

REPORT OF THE DIRECTORS

The directors (the “Directors”) of China Resources Power Holdings Company Limited (the “Company”) have the pleasure in presenting to the shareholders their report together with the audited financial statements of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31 December 2006.

PRINCIPAL ACTIVITIES

The principal activity of the Group is to invest, develop, operate and manage large coal-fired power plants in the more affluent regions in China. Particulars of the Company’s principal subsidiaries and associates are set out in notes 18 and 19 to the financial statements, respectively.

GROUP PROFIT

The consolidated income statement is set out on page 72 and shows the Group’s profit for the year ended 31 December 2006. A discussion and analysis of the Group’s performance during the year and the material factors underlying its results and financial position are provided in the Management’s Discussion and Analysis on pages 21 to 43 of this Annual Report.

DIVIDENDS

An interim dividend of HK4 cents per share was paid on 3 October 2006.

The Board of Directors resolved to recommend the payment of a final dividend of HK14 cents per share for the year ended 31 December 2006 to shareholders whose names appear on the Register of Members of the Company on 30 May 2007. The proposed dividend will be paid on or about 11 June 2007 following approval at the Annual General Meeting.

PROPERTY, PLANT AND EQUIPMENT

Details of the movement in property, plant and equipment of the Group and the Company during the year are set out in note 16 to the financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 35 to the financial statements. There was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company’s shares (the “Shares”) during the year.

RESERVES

Distributable reserves of the Company amounted to HK\$3,777.9 million as at 31 December 2006 (2005: HK\$3,063.5 million). Movement in the reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity on page 76 of this Annual Report and note 37 to the financial statements, respectively.

BANK LOANS AND OTHER BORROWINGS

The total borrowings of the Group as at 31 December 2006 amounted to HK\$16,591.0 million (2005 HK\$11,045.3 million). Particulars of borrowings are set out in note 33 to the financial statements.

DIRECTORS

The Directors who held office during the year and as at the date of this Annual Report are as follows:

Executive Directors:

Mr. Song Lin	(Chairman)
Mr. Wang Shuai Ting	(Vice Chairman and Chief Executive Officer)
Mr. Shen Zhong Min	(resigned on 30 June 2006)
Mr. Tang Cheng	
Mr. Zhang Shen Wen	
Ms. Wang Xiao Bin	(appointed on 13 February 2006)

Non-Executive Director:

Mr. Jiang Wei

Independent Non-Executive Directors:

Mr. Fong Ching, Eddy	(resigned on 20 October 2006)
Mr. Anthony H. Adams	
Mr. Wu Jing Ru	
Mr. Chen Ji Min	(appointed on 13 February 2006)
Mr. Ma Chiu-Cheung, Andrew	(appointed on 13 December 2006)

As at 31 December 2006, none of the Directors had a service contract with the Company or any subsidiaries which is not determinable by the employing company within one year without payment of compensation other than statutory compensation.

In accordance with Article 120 of the Company's Articles of Association, Mr. Tang Cheng, Mr. Zhang Shen Wen, Mr. Jiang Wei and Mr. Anthony H. Adams retire by rotation and being eligible, offer themselves for re-election in the forthcoming annual general meeting of the Company. In addition, in accordance with Article 98 of the Company's Articles of Association, Mr. Ma Chiu-Cheung, Andrew, who was appointed on 13 December 2006, will retire and offer for re-election in the forthcoming annual general meeting of the Company.

The Company has received annual confirmation from each of the independent non-executive directors as regards their independence to the Company and considers that each of the independent non-executive directors is independent to the Company.

Biographical details of the Directors as at the date of this report are set out on pages 16 to 18 of this Annual Report. The executive directors are entitled to salaries and discretionary bonuses determined by the Board at its absolute discretion having regard to the Group's performance and the prevailing market situation. The non-executive director and the independent non-executive directors are entitled to fees approved by the Board by reference to the prevailing market conditions. The Directors are granted options to subscribe for the Company's shares. For details of the share option schemes, please refer to pages 60 to 62 of this Annual Report. Details of Directors' remuneration are provided under note 12 to the financial statements.

