. Other Non-current liabilities Ending balance: 40,823,062.44

(1) Details:

Item	Ending Amount	Beginning Amount
Deferred income	40,823,062.44	40,136,375.04
Total	<u>40,823,062.44</u>	<u>41,136,375.04</u>

(2) Notes about other large-amount non-current liabilities

- a. Based on Document Tai Cai Zheng Fa (2008)19, the special subsidy for environmental protection amounting to RMB 3 million yuan was received from Taizhou Municipal Environmental Protection Bureau in the current period. Since project had been completed, it was treated as the asset-related government subsidy and recorded as deferred income.

- b. Recorded as deferred income, it was amortized per its estimated life term. In the current period, the amortization of the government subsidy received in previous years amounts to RMB2.3133 million yuan.

27. Share Capital

Ending Amount: 2,010,000,000.00

Item			Beginning Amount		Increase/decrease during the year (+,-)					Ending Amount	
			Amount	Percentage	New share issuance	Bonus shares	Shares converted from reserves	Others	Subtotal	Amount	Percentage
I. Non-listed shares	1. Promoters' Shares	State-owned shares	1,315,000,000.00	65.42%						1,315,000,000.00	65.42%
		Shares held by domestic legal persons	5,000,000.00	0.25%						5,000,000.00	0.25%
		Shares held by foreign legal persons									
		Others									
	2. Legal person shares by subscription										
	3. Employee shares										
	4. Preference shares or others										
	Total number of non-listed shares		1,320,000,000.00	65.67%						1,320,000,000.00	65.67%
II. Listed shares	1. Ordinary shares in RMB										
	2. Domestically listed foreign investment shares		690,000,000.00	34.33%						690,000,000.00	34.33%
	3. Overseas listed foreign investment shares										
	4. Others										
		Total number of listed shares		690,000,000.00	34.33%						690,000,000.00
III.	Total number of shares		2,010,000,000.00	100.00%						2,010,000,000.00	100.00%

28. Capital Reserve

Ending Amount: 4,305,675,377.78

(1) Details

Item	Beginning Amount	Increase in this period	Decrease in this period	Ending Amount
Share capital premium	1,859,977,258.75			1,859,977,258.75
Other capital reserve	1,043,962,625.60	1,401,735,493.43		2,445,698,119.03
Total	<u>2,903,939,884.35</u>	<u>1,401,735,493.43</u>		<u>4,305,675,377.78</u>

(2) Reason for increase/decrease in capital reserve in current period

The other capital reserve increased by 1,401,735,493.43 yuan, which is the amount of increase in capital reserve after adjusting the financial stocks of the banks based on the fair value on 30 June 2009.

29. Surplus Reserve

Ending Amount: 1,299,037,986.07

(1) Details

Item	Beginning Amount	Increase in this period	Decrease in this period	Ending Amount
Statutory surplus reserve	1,299,037,986.07			1,299,037,986.07
Total	<u>1,299,037,986.07</u>			<u>1,299,037,986.07</u>

30. Undistributed Profit

Ending Amount: 1,492,033,751.54

(1) Details

Beginning Amount	1,250,854,686.54
Increase in this period	241,179,065.00
Decrease in this period	
Ending Amount	<u>1,492,033,751.54</u>

(2) Notes on changes in the undistributed profit and profit distribution ratio in this reporting period

- a. The increase in this reporting period is due to incoming transfer of the net profit realized in the reporting period.
- b. In accordance with the profit distribution plan for 2008 approved in the shareholders' general meeting of the Company, no distribution of cash dividends will be made.

(II) Notes to Consolidated Statement of Profit

1. Principal Operating Income/Cost

Current amount: 3,249,477,904.10/2,770,481,504.58

(1) Details

Operating income

Item	Current Amount	Prior Amount
Principal operating income	3,244,447,666.06	3,336,246,583.61
Other operating income	5,030,238.04	15,537,351.02
Total	<u>3,249,477,904.10</u>	<u>3,351,783,934.63</u>

Operating cost

Item	Current Amount	Prior Amount
Principal operating cost	2,767,093,214.81	3,191,468,511.36
Other operating cost	3,388,289.77	1,041,993.24
Total	<u>2,770,481,504.58</u>	<u>3,192,510,504.60</u>

(2) Principal operating income/principal operating cost

Item	Current Amount			Prior Amount		
	Income	Cost	Profit	Income	Cost	Profit
Power generation and heat supply	3,244,447,666.06	2,767,093,214.81	477,354,451.25	3,336,246,583.61	3,191,468,511.36	144,778,072.25
Subtotal	<u>3,244,447,666.06</u>	<u>2,767,093,214.81</u>	<u>477,354,451.25</u>	<u>3,336,246,583.61</u>	<u>3,191,468,511.36</u>	<u>144,778,072.25</u>

2. Tax and Surtax

Current amount: 22,536,028.98

Item	Current Amount	Prior Amount
Operating tax	66,705.68	572,459.31
Urban maintenance & construction tax	17,164,664.29	13,776,276.33
Education surtax	5,304,659.01	11,710,725.59
Total	<u>22,536,028.98</u>	<u>26,059,461.23</u>

3. Administrative Expenses

Current Amount: 134,857,982.62

Item	Current Amount	Prior Amount
Administrative expenses	<u>134,857,982.62</u>	<u>175,635,006.28</u>

