China Power International Development Limited
中國電力國際發展有限公司

(incorporated in Hong Kong with limited liability under the Companies Ordinance)

(Stock Code : 2380)

Annual Report 2007

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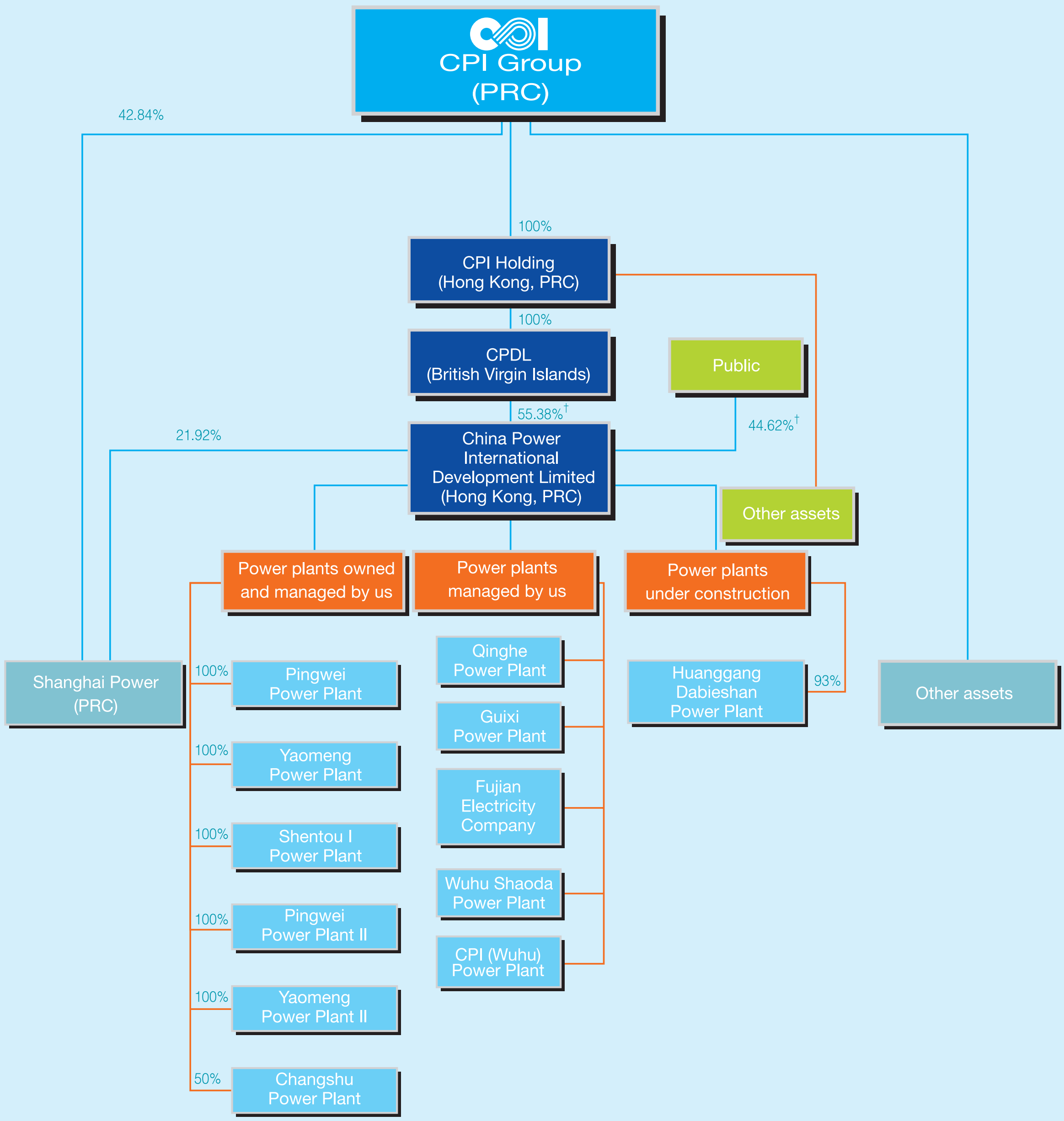
2007 Financial Highlights

	RMB
Earnings per share	
Basic	0.16
Diluted	0.16
Turnover	5,907,301,000
Profit attributable to shareholders of the Company	592,435,000
Shareholders' equity	11,134,889,000
Total assets	22,949,753,000
Cash and cash equivalents	734,057,000
Total borrowings	9,175,508,000
Gross generation (MWh)	26,701,707*
Gross generation of the associated company (MWh)	6,655,036
Net generation (MWh)	24,813,254*
Net generation of the associated company (MWh)	6,280,282

* *not including the associated company*



† After the end of the financial year 2007, CPI Holding has acquired 17,276,000 shares of the Company. As such, CPI Group, CPI Holding and CPDL are deemed to be interested in 55.85% of the issued capital of the Company and the shareholding held by the public is reduced to 44.15%.