SHARE OPTIONS

The Company has two share option schemes, namely the pre-IPO share option scheme and the share option scheme as follows:

(A) Pre-IPO Share Option Scheme

The Company adopted a pre-IPO share option scheme (the “Pre-IPO Share Option Scheme”) on 6 October 2003. The purposes of the Pre-IPO Share Option Scheme are to attract and retain the best available personnel; to provide additional incentive to employees, directors, consultants and advisors of (a) the Company, its subsidiaries and associated companies and (b) China Resources (Holdings) Company Limited (“CRH”) and its subsidiaries; and to promote the success of the business of the Company, its subsidiaries and associated companies. The Pre-IPO Share Option Scheme ended on 12 November 2003, being the date on which dealings in the Shares commenced on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), and no further options under the Pre-IPO Share Option Scheme can be granted after that date. The provisions of the Pre-IPO Share Option Scheme shall remain in full force and effect for a period of 10 years from 6 October 2003.

Under the Pre-IPO Share Option Scheme, each option has a 10-year exercise period within which there is a total vesting period of five years. Commencing from the first, second, third, fourth and fifth anniversaries of the date of grant of an option, the relevant grantee may exercise up to 20%, 40%, 60%, 80% and 100% respectively of the Shares comprised in his or her option.

As at 31 December 2006, a total of 136,795,000 Shares (representing approximately 3.6% of the existing issued share capital of the Company) may be issued by the Company upon exercise of all options which had been granted under the Pre-IPO Share Option Scheme.

Movement of the options under the Pre-IPO Share Option Scheme during the year ended 31 December 2006 is as follows:

Name of Director	Date of grant	Number of	Number of	Number of	Number of	Date of expiry	Exercise price (HK\$)
		options outstanding as at 1 January 2006	options lapsed or cancelled during the year	options exercised during the year ⁽¹⁾	options outstanding as at 31 December 2006		
Song Lin	6 Oct 2003	2,000,000	—	—	2,000,000	5 Oct 2013	2.80
Wang Shuai Ting	6 Oct 2003	4,500,000	—	(2,150,000)	2,350,000	5 Oct 2013	2.80
Shen Zhong Min ⁽²⁾	6 Oct 2003	3,000,000	(1,800,000)	(1,200,000)	—	5 Oct 2013	2.80
Tang Cheng	6 Oct 2003	3,000,000	—	—	3,000,000	5 Oct 2013	2.80
Zhang Shen Wen	6 Oct 2003	3,000,000	—	—	3,000,000	5 Oct 2013	2.80
Wang Xiao Bin	6 Oct 2003	2,800,000	—	—	2,800,000	5 Oct 2013	2.80
Jiang Wei	6 Oct 2003	1,000,000	—	—	1,000,000	5 Oct 2013	2.80
Aggregate total of employees	6 Oct 2003	97,635,000	(3,856,000)	(12,220,000)	81,559,000	5 Oct 2013	2.80
Aggregate total of other participants	6 Oct 2003	47,202,000	(1,408,000)	(4,708,000)	41,086,000	5 Oct 2013	2.80
		164,137,000	(7,064,000)	(20,278,000)	136,795,000		

Notes: 1. The weighted average closing prices of the Shares immediately before the dates on which the options were exercised was HK\$9.53.

2. Mr. Shen Zhong Min resigned on 30 June 2006.

(B) Share Option Scheme

A share option scheme (the “Share Option Scheme”) was approved by a resolution in writing of the shareholders of the Company on 6 October 2003. The purposes of the Share Option Scheme are to attract and retain the best available personnel; to provide additional incentive to employees, directors, consultants and advisors of (a) the Company, its subsidiaries and associated companies and (b) CRH and its subsidiaries; and to promote the success of the business of the Company, its subsidiaries and associated companies.

The Board may, at its absolute discretion, offer an option to eligible person to subscribe for the Shares at an exercise price and subject to the other terms of the Share Option Scheme. Upon acceptance of the offer of a grant, the grantee shall pay HK\$1.00 to the Company as nominal consideration for the grant.

The total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme shall not in aggregate exceed 367,000,000 Shares of the Company, being 10% of the total number of Shares in issue immediately prior to the date on which dealings in the Shares commenced on the Stock Exchange.