4. Financial Expenses

Current Amount: 175,249,277.82

Item	Current Amount	Prior Amount
Interest expenditure	178,287,979.15	153,617,781.79
Less: interest income	3,202,973.46	4,526,661.28
Exchange gains & Losses	5,242.42	-202,763.65
Others	159,029.71	900,991.15
Total	<u>175,249,277.82</u>	<u>149,789,348.01</u>

5. Returns on Investment

Current Amount: 159,668,006.97

Item	Current Amount	Prior Amount
Net increase/decrease in adjusting investee's gains and losses based on equity accounting	143,243,006.97	35,196,608.43
Gains from available-for-sale financial assets	16,425,000.00	511,807,014.61
Others		34,784,765.50

Total	<u>159,668,006.97</u>	<u>581,788,388.54</u>
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There was no significant limitation on remittance of the investment returns in the Company.

6. Non-operating Income Current Amount: 3,623,554.86

Item	Current Amount	Prior Amount
Income on disposal of fixed assets	990,803.59	115,735.00
Government subsidy	2,408,312.60	1,624,999.98
Fines, confiscation and others	224,438.67	91,839.73
Total	<u>3,623,554.86</u>	<u>1,832,574.71</u>

7. Non-operating Expenses Current Amount: 6,414,412.95

Item	Current Amount	Prior Amount
Loss on disposal of fixed assets		3,890,103.20
Donation expenditure	119,500.00	1,270,000.00
Water conservation construction fund	2,851,120.38	2,625,440.23
Demurrage and fines expenditure	36,879.30	41,182.54
Others	3,406,913.27	1,904,609.91
Total	<u>6,414,412.95</u>	<u>9,731,335.88</u>

(III) Notes to Consolidated Statement of Cash Flow

1. Other Significant Amount of Cash Paid in Relation to Operating Activities

Item	Current Amount
Office expenses	7,813,551.03
Transportation expenses	4,766,356.60
Outsourced labour service charges	4,407,868.89
Traveling expenses	3,572,559.78
Labour protection expenses	4,030,344.60
Charges for security guard and fire fighting	2,419,644.42
Intermediary service fees	2,807,000.00
Subtotal	<u>29,817,325.32</u>

2. Information Supplementary to Statement of Cash Flow

Supplementary Information	Current Amount	Prior Amount
(1) Net profit converted to cash flow from operating activities		

Net profit	267,339,695.95	281,772,056.87
Add: asset devaluation reserve		
Depreciation of fixed assets, oil and gas assets, and productive biological assets	453,574,010.89	395,000,399.38
Amortization of intangible assets	5,298,929.48	4,550,047.59
Amortization of long-term deferred expenses	1,814,064.00	4,036,238.88
Loss on disposal of fixed assets, intangible assets and other long-term assets (with income denoted by "-")	-990,803.59	-115,735.00
Loss on retirement of fixed assets (with income denoted by "-")		
Loss from changes in fair values (with income denoted by "-")		-783,000.00
Financial expenses (with income denoted by "-")	175,249,547.37	125,269,947.27
Loss on investment (with income denoted by "-")	-159,668,006.97	-581,788,388.54
Decrease in deferred income tax asset (with increase denoted by "-")	22,655,425.19	
Increase in deferred income tax liability (with decrease denoted by "-")		
Decrease in inventory (with increase denoted by "-")	49,412,376.58	-79,629,360.85
Decrease in operational receivables (with increase denoted by "-")	157,990,538.33	-7,896,565.24
Increase in operational payables (with decrease denoted by "-")	59,360,932.92	-32,372,231.76
Others		
Net cash flow generated from operating activities	1,032,036,710.15	108,043,408.60
(2) Important Investment and financing activities not involving cash income and expenditure		
Debt converted to capital		
Convertible corporate bonds due within 1 year		
Fixed assets leased in by financing lease		
(3) Net change in cash and cash equivalents:		
Ending balance of cash	814,699,639.03	795,393,091.70
Less: Beginning balance of cash	892,449,847.25	751,845,772.38
Add: Ending balance of cash equivalents		
Less: Beginning balance of cash equivalents		
Net increase in cash and cash equivalents	-77,750,208.22	43,547,319.32

VIII. Notes to the Financial Statement of Parent Company

(I) Notes to the Balance Sheet of Parent Company

1. Accounts receivable

Ending Amount: 180,653,873.57

(1) Details

Item	Ending Amount			Beginning Amount				
	Book balance	Percentage (%)	Allowance for bad debt	Book value	Book balance	Percentage (%)	Allowance for bad debt	Book value
Single receivables with significant values	182,091,429.60	100.00	1,437,556.03	180,653,873.57	284,361,325.67	98.90	1,421,806.63	282,939,519.04

Other receivables with insignificant values					3,149,880.00	1.10	15,749.40	3,134,130.60
Total	<u>182,091,429.60</u>	<u>100.00</u>	<u>1,437,556.03</u>	<u>180,653,873.57</u>	<u>287,511,205.67</u>	<u>100.00</u>	<u>1,437,556.03</u>	<u>286,073,649.64</u>

(2) Classified by account age

Account age	Ending Amount			Beginning Amount				
	Book balance	Percentage (%)	Allowance for bad debt	Book value	Book balance	Percentage (%)	Allowance for bad debt	Book value
Within 1 year	182,091,429.60	100.00	1,437,556.03	180,653,873.57	287,511,205.67	100.00	1,437,556.03	286,073,649.64
Total	<u>182,091,429.60</u>	<u>100.00</u>	<u>1,437,556.03</u>	<u>180,653,873.57</u>	<u>287,511,205.67</u>	<u>100.00</u>	<u>1,437,556.03</u>	<u>286,073,649.64</u>

(3) The accounts receivable were the amount receivable from ZPEPC for sale of electricity.