We strive to build power generation units with large capacity and advanced specifications

China Power was incorporated in Hong Kong with limited liability under the Companies Ordinance (Cap. 32 of the Laws of Hong Kong) on 24 March 2004 and is the flagship company of China Power Investment Corporation ("CPI Group"), one of the five leading national power-generating groups in the People's Republic of China (the "PRC" or "China").

The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") on 15 October 2004. The stock code is 2380.

Being the only overseas incorporated and listed company among the five national power-generating groups, the Company's principal business is to develop, construct, own, operate and manage large power plants in the PRC, and engage in investment holdings.

At present, the Company and its subsidiaries (the "Group" or "We") own and operate the following power plants: Pingwei Power Plant (100% ownership), Pingwei Power Plant II (100% ownership), Yaomeng Power Plant (100% ownership), Yaomeng Power Plant II (100% ownership), Shentou I Power Plant (100% ownership) and Changshu Power Plant (50% ownership), which have a total installed capacity of 7,410 MW and the installed capacity attributable to the Company in these power plants is 6,795 MW.

The Company also holds shares of Shanghai Electric Power Co., Ltd. ("Shanghai Power") (21.92% ownership). Shanghai Power is a power company, whose shares are listed on the Shanghai Stock Exchange. The Company is its second largest shareholder after CPI Group. As at 31 December 2007, Shanghai Power's attributable installed capacity was 4,964 MW, while ours was 1,088 MW.

As at 31 December 2007, the Company's total attributable installed capacity was 7,883 MW.

The Company also manages five other power plants on behalf of CPI Holding, namely, Qinghe Power Plant (1,000 MW), Guixi Power Plant (500 MW), Fujian Electricity Company (300 MW), Wuhu Shaoda Power Plant (250 MW) and CPI Wuhu Power Plant (250 MW) , which have a total installed capacity of 2,300 MW.

In addition, the total installed capacity of Huanggang Dabieshan Power Plant (93% ownership), the power plant which has been approved by the National Development and Reform Commission ("NDRC") of the PRC and is under construction, will be 1,200 MW, of which our attributable installed capacity will be 1,116 MW.

OUR PARENT COMPANY - CPI GROUP

We are ultimately owned by CPI Group, which is one of the five national power-generating groups in China established pursuant to the restructuring of the power industry of the PRC in 2002. The power plants of CPI Group spread across 27 provinces, municipalities and autonomous regions in the PRC with a total installed capacity of approximately 43 GW. As the flagship company of CPI Group, the Company is the only company within CPI Group with the authority to develop, construct, operate and manage power plants across the PRC.

LOCATION OF POWER PLANTS

Yaomeng Power Plant

Changshu Power Plant

Shentou I Power Plant

Huanggang Dabieshan Power Plant

Pingwei Power Plant

China Power Qinghe Company

Yaomeng Power Plant II

Pingwei Power Plant II

China Power Qinghe Company
Qinghe Power Plant
Liaoning
Beijing
Shentou I Power Plant
Shanxi
Yaomeng Power Plant II
Yaomeng Power Plant
Pingwei Power Plant
Jiangsu
Henan
Pingwei Power Plant II
Changshu Power Plant
Shanghai
Shanghai Power
Hubei
Anhui
CPI Wuhu Power Plant
Huanggang Dabieshan Power Plant
Wuhu Shaoda Power Plant
Guixi Power Plant
Jiangxi
Fujian Electricity Company
Fujian
South China Sea
Power plants under commercial operation
Power plants managed by us
Power plants under construction
21.92% stake in Shanghai Power