The total number of Shares issued and to be issued upon the exercise of the options granted to or to be granted to each eligible person under the Share Option Scheme and any other schemes of the Company or any of its subsidiaries (including exercised, cancelled and outstanding options) in any 12-month period shall not exceed 1% of the Shares in issue.

Options granted have a 10-year exercise period within which there is a total vesting period of five years. Commencing from the first, second, third, fourth and fifth anniversaries of the date of grant of an option, the relevant grantee may exercise up to 20%, 40%, 60%, 80% and 100% respectively of the Shares comprised in his or her option.

The Share Option Scheme will remain in force for a period of 10 years from 6 October 2003.

On 5 September 2006, in consideration of HK\$1.00 per grant, options to subscribe for an aggregate of 27,700,000 Shares at an exercise price of HK\$7.05 (being the highest of (1) the closing price of the Shares as stated in the daily quotation sheet of the Stock Exchange on the date the share option was granted, (2) the average closing price of the Shares as stated in the Stock Exchange’s daily quotation sheet for the five business days immediately preceding the date of grant, or (3) the nominal value of the Shares) were conditionally granted to 58 grantees under the Share Option Scheme.

As at 31 December 2006, a total of 144,420,000 Shares (representing approximately 3.8% of the existing issued share capital of the Company) may be issued by the Company upon exercise of all options which had been granted under the Share Option Scheme.

Movement of the options granted under the Share Option Scheme during the year ended 31 December 2006 is as follows:

Name of Director	Date of grant	Number of options outstanding as at 1 January 2006	Number of options granted during the year ⁽¹⁾	Number of options lapsed or cancelled during the year	Number of options exercised during the year	Number of options outstanding as at 31 December 2006 ⁽²⁾	Date of expiry	Exercise price (HK\$)
Song Lin	18 Mar 2005	900,000	—	—	—	900,000	17 Mar 2015	3.99
Wang Shuai Ting	18 Mar 2005	900,000	—	—	—	900,000	17 Mar 2015	3.99
Shen Zhong Min ⁽³⁾	18 Mar 2005	600,000	—	(480,000)	(120,000)	—	17 Mar 2015	3.99
Tang Cheng	18 Mar 2005	600,000	—	—	—	600,000	17 Mar 2015	3.99
Zhang Shen Wen	18 Mar 2005	600,000	—	—	—	600,000	17 Mar 2015	3.99
Wang Xiao Bin	18 Mar 2005	600,000	—	—	—	600,000	17 Mar 2015	3.99
Jiang Wei	18 Mar 2005	600,000	—	—	—	600,000	17 Mar 2015	3.99
Fong Ching, Eddy ⁽⁴⁾	18 Nov 2005	200,000	—	(200,000)	—	—	17 Nov 2015	4.725
Anthony H. Adams	18 Nov 2005	200,000	—	—	—	200,000	17 Nov 2015	4.725
Wu Jing Ru	18 Nov 2005	200,000	—	—	—	200,000	17 Nov 2015	4.725
Aggregate total of employees	1 Sep 2004	23,200,000	—	(3,640,000)	(360,000)	19,200,000	31 Aug 2014	4.25
	18 Mar 2005	21,700,000	—	(1,520,000)	(200,000)	19,980,000	17 Mar 2015	3.99
	18 Nov 2005	52,050,000	—	(400,000)	—	51,650,000	17 Nov 2015	4.725
Aggregate total of other participants	1 Sep 2004	4,300,000	—	—	—	4,300,000	31 Aug 2014	4.25
	18 Mar 2005	8,500,000	—	—	(160,000)	8,340,000	17 Mar 2015	3.99
	18 Nov 2005	9,150,000	—	—	—	9,150,000	17 Nov 2015	4.725
	5 Sep 2006	—	27,700,000	(500,000)	—	27,200,000	4 Sep 2016	7.05
		124,300,000	27,700,000	(6,740,000)	(840,000)	144,420,000		

- Notes:
1. The closing price of the Shares immediately before the date on which the options were granted was HK\$6.88.
 2. The weighted average closing price of the Shares immediately before the date on which the options were exercise was HK\$7.38.
 3. Mr. Shen Zhong Min resigned on 30 June 2006.
 4. Mr. Fong Ching, Eddy resigned on 20 October 2006.
 5. Details of the value of options granted during the year are set out in note 36 to the financial statements.