(4) There were no accounts due from the shareholders holding 5% and above of the Company's voting shares.

(5) Note on percentage of and reason for allocation of allowance for bad debt for single large-value account receivable

Analysis indicated that there was minimal credit risk with single large-value account receivable at the end of the reporting period. Hence its allowance for bad debt was allocated together with single insignificant-value account receivable based on the actual loss rate.

2. Other Receivables

Ending Amount: 15,418,204.11

(1) Classified by account age

Account age	Ending Amount			Beginning Amount				
	Book balance	Percentage (%)	Allowance for bad debt	Book value	Book balance	Percentage (%)	Allowance for bad debt	Book value
Within 1 year	12,820,590.81	77.00	67,118.55	12,753,472.26	13,423,709.28	72.03	67,118.55	13,356,590.73
1~2 years	3,474,240.00	20.87	970,525.83	2,503,714.17	4,852,629.13	26.04	970,525.83	3,882,103.30
2~3 years	305,851.20	1.84	154,833.52	151,017.68	309,667.04	1.66	154,833.52	154,833.52
More than 3 years	50,000.00	0.29	40,000.00	10,000.00	50,000.00	0.27	40,000.00	10,000.00
Total	<u>16,650,682.01</u>	<u>100.00</u>	<u>1,232,477.90</u>	<u>15,418,204.11</u>	<u>18,636,005.45</u>	<u>100.00</u>	<u>1,232,477.90</u>	<u>17,403,527.55</u>

(2) Other large-amount receivables

Description	Ending Amount	What Receivables are
Preconstruction expenses for "Replacing Small-capacity with Large-capacity Generators"	11,458,429.29	Advance payment for preconstruction expenses
Subtotal	11,458,429.29	

(3) The ending amount of other receivables due from the top 5 debtors totaled RMB 13,836,615.77 yuan, accounting for 83.01% of the book value of other

receivables.

(4) There were no accounts due from main shareholders holding 5% and above of the Company's voting shares.

(5) The account receivable from the related parties accounted for 17.34% of the balance of other receivable at the reporting period end.

3. Long-term Equity Investment Ending Amount: 2,625,978,709.78

(1) Details

Item	Ending Amount			Beginning Amount		
	Book Balance	Devaluation Reserve	Book Value	Book Balance	Devaluation Reserve	Book Value
Investment in subsidiary Companies	741,488,414.80		741,488,414.80	741,488,414.80		741,488,414.80
Investment in affiliated enterprises	1,437,168,866.41		1,437,168,866.41	1,208,220,175.31		1,208,220,175.31
Other equity investment	667,321,428.57	220,000,000.00	447,321,428.57	667,321,428.57	220,000,000.00	447,321,428.57
Total	<u>2,845,978,709.78</u>	<u>220,000,000.00</u>	<u>2,625,978,709.78</u>	<u>2,617,030,018.68</u>	<u>220,000,000.00</u>	<u>2,397,030,018.68</u>

(2) Investment in subsidiaries

Investee Company	Shareholding Percentage	Investment Term	Initial Investment	Beginning Amount	Increase in the Period	Decrease in the Period	Ending Amount
ZCPGC	65%	25 years	712,400,000.00	712,400,000.00			712,400,000.00
THEPPC	100%	13 years	29,088,414.80	29,088,414.80			29,088,414.80
Subtotal			<u>741,488,414.80</u>	<u>741,488,414.80</u>			<u>741,488,414.80</u>

(3) Investment in affiliated enterprises

a. Composition of ending balance

Investee Company	Shareholding Percentage	Investment Term	Investment Cost	Gains & Losses Adjustment	Other Equity Change	Ending Amount
ZJPGC	24%	25 years	582,050,000.00	124,048,581.18		706,098,581.18
ZBHGC	25%	35 years	316,100,174.16	-25,005,746.09		291,094,428.07
ZLPGC	25%	30 years	411,375,000.00	28,600,857.16		439,975,857.16
Subtotal			<u>1,309,525,174.16</u>	<u>127,643,692.25</u>		<u>1,437,168,866.41</u>

b. Increase/decrease in current period

Investee Company	Initial Investment	Beginning Amount	Increase/decrease in Cost in Current Period	Increase/decrease in Gain/loss in Current Period	Cash Dividend Obtained in Current Period	Increase/decrease in Other Equity in Current Period	Ending Amount
ZJPGC	582,050,000.00	529,723,333.64	88,800,000.00	87,575,247.54			706,098,581.18

ZBHGC	313,000,000.00	309,092,906.43		-17,998,478.36	291,094,428.07
ZLPGC	411,375,000.00	369,403,935.24		70,571,921.92	439,975,857.16
Subtotal	<u>1,306,425,000.00</u>	<u>1,208,220,175.31</u>	<u>88,800,000.00</u>	<u>140,148,691.10</u>	<u>1,437,168,866.41</u>

Based on the resolution of the 1st extraordinary shareholders' general meeting 2009, the Company invested in construction of Zhejiang Jiaxing Power Plant Phase III "Replacing Small-capacity With Large-capacity Generators" Project. In the current period, the Company paid in RMB 88.80 million yuan.