Corporate Information

Chairman of the Board and Chief Executive Officer:	Li Xiaolin
Executive Director and President:	Liu Guangchi
Non-Executive Director:	Gao Guangfu Guan Qihong
Independent Non-Executive Director:	Kwong Che Keung, Gordon Li Fang Tsui Yiu Wa, Alec
Qualified Accountant:	Lai Sai Wo, Ricky
Company Secretary:	Chong Wai Sang
Auditors:	PricewaterhouseCoopers
Registered Office:	Suite 6301, 63/F., Central Plaza 18 Harbour Road Wanchai, Hong Kong
Head Office and Principal Place of Business in Hong Kong:	Suite 6301, 63/F., Central Plaza 18 Harbour Road Wanchai, Hong Kong
Share Registrar and Transfer Office:	Computershare Hong Kong Investors Services Limited Shops 1712-1716, 17th Floor Hopewell Centre 183 Queen's Road East Wanchai Hong Kong
Company Website:	www.chinapower.hk http://www.irasia.com/listco/hk/chinapower/index.htm
Stock Code:	2380

MAJOR CORPORATE EVENTS IN THE FIRST HALF OF THE YEAR

January	China Power announced that the gross generation for 2006 recorded a growth of 19.47%
March	China Power held its 2006 Annual Results Presentation in Hong Kong and announced that its net profit recorded a growth of 6.2%
	The first generation unit of China Power's Pingwei Power Plant II commenced commercial operation
April	Annual General Meeting of China Power was held in Hong Kong
	China Power announced that its gross generation for the first quarter of 2007 recorded 5,245,745MWh

MAJOR CORPORATE EVENTS IN THE SECOND HALF OF THE YEAR

July	Extraordinary General Meeting of China Power was held, on which the continuing connected transactions, including the composite repair and maintenance services agreement, the fuel related services agreement and the cleaning, repair and maintenance agreement, entered into between the Company and its Parent Company's subsidiaries were duly passed
	China Power announced that gross generation for the first half of 2007 recorded 11,430,800MWh
August	China Power held its 2007 Interim Results Presentation in Hong Kong and announced that its net profit recorded RMB69,603,000
October	China Power announced that gross generation for the first three quarters of 2007 recorded an increase of 5.95% when compared with the same period of 2006
	The first power generation unit of China Power's Yaomeng Power Plant II commenced commercial operation

November	The second power generation unit of China Power's Pingwei Power Plant II commenced commercial operation
	China Power entered into an asset acquisition agreement with Qinghe Power Plant at a total consideration of RMB944,628,262
December	China Power established strategic partnership with Pingdingshan Coal (Group) Company Limited
	China Power entered into an asset acquisition framework agreement with Guangzhou Development Group Limited to acquire 25% equity interests in Guangzhou Power Enterprise Group
	The second power generation unit of China Power's Yaomeng Power Plant II commenced commercial operation

We strive to shape ourselves as an enterprise of excellence and enhance shareholders' value

To all shareholders,

Spring, a start of the year, comes along with budding, blooming and growing of the nature. At this prosperous springtime, I would like to express my greatest gratitude to all shareholders for their continuous enthusiasm and support to China Power on behalf of the Board and all staff of China power.

2007 was a challenging year for China Power. The surge of fuel price has placed great pressure to our operation. However, with the strong support and effort from all parties involved, the management and all staff, we managed to achieve satisfactory results by developing new markets and minimising costs.

Furthermore, we have further refined our business strategy and development objectives in 2007. We had a good start for our new strategy: the construction and commencement of operation of 4 new sets of 600MW generation units was well ahead of the schedule; the acquisition of 2 new projects created synergies in capital allocation and operation; fully utilisation of the geographical advantages of the mine-mouth power plant brought a remarkable results of the joint operation of coal and electricity; corporate governance was further improved by optimization of management system. China Power's attributable installed capacity amounted to 7,883MW and the reserved capability was significantly improved. When the Company first listed in 2004, our capacity was only 3,010MW. Through acquisition and organic growth, our attributed installed capacity increased by more than one-fold in less than three years.

In 2008, the economy of China will continue to grow steadily and rapidly and the outlook for power generation industry in China will still be promising. As a major local player in the industry, China Power will have a huge room for development. We are confident to enhance shareholders' value and the Company's results.

With defined strategies, we will leverage on our advantages to optimise the business and assets structure and to develop our major business segments. The scale and quality of our assets will be continuously improved through construction and acquisition. With the commencement of operation of 3 sets of 600 MW units in the current year and the roll out of more projects, including 1,000MW power unit, in the coming years, the Company's attributable installed capacity is expected to double to 15,000MW by 2010.