DIRECTORS' INTERESTS IN SECURITIES

Save as disclosed below, as at 31 December 2006, none of the Directors or chief executive of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 Laws of Hong Kong) ("SFO") which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or the Model Code for Securities Transactions by Directors of Listed Companies, or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein:

(A) The Company

Details of shares and outstanding options granted under the Pre-IPO Share Option Scheme and Share Option Scheme in the Company held by the Directors as at 31 December 2006 are as follows:

Name of Director	Capacity							Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Wang Shuai Ting	Beneficial Owner							2,000,000	0.052%

Name of Director	Capacity	Date of grant	Date of expiry	Exercise price (HK\$)	Number of options and underlying shares as at 1 Jan 2006	Number of options lapsed during the year	Number of options exercised during the year	Number of options and underlying shares as at 31 Dec 2006	Percentage of the issued share capital of the Company
Song Lin	Beneficial Owner	6 Oct 2003	5 Oct 2013	2.80	2,000,000	—	—	2,000,000	0.052%
	Beneficial Owner	18 Mar 2005	17 Mar 2015	3.99	900,000	—	—	900,000	0.023%
Wang Shuai Ting	Beneficial Owner	6 Oct 2003	5 Oct 2013	2.80	4,500,000	—	(2,150,000)	2,350,000	0.061%
	Beneficial Owner	18 Mar 2005	17 Mar 2015	3.99	900,000	—	—	900,000	0.023%
Shen Zhong Min ⁽¹⁾	Beneficial Owner	6 Oct 2003	5 Oct 2013	2.80	3,000,000	(1,800,000)	(1,200,000)	—	—
	Beneficial Owner	18 Mar 2005	17 Mar 2015	3.99	600,000	(480,000)	(120,000)	—	—
Tang Cheng	Beneficial Owner	6 Oct 2003	5 Oct 2013	2.80	3,000,000	—	—	3,000,000	0.078%
	Beneficial Owner	18 Mar 2005	17 Mar 2015	3.99	600,000	—	—	600,000	0.016%
Zhang Shen Wen	Beneficial Owner	6 Oct 2003	5 Oct 2013	2.80	3,000,000	—	—	3,000,000	0.078%
	Beneficial Owner	18 Mar 2005	17 Mar 2015	3.99	600,000	—	—	600,000	0.016%
Wang Xiao Bin	Beneficial Owner	6 Oct 2003	5 Oct 2013	2.80	2,800,000	—	—	2,800,000	0.073%
	Beneficial Owner	18 Mar 2005	17 Mar 2015	3.99	600,000	—	—	600,000	0.016%
Jiang Wei	Beneficial Owner	6 Oct 2003	5 Oct 2013	2.80	1,000,000	—	—	1,000,000	0.026%
	Beneficial Owner	18 Mar 2005	17 Mar 2015	3.99	600,000	—	—	600,000	0.016%
Fong Ching, Eddy ⁽²⁾	Beneficial Owner	18 Nov 2005	17 Nov 2015	4.725	200,000	(200,000)	—	—	—
Anthony H. Adams	Beneficial Owner	18 Nov 2005	17 Nov 2015	4.725	200,000	—	—	200,000	0.005%
Wu Jing Ru	Beneficial Owner	18 Nov 2005	17 Nov 2015	4.725	200,000	—	—	200,000	0.005%

- Notes: 1. Mr. Shen Zhong Min resigned on 30 June 2006.
2. Mr. Fong Ching, Eddy resigned on 20 October 2006.

(B) China Resources Enterprise, Limited

China Resources Enterprise, Limited (“CRE”), a fellow subsidiary of the Company, has a share option scheme to subscribe for the shares in CRE. Details of shares and outstanding options in CRE held by the Directors as at 31 December 2006 are as follows:

Name of Director	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of CRE
Song Lin	Beneficial Owner	1,800,000	0.076%
Wang Shuai Ting	Beneficial Owner	30,000	0.001%
Jiang Wei	Beneficial Owner	240,000	0.010%