(4) Long-term equity investment based on cost accounting

Investee	Shareholding Percentage	Investment Term	Initial Investment	Beginning Amount	Increase in this Period	Decrease in this Period	Ending Amount
China Everbright Bank	0.62%	Not specified	312,000,000.00	312,000,000.00			312,000,000.00
China Southern Securities Co., Ltd	5.78%	Not specified	220,000,000.00	220,000,000.00			220,000,000.00
ZPNGDC	10.00%	Not specified	113,000,000.00	113,000,000.00			113,000,000.00
Zhejiang Venture Capital Co., Ltd	10.00%	Not specified	10,571,428.57	10,571,428.57			10,571,428.57
Taizhou Phoenix Hotel Co. Ltd	14.28%	Not specified	5,000,000.00	5,000,000.00			5,000,000.00
AXMC	15.00%	Not specified	6,750,000.00	6,750,000.00			6,750,000.00
Subtotal			<u>667,321,428.57</u>	<u>667,321,428.57</u>			<u>667,321,428.57</u>

(5) Reserve for devaluation of long-term equity investment

Investee Name	Beginning Amount	Increase in the Period	Decrease in the Period	Ending Amount
China Southern Securities Co., Ltd	220,000,000.00			220,000,000.00
Subtotal	<u>220,000,000.00</u>			<u>220,000,000.00</u>

(II) Notes to Parent Company's Statement of Profit

1. Operating Income

Current Amount: 2,078,888,693.75

(1) Operating income

Item	Current Amount	Prior Amount
Principal operating income	2,077,803,726.51	2,138,910,448.97
Other operating income	1,084,967.24	12,415,951.57
Total	<u>2,078,888,693.75</u>	<u>2,151,326,400.54</u>

(2) Operating cost

Current Amount: 1,811,854,468.73

Item	Current Amount	Prior Amount
Principal operating cost	1,811,096,561.45	2,066,996,180.38
Other operating cost	757,907.28	1,041,993.24
Total	<u>1,811,854,468.73</u>	<u>2,068,038,173.62</u>

2. Returns on Investment

Current Amount: 156,573,691.10

(1) Details

Item	Current Amount	Prior Amount
Profit distributed from investee companies on cost accounting basis		84,221,723.94
Net increase/decrease in investees' gains and losses adjusted on equity accounting basis	140,148,691.10	33,293,551.47
Investment returns from disposal of financial assets		511,807,014.61
Other	16,425,000.00	34,784,765.50
Total	156,573,691.10	664,107,055.52

(2) There was no significant limitation on remittance of investment returns for the Company.

(III) Information Supplementary to Parent Company's Statement of Cash Flow

Supplementary Information	Current Amount	Prior Amount
(1) Net profit converted to cash flow from operating activities		
Net profit	191,833,112.47	427,403,369.18
Add: asset devaluation reserve		
Depreciation of fixed assets, oil and gas assets, and productive biological assets	298,502,679.59	238,589,948.10
Amortization of intangible assets	4,985,315.88	3,249,720.05
Amortization of long-term deferred expenses	1,814,064.00	4,036,238.88
Loss on disposal of fixed assets, intangible assets and other long-term assets (with income denoted by "-")	-990,803.59	-115,735.00
Loss on retirement of fixed assets (with income denoted by "-")		
Loss from changes in fair values (with income denoted by "-")		-783,000.00
Financial expenses (with income denoted by "-")	92,383,682.79	31,926,506.14
Loss on investment (with income denoted by "-")	-156,573,691.10	-664,107,055.52
Decrease in deferred income tax asset (with increase denoted by "-")		
Increase in deferred income tax liability (with decrease denoted by "-")		
Decrease in inventory (with increase denoted by "-")	13,329,638.19	-34,601,958.05
Decrease in operational receivables (with increase denoted by "-")	182,238,963.35	-52,085,611.71

Increase in operational payables (with decrease denoted by “-”)	-44,469,623.14	3,967,611.51
Others		
Net cash flow generated from operating activities	583,053,338.44	-42,519,966.42
(2) Important Investment and financing activities not involving cash income and expenditure		
Debt converted to capital		
Convertible corporate bonds due within 1 year		
Fixed assets leased in by financing lease		
(3) Net change in cash and cash equivalents:		
Ending balance of cash	605,935,022.67	584,948,097.51
Less: Beginning balance of cash	737,005,708.06	526,272,768.41
Add: Ending balance of cash equivalents		
Less: Beginning balance of cash equivalents		
Net increase in cash and cash equivalents	-131,070685.39	58,675,329.10