We set 2008 as our new starting point for development. We will follow our corporate culture of "Still water runs deep" to put our core values of "Responsibility, Integrity, Wisdom, Value" into practice. Internally, we will continue to refine our management and improve the operation and efficiency; while externally, we will enhance our strategic cooperation with upstream and downstream enterprises, strengthen our market risk withstanding capability, strive for building up corporate image of "resources saving and environmental friendly" and continue to perform the required social responsibilities. We will also implement "capacity substitution" and "energy-saving and emission-reduction" policies and pursue harmonious scientific development. We will shape ourselves as an enterprise of excellence with advanced management, stable yet strong development and outstanding results to return our shareholders with better results.

With the continuous concern and support from all our shareholders and the effort among the Board, the management and all staff, I believe that China Power would have a brighter prospect.

Li Xiao Lin
Chairman

14 April, 2008

Cultivating talents and building up excellent team

CHAIRMAN OF THE BOARD

LI Xiaolin, 46, is the chairman of the Board and the executive director of the Company and chairman of the Investment and Risk Control Committee of the Company since August 2004. Ms. Li is a senior engineer. She graduated from Tsinghua University with a master of engineering degree in power system and automation. She was a visiting scholar at the Sloan Business School of Massachusetts Institute of Technology in the United States. She is currently the chief executive officer of the Company, vice president of CPI Group, chairman of CPI Holding, chairman of China Power New Energy Development Company Limited and director of Companhia de Elecricidade de Macau. She served in various positions including head of the International Economic and Trade Division of the Ministry of Electric Power Industry and associate head of the International Economic and Trade Division of the Ministry of Energy.

EXECUTIVE DIRECTORS

Liu Guangchi, 53, is the executive director and president of the Company. Mr. Liu is a senior engineer and graduated from the University of Shanghai for Science and Technology with a master's degree in power engineering. Mr. Liu is currently a member of the Investment and Risk Control Committee of the Company, the director and president of CPI Holding and the vice-president of Shanghai Waigaoqiao No.2 Power Generation Co., Ltd.（上海外高橋第二發電有限責任公司）. He served in various positions including the general manager of Shanghai Waigaoqiao Power Generation Co., Ltd（上海外高橋發電有限公司）and deputy manager of the Safety Supervision and Production Department of CPI Group and the director and general manager/president of Shanghai Electric Power Co., Ltd.（上海電力股份有限公司）.

NON-EXECUTIVE DIRECTORS

GAO Guangfu, 45, is the non-executive director and a member of the Investment and Risk Control Committee of the Company. Mr. Gao is a senior accountant. He graduated from Zhongnan University of Finance and Commerce at postgraduate level. He was also a visiting scholar at the Energy Economic and Policy Institute of the National Scientific Research Center of France. Mr. Gao also acts as the manager of Finance and Property Ownership Management Department of CPI Group and director of CPI Holding. He served in various positions including deputy manager of Finance and Property Ownership Management Department of the State Power Corporation of China（國家電力公司）and associate head of Price Department of the Economic Adjustment Division of the Ministry of Electric Power Industry.

Guan Qihong, 45, is the non-executive director of the Company and a senior economist who holds a bachelor of engineering degree from Huazhong Institute of Technology, a master's degree in economics from Zhongnan University of Economics and a doctoral degree in economics from Xiamen University. Mr. Guan is currently the director of the CPI Holding and manager of the Capital Market and Equity Management Department of the CPI Group. He served in various positions including the deputy manager of National Asset Management Bureau Asset Assessment Center, the deputy secretary-general of China Appraisal Society, the assistant to the manager of Finance and Property Ownership Management Department of the State Power Corporation and the chief economist of State Grid Shenzhen Energy Development Group Co.,Ltd.