Name of Director	Capacity	Date of grant	Date of expiry	Exercise price (HK\$)	Number of options and underlying shares as at 1 Jan 2006	Number of options granted during the year	Number of options exercised during the year	Number of options and underlying shares as at 31 Dec 2006	Percentage of the issued share capital of CRE
Song Lin	Beneficial Owner	7 Feb 2002	6 Feb 2012	7.17	2,000,000	—	(2,000,000)	—	—
	Beneficial Owner	14 Jan 2004	13 Jan 2014	9.72	2,500,000	—	(2,500,000)	—	—
	Family Interest ^(Note)	20 Jun 2000	19 Jun 2010	7.19	200,000	—	(200,000)	—	—
Zhang Shen Wen	Beneficial Owner	5 Mar 2002	4 Mar 2012	7.35	50,000	—	—	50,000	0.002%
Jiang Wei	Beneficial Owner	8 Mar 2002	7 Mar 2012	7.50	600,000	—	(600,000)	—	—

Note: The options were held by the spouse of Mr. Song Lin.

(C) China Resources Logic Limited

China Resources Logic Limited (“CR Logic”), a fellow subsidiary of the Company, has a share option scheme to subscribe for the shares in CR Logic. Details of shares and the outstanding options in CR Logic held by the Directors as at 31 December 2006 are as follows:

Name of Director	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of CR Logic
Song Lin	Beneficial Owner	3,600,000	0.130%

Name of Director	Capacity	Date of grant	Date of expiry	Exercise price (HK\$)	Number of options and underlying shares as at 1 Jan 2006	Number of options granted during the year	Number of options exercised during the year	Number of options and underlying shares as at 31 Dec 2006	Percentage of the issued share capital of CR Logic
Song Lin	Beneficial Owner	21 Sep 2000	20 Sep 2010	0.59	6,900,000	—	—	6,900,000	0.249%
	Beneficial Owner	13 Jan 2004	12 Jan 2014	0.906	2,000,000	—	—	2,000,000	0.072%
Wang Shuai Ting	Beneficial Owner	9 Apr 2002	8 Apr 2012	0.82	540,000	—	—	540,000	0.020%
Tang Cheng	Beneficial Owner	9 Apr 2002	8 Apr 2012	0.82	90,000	—	—	90,000	0.003%
Zhang Shen Wen	Beneficial Owner	9 Apr 2002	8 Apr 2012	0.82	60,000	—	—	60,000	0.002%
Jiang Wei	Beneficial Owner	9 Apr 2002	8 Apr 2012	0.82	720,000	—	—	720,000	0.026%

(D) China Resources Land Limited

China Resources Land Limited (“CR Land”), a fellow subsidiary of the Company, has a share option scheme to subscribe for the shares in CR Land. Details of outstanding options in CR Land held by the Directors as at 31 December 2006 are as follows:

Name of Director	Capacity			Number of issued ordinary shares held	Percentage of the issued share capital of CR Land
Jiang Wei	Beneficial Owner			892,000	0.027%

Name of Director	Capacity	Date of grant	Date of expiry	Exercise price (HK\$)	Number of options and underlying shares as at 1 Jan 2006	Number of options granted during the year	Number of options exercised during the year	Number of options and underlying shares as at 31 Dec 2006	Percentage of the issued share capital of CR Land
Song Lin	Beneficial Owner	1 Jun 2005	31 May 2015	1.23	900,000	—	—	900,000	0.027%
Wang Shuai Ting	Beneficial Owner	4 Mar 2002	31 Jan 2012	1.59	540,000	—	—	540,000	0.016%
Tang Cheng	Beneficial Owner	4 Mar 2002	31 Jan 2012	1.59	100,000	—	(100,000)	—	—
Zhang Shen Wen	Beneficial Owner	4 Mar 2002	31 Jan 2012	1.59	60,000	—	—	60,000	0.002%
Jiang Wei	Beneficial Owner	4 Mar 2002	3 Mar 2012	1.59	720,000	—	(720,000)	—	—
	Beneficial Owner	1 Jun 2005	31 May 2015	1.23	700,000	—	(700,000)	—	—

ARRANGEMENT FOR DIRECTORS TO ACQUIRE SHARES

Other than disclosed in “Directors’ Interests in Securities” above, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the Directors or the chief executive or their respective associates, of the Company to acquire benefits by means of the acquisition of shares in, or debt securities of, the Company or any associated corporation and none of the Directors and chief executive, or their spouse and children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the year.