XI. Relationship with Related Parties

1. Parent Company and Controlling Parties

Name of Company	Registered Address	Code of Organization	Business Type	Relationship with the Company	Registered Capital	Shares of the Company Held (%)	Voting Shares (%)
ZPEPDC	152 Tianmushan Road, Hangzhou	14291200-5	Investment in electric power projects	The 1 st largest shareholder	RMB 3.3 billion yuan	39.80	39.80
ZPEGC	152 Tianmushan Road, Hangzhou	72760376-9	Investment in industries	De facto controller	RMB 10 billion yuan	[Note]	

[Note]: As approved by Zhejiang Provincial Government, effective from February 2001, the first largest shareholder of the Company, ZPEPDC, was wholly transferred to ZPEGC and became a wholly-owned subsidiary of ZPEGC. The whole staff and organization of ZPEPC were merged into ZPEGC. The rights of the controlling shareholder of the Company are directly exercised by ZPEGC. Hence, ZPEGC is the de factor controller of the Company.

2. For details of subsidiaries, refer to Section V-(I) of this Notes to Financial Statements herein.

3. Associated and Affiliated Enterprises

General information

Name of Investee	Registered Address	Code of Organization	Type of Business	Registered Capital (in RMB 10,000 yuan)	Shareholding Ratio (%)	Voting Share Ratio (%)
ZBHPGC	22 Chaowang Road, Hangzhou	73380940-5	Hydropower generation	125,200	25	25
ZJPGC	Rm 1401, 1501, 1601, 85 Jiefang Road, Hangzhou	73031859-8	Thermal power generation	205,519	24	24

ZLPGC	37 Danxi Avenue, Lanxi	75492287-X	Thermal power generation	179,550	25	25
ZTTC	Room 304, Building 3, 1197 Bin'an Road, Hangzhou	78828114-2	Transport service	15,000	25	25
ZCJLC	Er'hutou Bridge, Zhicheng Town, Changxing County, Zhejiang	76963664-9	Transport service	12,700	40.12	40.12

4. Other Related Parties

Name of Related Party	Code of Organization	Relationship with the Company
Zhejiang Fuxing Electric Fuel Co. Ltd (ZFEFC)	72588307-4	Controlled by the same de facto controller
ZNFFC	76450393-5	Controlled by the same de facto controller
ZPNGDC	73451696-2	Controlled by the same de facto controller
Zhejiang Tianhong Goods Trade Co. (ZTGTC)	75491070-5	Controlled by the same de facto controller
Taizhou Jiafeng Environmental Protection Materials Co.	79098821-9	Controlled by the same de facto controller
Zhejiang Xingyuan Investment Co.Ltd	75304575-6	Controlled by the same de facto controller
Changxing Jiafeng Environmental Protection Materials Co.	76867952-4	Controlled by the same de facto controller
Zhejiang Tiangong Technological Engineering Co.	75720973-8	Controlled by the same de facto controller
Zhejiang Dongfa Environmental Protection Engineering Co. (ZDEPEC)	73842452-0	Controlled by the same de facto controller
Zhejiang Provincial Electric Power Construction Co. (ZPEPCC)	70486963-6	Controlled by the same de facto controller
Zhejiang Zheneng Jiaxing Power Generation Co.	72008537-2	Controlled by the same de facto controller
Zhejiang Zheneng Wenzhou Power Generation Co. (ZWPGC)	84504177-9	Controlled by the same de facto controller
Zhejiang Tiandi Environmental Protection Engineering Co. (ZTEPEC)	74413501-2	Controlled by the same de facto controller
ZEFL	71786668-8	Controlled by the same de facto controller
Zhejiang Zheneng Jiaxing Power Generation Co.	72008537-2	Controlled by the same de facto controller

ZWPGC	84504177-9	Controlled by the same de facto controller
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(III) Transactions Among Related Parties

1. Purchase of commodities

Name of Related Party	Current Amount			Prior Amount		
	Amount	Percentage out of Same Business	Pricing Policy	Amount	Percentage out of Same Business	Pricing Policy
ZFEFC	1,039,570.39	100.00%	Agreed Price	1,310,079.99	100.00%	Agreed Price
ZNFFC	2,259,271,170.25	100.00%	[Note]	3,574,417,935.05	100.00%	[Note]
ZPNGDC	6,716,503.76	100.00%	Agreed Price	60,613,846.96	100.00%	Agreed Price
ZTGTC	397,734.50	100.00%	Agreed Price	1,639,067.42	100.00%	Agreed Price
Taizhou Jiafeng Environmental Protection Materials Co.	3,854,040.37	100.00%	Agreed Price	19,867,793.41	100.00%	Agreed Price
Zhejiang Tiangong Technological Engineering Co.	829,187.00	100.00%	Agreed Price	236,589.00	100.00%	Agreed Price
ZDEPEC	1,672,814.00	100.00%	Agreed Price	1,737,718.99	100.00%	Agreed Price
ZPEPCC	730,000.00	100.00%	Agreed Price	5,050,000.00	100.00%	Agreed Price
Subtotal	2,274,511,020.27			3,664,873,030.82		

[Note]: To ensure coal supply for the Company, the Company entered into the Fuel Supply Agreement valid for 20 years with Zhejiang Electric Power Fuel Supply Co. in May 1997. In accordance with the agreement, Zhejiang Electric Power Fuel Supply Co. shall supply fuel to the Company at a price neither higher than the price at which it charges other power plants for the same type of fuel, nor higher than the price at which the Company can purchase the same type of fuel in the open market at the time of the price negotiation between both sides. Otherwise, the Company shall have the right to purchase fuel at its own discretion. In July 2004, on basis of the power industry restructuring and reorganization, the above agreement was taken over and executed by ZNFFC. As approved in the 28th meeting of the 4th board of directors dated 2 December 2008 and the 2nd extraordinary shareholders' meeting for 2008 dated 19 December 2008, the Company continued to fulfill the above agreement.