INDEPENDENT DIRECTORS

KWONG Che Keung, Gordon, 58, is the independent non-executive director of the Company. He has been the chairman of the audit committee and a member of the compensation and nomination committee of the Company since August 2004. Mr. Kwong is also an independent non-executive director of a number of companies listed on the Hong Kong Stock Exchange Limited namely Cosco International Holdings Limited, Tianjin Development Holdings Limited, Beijing Capital International Airport Company Limited, Frasers Property (China) Limited, NWS Holdings Limited, China Oilfield Services Limited, OP Financial Investments Limited (formerly known as Concepta Investments Limited), China Chengtong Development Group Limited, Global Digital Creations Holdings Limited, Ping An Insurance (Group) Company of China, Limited, Quam Limited, Henderson Land Development Company Limited, Henderson Investment Limited and Agile Property Holdings Limited and CITIC 1616 Holdings Limited. From 1984 to 1998, Mr. Kwong was a partner of Pricewaterhouse and was a council member of Hong Kong Stock Exchange from 1992 to 1997. He has a bachelor of social science degree from University of Hong Kong and is a fellow member of the Institute of Chartered Accountants in England and Wales.

LI Fang, 46, is an independent non-executive director of the Company. He has been a chairman of the compensation and nomination committee of the Company and a member of the audit committee of the Company since August 2004. He graduated from Beijing University of Science and Technology with a bachelor of engineering degree and received his juris doctoral degree from the College of Law of Arizona State University in the United States in 1995. Mr. Li is currently the chairman of Beijing Mainstreets Investment Group Corporation. He is also a council member of the China Reform Forum. Mr. Li has extensive experience in business management and corporate finance. He was an executive director of Goldman Sachs (Asia) L.L.C. and a lawyer with David Polk and Wardwell.

TSUI Yiu Wa, Alec, 59, is an independent non-executive director of the Company and a member of the audit committee and the compensation and nomination committee of the Company. He graduated from the University of Tennessee in the United States with a bachelor of science degree in industrial engineering and a master of engineering degree in industrial engineering and completed the Program for Senior Managers in Government at the John F. Kennedy School of Government at Harvard University in 1993. Mr. Tsui also acts as the Chairman of WAG Worldsec Corporate Finance Limited and an independent non-executive director of a number of listed companies in Hong Kong. He has substantial experience in the operations of listed companies in Hong Kong. He served in various positions including the executive director and chief executive of the Hong Kong Stock Exchange, chief operating officer of the Hong Kong Exchanges and Clearing Limited and chief executive officer of the Regent Pacific Group.

SENIOR MANAGEMENT

GU Dake, 53, is the vice president of the Company. Mr. Gu is a senior engineer. He graduated from the Northeast China Institute of Electric Power Engineering, majoring in thermal power. Mr. Gu is currently the director, vice president and chief engineer of CPI Holding and chairman of China Power International Maintenance Engineering Co., Ltd. He served in various positions including chief vice president and chief engineer of Beijing Guohua Power Limited and vice president of CLP Guohua Corporation.

WANG Zhiying, 50, is the vice president of the Company. Mr. Wang is a senior engineer at professor level. He graduated from the Northeast China Institute of Electric Power Engineering with a bachelor of engineering degree in power system and relaying protection. Mr. Wang is currently the vice president of CPI Holding. He has served in various positions including departmental manager, deputy chief engineer and chief engineer of CPI Holding and deputy manager of the Production Coordination Department and Integrated Planning Department in the Ministry of Electric Power Industry.

ZHAO Yazhou, 48, is the vice president of the Company. Mr. Zhao is a senior accountant. He studied technological economics at postgraduate level at the Harbin Institute of Technology and completed training courses for the chief accountants of major enterprises of the State Power Company at the National Accounting Institute. Mr. Zhao also acts as vice president of CPI Holding. He served in various positions including deputy chief accountant, manager of finance department and chief financial controller of CPI Holding and head of the finance department of Heilongjiang Provincial Power Bureau.

ZHAO Xinyan, 45, is the vice president of the Company. Mr. Zhao is a senior engineer. He graduated from Chongqing University with a bachelor of engineering degree in materials engineering. He is currently the Vice President of CPI Holding and executive director of China Power New Energy Development Company Limited. Mr. Zhao served as managers in various departments of the Company and assistant to the president of CPI Holding.

WANG Zichao, 37, is the vice president of the Company. Mr. Wang is a senior engineer. He graduated from North China Electric Power University with a master of engineering degree in power system and automation and obtained a master's degree in business administration from China Europe International Business School. He currently is the acting chairman of the Staff Union of CPI Holding. Mr. Wang served as managers in various departments of the Company and assistants to the president of CPI Holding.