CONTRACTS OF SIGNIFICANCE

No contracts of significance to which the Company or any of its subsidiaries, holding companies or fellow subsidiaries was a party and in which a Director had a material interest, either directly or indirectly, subsisted at the end of the year or at any time during the year.

In addition there was no contract of significance between the Company or any of its subsidiaries and its controlling shareholder (or its subsidiaries) (if any) and there was no contract of significance for the provision of services to the Company by its controlling shareholder (or its subsidiaries) (if any) subsisting during the year.

SUBSTANTIAL SHAREHOLDERS

Save as disclosed below, as at 31 December 2006, the Directors were not aware of any other persons (other than a Director or chief executive, whose interests are disclosed in the section headed "Directors' Interests in Securities" above) who had an interest or short position in the Shares or underlying shares of the Company as recorded in the register kept pursuant to Section 336 of the SFO:

Name of shareholders	Capacity	No. of Shares held	Approximate % of shareholding
CRH	Beneficial owner	2,750,000,000	71.8%
CRC Bluesky Limited	Interest of a controlled corporation	2,750,000,000	71.8%
China Resources Co., Limited ("CRL")	Interest of a controlled corporation	2,750,000,000	71.8%
China Resources National Corporation ("CRNC")	Interest of a controlled corporation	2,750,000,000	71.8%

Note: CRH is a 100% subsidiary of CRC Bluesky Limited, which is in turn owned as to 100% by CRL, which is in turn held as to 99.98% by CRNC. Each of CRNC, CRL and CRC Bluesky Limited is deemed by virtue of Part XV of the SFO to have the same interests in the share capital of the Company as those of CRH.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

- (a) On 11 April 2005, a rental agreement was entered into between China Resources Property Management Co., Ltd. (the "Lessor"), a wholly-owned subsidiary of CRH and the Company in respect of Rooms 3203-3204, 32nd Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong. The term of such rental agreement is 2 years commencing from 1 April 2005 to 31 March 2007 at a monthly rent of HK\$65,877 exclusive of rates, management fee and air-conditioning fee. The total leasable area of the premises is 3,137 square feet. The total rent payable per annum is HK\$790,524. Half of all the rights, interests, liabilities and obligations of the Company under this rental agreement were assigned to Resources Shajiao C Investments Limited, a subsidiary of the Company, pursuant to a novation agreement dated 17 October 2003.
- (b) On 22 July 2005, a rental agreement was entered into between the Lessor and the Company in respect of Rooms 2001-2002, 20th Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong. The term of such rental agreement is 2 years commencing from 20 September 2005 to 19 September 2007 at a monthly rent of HK\$64,974 exclusive of rates, management fee and air-conditioning fee. The total leasable area of the premises is 3,094 square feet. The total rent payable per annum is HK\$779,688.
- (c) On 16 September 2005, a rental agreement was entered into between the Lessor and the Company in respect of Room 20A, 20th Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong. The term of such rental agreement is 23 months commencing from 20 October 2005 to 19 September 2007 at a monthly rent of HK\$18,627 exclusive of rates, management fee and air-conditioning fee. The total leasable area of the premises is 887 square feet. The total rent payable per annum is HK\$223,524.

- (d) In November 2004, a rental agreement was entered into between China Resources (Shenzhen) Co., Ltd., a wholly-owned subsidiary of CRH and China Resources Power Project Service Co., Ltd., a wholly-owned subsidiary of the Company in respect of 22nd Floor, China Resources Building, 5001 Shen Nan Dong Road, Shenzhen. The term of such rental agreement is three years commencing from 1 December 2004 to 30 November 2007 at a monthly rent of RMB260,955 exclusive of rates, management fee and air-conditioning fee. The total leasable area of the premises is 1,933 square meter. The total rent payable per annum is RMB3,131,460.
- (e) A deed of option dated 17 October 2003 was executed by CRH in favour the Company, under which the Company was granted an option, in consideration of a nominal amount of HK\$1.00, to acquire from CRH its entire 65% interest in Yunnan China Resources Power (Honghe) Company Limited (“Yunpeng”) and 55% interest in Fuyang China Resources Power Company Limited (“Fuyang”). The Company exercised its right of acquisition on 27 July 2006. The considerations for the acquisitions of Yunpeng and Fuyang were HK\$119,220,000 and HK\$436,480,000, respectively. The acquisitions were completed on 5 September 2006.
- (f) The Company entered into a management agreement dated 17 October 2003 with CRH. The management agreement relates to CRH entrusting the Company to manage CRH’s 65% and 55% interests in Yunpeng and Fuyang, respectively, for a term of three years in return for a fixed service fee of HK\$2,000,000 in aggregate per annum. The management agreement expired on 5 September 2006 when the acquisitions of Yunpeng and Fuyang from CRH were completed.
- (g) In 2006, Guangzhou China Resource Thermal Power Company Limited, a 70% owned subsidiary of the Company, has been purchasing, through a tender bidding process, fuel oil from Shenzhen China Resources Petroleum Company Limited, a wholly owned subsidiary of CRH. For the year ended 31 December 2006, the total amount of the purchase of fuel oil was approximately RMB12,237,000.