2. Unsettled account with related parties

Item and Name of Related Party	Ending Amount		Beginning Amount	
	Balance	Allowance for Bad Debt	Balance	Allowance for Bad Debt
(1) Accounts receivable				

ZPEPCC			584,296.00	2,921.48
ZJPGC	130,662.00	3,756.18	751,236.00	3,756.18
ZWPGC	336,780.00			
Subtotal	467,442.00	3,756.18	1,335,532.00	6,677.66
(2) Prepayment				
ZNFFC			83,990,604.85	
ZPNGDC	4,883,496.24			
ZTEPEC	182,787.00			
Subtotal	5,066,283.24		83,990,604.85	
(3) Other receivables				
ZTGTC	849,400.00	169,880.00	849,400.00	169,880.00
ZPEPCC	1,062,732.11	8,823.28	478,436.11	8,823.28
Zhejiang Zheneng Jiaxing Power Generation Co. Ltd	49,770.00	968.07	193,613.30	968.07
ZJPGC		24,045.45	168,753.00	24,045.45
ZTEPEC	85,000.00	17,000.00	85,000.00	17,000.00
ZDEPEC	442,162.04	197.50	39,500.00	197.50
ZWPGC	44,420.00	6,138.10	74,000.00	6,138.10
Zhejiang Zheneng Qianqing Power Generation Co. Ltd	2,000.00			
Wenzhou Gas Turbine Power Generation Co. Ltd	324,210.10			
Zhejiang Xingyuan Investment Co. Ltd	26,988.66			
Subtotal	2,886,682.91	227,052.40	1,888,702.41	227,052.40
(4) Accounts payable				
ZNFFC	172,229,322.34		62,506,612.67	
ZTGTC	6,016,581.00		6,016,581.00	
Zhejiang Tiangong Technological Engineering Co.	550,000.00		921,980.00	
ZDEPEC	5,443,958.00		5,764,553.05	
ZTEPEC			19,263,300.00	
Subtotal	184,239,861.34		94,473,026.72	
(5) Bills payable				
ZNFFC	150,000,000.00		200,000,000.00	
Subtotal	150,000,000.00		200,000,000.00	
(6) Other payables				
ZTEPEC	1,266,000.00		1,297,735.00	
Zhejiang Tiangong Technological Engineering Co.	763,677.01		943,319.21	
ZDEPEC	1,482,339.00		1,691,053.00	
ZPEPCC	640,000.00		1,570,000.00	
Subtotal	4,152,016.01		5,502,107.21	

3. Other Related Party Transactions

(1) Supply or Purchase of Labour Service

- a. Zhejiang Xingyuan Investment Co. Ltd and its subsidiaries paid a total of RMB 14,732,464.30 yuan.

The Company's subsidiary ZCPGC entered into Jetty Coal Yard Rent Service Contract with ZCJLC with a contract price of RMB 34,320,000.00 yuan. In the current reporting period, the payment for jetty rent amounted to RMB 3,000,000 yuan, and the payment for unloading service amounted to RMB 11,549,677.30 yuan.

Xiaoshan Power Plant entered into Bucket Reclaimer Overhaul Contract with Zhejiang Tiangong Technological Engineering Co. with a contract price of RMB 417,330.00 yuan. The payment in the current period amounted to RMB 125,199.00 yuan.

Xiaoshan Power Plant entered into Contract on Renovation of Coal Conveyance Program Control Software and Hardware with Zhejiang Tiangong Technological Engineering Co. with a contract price of RMB 191,960.00 yuan. The payment in the current period amounted to RMB 57,588.00 yuan.

- b. The subsidiary THEPPC entered into Project Overhaul and Maintenance Contract with ZCPGC, Zhejiang Zheneng Qianqing Power Generation Co. Ltd and ZWPGC separately with contract price totaling RMB 1,628,704.00 yuan. In the current period, the received payment for completed work amounted to RMB 1,250,112.00 yuan.
- c. In 2006, Xiaoshan Power Plant entered into Owner's Engineer Service Contract for Zhejiang Xiaoshan Power Plant Natural Gas Power Generation Project (2 x 350 MW) with ZPEPCC with a contract price of RMB 25,000,000.00 yuan. The full amount of service charge has been settled and cleared. Based on the foregoing contract, Xiaoshan Power Plant shall pay the latter an appraisal bonus of RMB 2,980,000.00, of which payment of RMB 730,000.00 yuan was made in the current period, totaling a cumulative payment of RMB 2,780,000.00 yuan.