XU Lihong, 41, is the financial controller of the Company. Ms. Xu is a senior accountant. She graduated from the Faculty of Finance, Changsha University of Electric Power and obtained a master's degree in business administration from Northeast China University. She is currently a member of the Investment and Risk Control Committee of the Company, the director and financial controller of CPI Holding, the director of Shanghai Electric Power. Ms. Xu also served as a principal staff member of Huazhong Electric Industry Management Bureau (華中電業管理局) and State Power Corporation of China(國家電力公司), a deputy director of Power Department under the State Economic and Trade Commission, as well as managers in various departments of the Company.

OTHER SENIOR MANAGEMENT

LIU Genyu, 44, is the Development Supervisor of the Company. Mr. Liu is a senior engineer. He graduated from Tsinghua University with a degree of Executive Master of Business and Administration (EMBA). He is also the assistant to the president of CPI Holding, director and general manager of China Power (New Energy) Holdings Limited, as well as chief executive officer of China Power New Energy Development Company Limited. He also served in positions including manager of various departments of the Company, vice president of Chongqing Jiulong Power Company Limited and lecturer of Harbin Power Vocation Technology College.

LIU Feng, 36, is the Human Resources Supervisor of the Company. Mr. Liu is a senior engineer and graduated from the Inner Mongolia Engineering College with a bachelor of engineering degree in thermal power. He also holds a master's degree in economics from the Central University of Finance and Economics and a master's degree in Business and Administration from China Europe International Business School. He is currently the assistant to the general manager/president and the human resources manager of CPI Holding and the director of China Power International Maintenance Engineering Co., Ltd.. Mr. Liu also served as a professional engineer for North China Electric Design Institute and manager in various departments of the Company.

YU Bing, 40, is the Technology supervisor of the Company. Mr. Yu is a senior engineer and graduated from Xi'an Jiaotong University with a bachelor of engineering degree in boiler. He also holds a bachelor's degree in economic management from North China Electric Power University. He is currently an assistant to the president of CPI Holding as well as the director and general manager of China Power International Maintenance Engineering Co., Ltd.. Mr. Yu also served in various positions including the general manager of Yaomeng Power Plant, manager of the Safety Supervision and Production Department of CPI Holding and vice general manager of Changshu Power Plant.

WANG Shengrong, 45, is the executive and office supervisor of the Company. Mr. Wang obtained a master's degree in management from Air Force Engineering University. He is currently an assistant to the president and office supervisor of CPI Holding. He served as the officer of the Air Force of the People's Liberation Army with the rank of senior colonel and chairman of Staff Union of Shenhua (Beijing) Remote Sensing & Geo-engineering Company Ltd.

COMPANY SECRETARY

CHONG Wai Sang, 43, is the company secretary of the Company. Mr. Chong is a qualified lawyer in Hong Kong and he is also a member of CPA Australia. Mr. Chong holds a bachelor of laws from the University of Hong Kong and also holds a master's degree in accounting of the Monash University in Australia. Mr. Chong has over ten years experience in legal and company secretarial matters.

QUALIFIED ACCOUNTANT

LAI Sai Wo, Ricky, 34, has been the qualified accountant of the Company. Mr. Lai is the associate member of The Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. He graduated from City University of Hong Kong with a degree of Bachelor of Arts in Accountancy. He has over 10 years of experience in the auditing, accounting and finance in Hong Kong and PRC.

Expanding into new power market and further optimising asset allocation

OVERVIEW

In 2007, the Group successfully implemented its strategies and realised its goals in respect of strategic development, construction, safety production, operation management, internal control and corporate culture. In 2007, the Company made a great leap by completing a number of acquisitions and putting its new power generation units into operation. During the year, the generation capacity of the Group was greatly enhanced upon the completion and commencement of operations of four sets of power generation units with high capacity, advanced specifications and technology. The electricity generated by the Group's power plants is primarily supplied to Eastern China Power Grid, Central China Power Grid and Northern China Power Grid.

In 2007, despite of the stable supply of fuel, operating cost of our power plants increased due to the surging coal price. New power generation units have just commenced operation for a short period of time and the utilisation hours of the facilities for the existing power generation units declined due to the downward trend of the industry. All these factors increased the pressure against the Group's operation. In view of this, the Group strived to accelerate the construction of new power generation units and reasonably increase the tariff, and adopt various measures to maximise our revenue.