The independent non-executive directors have confirmed that the above connected transactions and continuing connected transactions:

- (i) have been entered into in the ordinary course of the Company’s business;
- (ii) had been entered into either:
 - (a) on normal commercial terms; or
 - (b) where there was no available comparison to judge whether they are on normal commercial terms, on terms no less favourable than those available to or from independent third parties; and
- (iii) had been entered into on terms that are fair and reasonable so far as the independent shareholders of the Company are concerned, and in accordance with the terms of the agreement governing such transactions.

The auditors have confirmed that the above continuing connected transactions.

- (i) have received the approval of the Company’s board of directors;
- (ii) are in accordance with the pricing policies of the Company if the transactions involve provision of goods or services by the Company.
- (iii) have been entered into in accordance with the relevant agreement governing the transactions; and
- (iv) have not exceeded the cap disclosed in previous announcement(s).

MAJOR CUSTOMERS AND SUPPLIERS

Purchases from the Group's five largest suppliers together accounted for 32.4% of the Group's total purchases during the year. The five largest suppliers are 上海中煤華東有限公司 (Shanghai China Coal East China Co., Ltd.) (8.8%), 平頂山天安煤業股份有限公司 (Pingdingshan Tianan Coal Mining Co., Ltd.) (8.1%), 內蒙古伊泰煤炭股份有限公司 (Inner Mongolia Yitai Coal Company Limited) (6.4%), 上海神華煤炭運銷有限公司 (Shanghai Shenhua Coal Transport & Sale Co., Ltd.) (5.7%), and 湖南省資興礦業(集團)有限責任公司 (Hunan Zixing Mining Group Co., Ltd.) (3.4%).

Sales to the Group's five largest customers together accounted for 87.8% of the Group's total turnover during the year. The five largest customers are 江蘇省電力公司 (Jiangsu Electric Power Company) (34.1%), 河南省電力公司 (Henan Provincial Power Company) (19.9%), 廣東省電網公司 (Guangdong Power Grid Company) (14.9%), 湖北省電力公司 (Hubei Electric Power Company) (13.6%), and 安徽省電力公司 (Anhui Electric Power Corporation) (5.3%).

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

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

The Company and its subsidiaries did not purchase, sell or redeem any securities of the Company during the year ended 31 December 2006.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied, throughout the financial year, with the code provision set out in the Code on Corporate Governance Practices set out in Appendix 14 to the Listing Rules. For details, please refer to the Corporate Governance Report on pages 44 to 55 in this Annual Report.

MODEL CODE

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, the Company confirmed that all Directors have complied with the required standard set out in the Model Code throughout the year ended 31 December 2006.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this report, there is sufficient public float of not less than 25% of the Company's issued shares as required under the Listing Rules.

AUDIT COMMITTEE

The financial statements have been reviewed by the Audit Committee. All of the four Audit Committee members are appointed from the independent non-executive Directors, with the Chairman of the Audit Committee having appropriate professional qualifications and experience in financial matters, including review of financial statements.

AUDITORS

A resolution will be submitted to the forthcoming annual general meeting of the Company to re-appoint Messrs Deloitte Touche Tohmatsu as the auditors of the Company.

On behalf of the Board

Song Lin

Chairman

Hong Kong, 26 March 2007