(2) Fund management and Lending/Borrowing

- a. As approved by China Banking Regulatory Commission, ZPEGC and other investors co-established ZEFL, with the scope of business of ZEFL covering financial advisory service for member companies, credit appraisal and related consulting and agency services, assisting member companies in collecting and making payment, taking in member companies' deposit and providing loans and financial lease to member companies. The Company signed Financial Service Cooperation Agreement with ZEFL, which permits ZEFL to provide financial services within its business scope to the Company and the Company's subsidiary power plants including deposit, lending and account settlement.

As at 30 June 2009, the cash deposited by the Company in ZEFL amounted to RMB 365,852,043.70 yuan, with details as follows:

Unit: RMB yuan	
Name of Organization	Amount
ZSEPC Headquarters	165,438,804.61
Taizhou Power Plant	48,015,882.28
Xiaoshan Power Plant	186,814.53
ZCPGC	152,210,542.28
Total	<u>365,852,043.70</u>

b. As at 30 June 2009, the loans provided by ZEFL to the Company and its subsidiary ZCPGC totaled RMB 1,250 million yuan, with details as follows:

Unit: in RMB 10,000 yuan							
Related Party	Borrower	Principal of Loan	Loan Date	Start	Loan Date	Repayment	Annual Interest Rate
ZEFL	ZCPGC	30,000.00 [Note 1]	24-07-2008		23-07-2009		5.3100%
		20,000.00	20-12-2007		21-12-2012		5.9400%
		10,000.00 [Note 1]	19-03-2009		18-03-2010		5.310%
		15,000.00 [Note 1]	29-04-2009		28-10-2009		4.374%
		20,000.00	25-12-2008		25-12-2009		5.3100%
	ZSEPC	8,900.00 [Note 2]	20-12-2006		20-12-2016		5.5080%
		2,930.00 [Note 2]	26-12-2006		26-12-2016		5.3460%
		3,000.00 [Note 2]	9-1-2007		9-1-2017		5.3460%
		2,200.00 [Note 2]	17-1-2007		17-1-2017		5.3460%
		1,950.00 [Note 2]	24-1-2007		24-1-2017		5.3460%
		4,200.00 [Note 2]	13-2-2007		13-2-2017		5.346%
		1,000.00 [Note 2]	28-2-2007		28-2-2017		5.346%
		1,930.00 [Note 2]	6-3-2007		6-3-2017		5.346%
		3,500.00 [Note 2]	20-3-2007		20-3-2017		5.3460%
		390.00 [Note 2]	10-4-2007		10-4-2017		5.346%
Subtotal		125,000.00					

[Note 1]: all of which are the loans ZPEGC entrusted ZEFL to provide.

[Note 2]: all of which are borrowings on pledge. For details, refer to Section X of the Notes to Financial Statements herein.

- c. As at 30 June 2009, the Company received income of interest on deposit at ZEFL totaling RMB 2,745,274.33 yuan, and paid expenses of interest on borrowings totaling RMB 32,325,290.24 yuan.

(3) Guarantee

- a. In 2001, the affiliated enterprise of the Company ZJPGC applied to CCB Zhejiang Branch for a loan ceiling of RMB 3,200 million yuan. The Company is to provide guarantee in proportion to the Company's equity contribution ratio for the 24% of the loan to ZJPGC, with the term of guarantee being from 17 December 2001 up to 16 December 2026. As of 30 June 2009, the actual balance of ZJPGC's loan from CCB Zhejiang Branch stood at RMB 550 million yuan, of which 24% of the loan, i.e. RMB 132 million yuan was guaranteed by the Company with joint liability.
- b. The affiliated enterprise ZCJLC's mortgage loan amounting to RMB 30 million yuan from Shanghai Pudong Development Bank Hangzhou Branch with a term from 11 December 2008 to 7 December 2009 is jointly guaranteed by the shareholders ZCPGC, ZNFFC and Zhejiang Xingyuan Investment Co. in proportion to their respective capital contribution ratio of 40.12%, 17.88% and 42%. As at the end of the current period, the amount guaranteed by the Company was RMB 12.0360 million yuan.

X. Contingent Events

1. As at 30 June 2009, the Company provided no guarantees for organizations other than related parties.
2. For construction of the Xiaoshan Power Plant Phase II Natural Gas Power Generation Project, the Company applied to ICBC Hangzhou Qingchun Lu Branch for a long-term loan ceiling up to RMB 1,500 million yuan on 16 May 2005. The title to the energy sale revenue after project completion was pledged to the bank with its pledge ratio equal to the bank's percentage of share of the project loan. As at 30 June 2009, the Company had cumulatively obtained loans amounting to RMB 989.10 million yuan under the contract.
3. For construction of Taizhou Power Plant Phase V Extension Project, the Company applied to China Agricultural Bank Hangzhou East Branch for a loan ceiling up to RMB 1,987 million yuan on 28 March 2006, applied to China Minsheng Bank Hangzhou Branch for a loan ceiling up to RMB 500 million yuan on 6 July 2006 and applied to the Industrial Bank Hangzhou Branch for a loan ceiling up to RMB 300 million yuan in 29 January 2007. The titles to the energy sale revenue after project completion were pledged to the banks with their pledge ratio equal to the banks' percentages of share of the project loan. As at 30 June 2009, the Company cumulatively obtained loans under the contracts amounting to RMB 889.15 million yuan, 193 million yuan and RMB 59 million yuan respectively.