For the year ended 31 December 2007, the Group recorded profit attributable to equity holders of the Company of RMB592,435,000, representing a decrease of approximately RMB110,332,000, or 15.70%, as compared with approximately RMB702,767,000 for the year ended 31 December 2006. Basic earnings per share amounted to RMB0.16 for the year ended 31 December 2007, representing a decrease of RMB0.06 as compared with approximately RMB0.22 for the year ended 31 December 2006. The Board resolved to declare the final dividend of approximately RMB0.054 per share for the year ended 31 December 2007.

BUSINESS REVIEW FOR 2007

OPERATING ENVIRONMENT

In 2007, the economy of China maintained its fast yet healthy growth momentum. Besides its rapid growth, the structure and efficiency of the economy as well as living conditions were greatly improved. The annual gross domestic product represented an increase of 11.4% over the previous year. Supported by the steady and continued growth of the PRC economy, the domestic power industry maintained its rapid and healthy growth momentum. Electricity supply in the PRC maintained strong growth while consumption also grew rapidly. The overall supply and demand of electricity of the PRC was in equilibrium.

COMMENCEMENT OF OPERATION OF NEW POWER GENERATION UNITS

In 2007, four of our new power generation units were put into operation, among which two 640MW super-critical generation units of Pingwei Power II passed full loading trial runs for 168 consecutive hours on 19 March and 24 November, respectively. Two 630MW super-critical new generation units of Yaomeng Power II passed full loading trial runs for 168 consecutive hours on 26 October and 29 December, respectively. The commencement of operation of the four new power generation units with high capacity, advanced specifications and technology substantially enhanced the generation capacity and assets quality of the Group.

During the construction of the four new power generation units, the Group achieved its goals in terms of safety, quality and schedule by strengthening construction management and quality control. The two new power generation units of Yaomeng Power II were completed 97 days and 184 days in advance of the respective schedules. Each of the technology standard has met or exceeded the designed level.

During construction, The Group adopted various measures to control the construction costs. First, the Group controlled the costs of procurement and installation of infrastructure and equipment. Second, we sought government support for favourable tax policy on exemption of duty for imported equipment as well as value-added tax rebate for domestic equipment. Third, we endeavoured to control finance costs such as interest expenses. The successful implementation of such measures effectively reduced the construction cost. The average construction cost of our new power generation units was lower than the industry average.

Currently, the construction and installation of Huanggang Dabieshan Power Plant is under smooth progress. All necessary funds were provided in time and the construction is on schedule. Two power generation units are scheduled to commence operation in the second and the third quarters of 2008 respectively.

MERGER AND ACQUISITION

In 2007, the Group continued to expand its assets base of electricity generation operation through acquisitions. With continuous endeavor, the Group achieved new progress and enhanced its ability for sustainable development.

The Group entered into an asset acquisition agreement with Qinghe Power Plant, a wholly-owned subsidiary of CPI Holding. The assets to be acquired mainly comprise of a power plant situated in Qinghe District, Tieling, Liaoning Province, PRC, which is under construction. The construction of the power plant has been approved by the National Development and Reform Commission. According to the latest schedule, the construction of the power plant is expected to be completed by the end of 2008 and the power plant will be equipped with a 600MW super-critical coal-fired power generation unit. The Group will acquire the assets and assume all related rights, debts and liabilities. The Company will establish China Power Qinghe Company as a vehicle to hold and operate the assets. Upon incorporation, China Power Qinghe Company will hold the assets and assume all rights, debts and liabilities under the project agreement. Upon completion of the acquisition, the assets of power generation of the Group will be further enhanced.

In 2007, the Group entered into a share transfer framework agreement with Guangzhou Development Group Limited Company ("Guangzhou Development") to acquire 25% equity interest in Guangzhou Power Enterprise (Group) Limited Company ("Guangzhou Power"), a wholly-owned subsidiary of Guangzhou Development.

Upon completion of the share transfer, the Group will hold 25% equity interest in Guangzhou Power and became the second largest shareholder of Guangzhou Power. The acquisition will enable the Group to explore the promising electricity market of Guangzhou with great opportunities. Leveraging on its geographical advantages of Guangzhou Power, the Group will have much room for future growth.

During the year, the Group also actively explored other opportunities for acquisition of power generation business and developed its scope of business through acquisitions.