4. For construction of Taizhou Power Plant Phase V Extension Project, the Company applied to ZEFL for a loan ceiling up to RMB 300 million yuan on 28 November 2006. The title to the energy sale revenue after project completion was pledged to ZEFL with its pledge ratio equal to ZEFL's percentage of share of the project loan. As at 30 June 2009, the Company cumulatively obtained loan under the contract amounting to RMB 300 million yuan.
5. For construction of its coal-fired power generation project, the Company's subsidiary ZCPGC applied to China Agricultural Bank Changxing County Branch in 2004 - 2005 for long-term loans up to a total of RMB 1,900 million yuan, with the commitment that the title to the energy sale revenue after project completion corresponding to the loan would be pledged to the Bank. As at 30 June 2009, the Company obtained loans under the contracts cumulatively amounting to RMB 650 million yuan.
6. For construction of its coal-fired power generation project, the Company's subsidiary ZCPGC applied to ICBC Changxing County Branch in 2004-2005 for long-term loans up to a total of RMB 2,400 million yuan, with the commitment that the title to the energy sale revenue after project completion corresponding to the loan would be pledged to the Bank. As at 30 June 2009, the Company obtained loans under the contracts cumulatively amounting to RMB 495 million yuan.

XI. Committed Events

- (I) As endorsed in the 1st extraordinary shareholders' general meeting in 2003, the Company was assigned 25% of ZBHGC's equity in September 2004 to participate in the construction for three 200 MW Francis type hydraulic generating units. Based on Document Fa Gai Neng Yuan [2004]1614 issued by NDRC, the dynamic total investment of the project amounts to RMB 4,719 million yuan, of which the registered capital of the project accounts for 26.50%, amounting to approximately RMB 1,251 million yuan. The Company needs to make equity contribution at 25%. As at 30 June 2009, the cumulative investment by the Company amounted to RMB 313 million yuan.
- (II) Based on the resolution of the 1st extraordinary shareholders' general meeting 2009, the Company invested in construction of Zhejiang Jiaying Power Plant Phase III "Replacing Small-capacity With Large-capacity Generators" Project in proportion to its shareholding ratio of 24%. The dynamic total investment of the project amounts to RMB 7.890 billion yuan, of which the equity capital amounts to RMB 1.580 billion yuan. As at 30 June 2009, the Company paid in RMB 88.80 million yuan.

XII. Post Balance Sheet Events Not Requiring Account Adjustment

Nil

XIII. Other Important Events

- (I) The Company had no significant events of liability restructuring in the current reporting period.
- (II) The Company had no significant non-monetary transactions in the current reporting period.
- (III) The Company had no significant events of asset swap, transfer and sale in the current reporting period.
- (IV) Other Important Events Having Impact on Decisions of Financial Statements Users

Based on the resolution of the 1st extraordinary shareholders' general meeting 2009, the Company invested in construction of Zhejiang Jiaying Power Plant Phase III "Replacing Small-capacity With Large-capacity Generators" Project in proportion to its shareholding ratio of 24%. The dynamic total investment of the project amounts to RMB 7.890 billion yuan, of which the equity capital amounts to RMB 1.580 billion yuan. As at 30 June 2009, the Company paid in RMB 88.80 million yuan.

XIV. Supplementary Information

(I) Non-recurring Gains and Losses

In accordance with "No.1 Questions & Answers Regarding Regulation for Information Disclosure of Public Listed Companies – Non-recurring Gains and Losses" issued by CSRC, the non-recurring gains and losses of the Company were tabulated as follows:

Unit: RMB yuan

Items of Non-recurring Gains and Losses	Amount
Gains and losses from disposal of non-current assets	990,803.59
Government subsidies recorded as current gains and losses (except those in close connection with the Company's normal business continuously provided in accordance with the national standards)	2,408,312.60
Other non-operating income and expense than the above items	-3,338,853.90
Subtotal	60,262.29
Less: Impact of corporate income tax (Decrease in income tax denoted by "-")	15,065.57
Impact of minority shareholders' equity	24,790.15
Net value of non-recurring gains and losses belonging to shareholders of the parent company	20,406.57

- (II) The Company's yields on net asset and earnings per share computed pursuant to No. 9 "Rule for Information Disclosure of Publicly Listed Companies" issued by CSRC are as follows:

Profit in Current Period	Yield on Net Asset (%)		Earnings per Share (yuan/share)	
	Diluted	Weighted Average	Basic Earnings per Share	Diluted Earnings per Share

Net profit belonging to ordinary shareholders	<u>2.65</u>	<u>3.18</u>	<u>0.1200</u>	<u>0.1200</u>
Net profit belonging to ordinary shareholders after deducting non-recurring gains and losses	<u>2.65</u>	<u>3.18</u>	<u>0.1200</u>	<u>0.1200</u>

Section VIII. Documents Available for Inspection

1. Interim Report 2009 affixed with the signature of Chairman of Board of Directors;
2. Financial Statements affixed with the signatures and stamps of Chairman of Board of Directors, General Manager, Chief Accountant and Accounting Department Manager;
3. Originals of all the documents and announcements published on the press designated by CSRC during the reporting period;
4. Interim Results 2009 published on the London Stock Exchange.

Board of Directors

Zhejiang Southeast Electric Power Company Limited

19 August 2009