DISPOSAL OF NON-CORE ASSETS

Pursuant to a disposal agreement entered into between the Company and CPI Holding, an intermediate holding company of the Company, on 23 May 2007, the Company agreed to dispose of certain wholly-owned subsidiaries at an aggregate cash consideration of RMB285,087,000 to CPI Holding. The Company has transferred the non-core business of repairs and maintenance and industrial operations of Pingwei and Yaomeng together with all their assets and liabilities to CPI Holding.

The disposal was completed before 31 December 2007. The Company focus its resources on the development of Pingwei Power Plant and Yaomeng Power Plant, both being the core businesses of power generation. This is in line with the Group's long-term policy of focusing its resources on the generation and sale of electricity as well as the development of power plants. Also, the management of the Company was no longer responsible for non-core operations and can better concentrate on improving the operating efficiency of the power generation business. The labour headcount would also be substantially reduced. Moreover, the disposal would allow the management to consider other service providers in the future to achieve cost savings and increase the funds available for general working capital.

POWER GENERATION

As at 31 December 2007, the installed capacity attributable to the Group was 7,883 MW. Gross generation of the Group (excluding the associated company) for 2007 was approximately 26,701,707 MWh, increased by approximately 10.96% over the previous year. Net generation of the Group (excluding the associated company) for the year was approximately 24,813,254 MWh, increased by approximately 11.46% over the previous year.

The increase in the Group's power generation as compared with last year was mainly attributable to:

- increase in gross generation upon the commencement of operation of new power generation units;
- in view of the increasing electricity demand, the Group's power plants strengthened its marketing concepts and improved its marketing initiatives and increased the utilisation hours of their facilities to cope with the changing market conditions;
- strengthened safety production and streamlined the supply of thermal coal to reduce the number of unplanned halting problems substantially. As such, the annual start/stop count for the power generation units decreased as compared to last year. The long term smooth operation of power generation units was maintained.
- the increase in marginal generation achieved by certain power plants.

OPERATION OF THE GROUP'S POWER PLANTS

Operating conditions of the Group's major power plants during 2007 were as follows:

PINGWEI POWER PLANT

Pingwei Power Plant had an installed capacity of 1,230 MW and its gross generation and net generation were approximately 8,130,300 MWh and 7,749,341 MWh respectively.

The following table sets out certain operation data of Pingwei Power Plant for each of the two years ended 31 December 2007 and 2006:

	For the year ended 31 December	
	2007	2006
Installed capacity (MW)	**1,230**	1,230
Average utilisation hours (hours)	**6,610**	6,420
Gross generation (MWh)	**8,130,300**	7,896,080
Net generation (MWh)	**7,749,341**	7,543,730
Net coal consumption rate (grams/KWh)	**328**	329

YAOMENG POWER PLANT

Yaomeng Power Plant had an installed capacity of 1,210 MW and its gross generation and net generation were approximately 7,244,617 MWh and 6,666,015 MWh respectively.

The following table sets out certain operation data of Yaomeng Power Plant for each of the two years ended 31 December 2007 and 2006:

	For the year ended 31 December	
	2007	2006
Installed capacity (MW)	**1,210**	1,210
Average utilisation hours (hours)	**5,987**	6,367
Gross generation (MWh)	**7,244,617**	7,704,272
Net generation (MWh)	**6,666,015**	7,081,335
Net coal consumption rate (grams/KWh)	**340**	340

SHENTOU I POWER PLANT

Shentou I Power Plant had an installed capacity of 1,200 MW and its gross generation and net generation were approximately 7,967,175 MWh and 7,216,857 MWh respectively.

The following table sets out certain operation data of Shentou I Power Plant for each of the two years ended 31 December 2007 and 2006:

	For the year ended 31 December	
	2007	2006
Installed capacity (MW)	**1,200**	1,200
Average utilisation hours (hours)	**6,639**	7,054
Gross generation (MWh)	**7,967,175**	8,464,893
Net generation (MWh)	**7,216,857**	7,637,398
Net coal consumption rate (grams/KWh)	**373**	376

PINGWEI POWER PLANT II

Pingwei Power Plant II had an installed capacity of 1,280 MW and its gross generation and net generation were approximately 2,773,518 MWh and 2,620,985 MWh respectively.

The following table sets out certain operation data of Pingwei Power Plant II for each of the two years ended 31 December 2007 and 2006:

	For the year ended 31 December	
	2007	2006
Installed capacity (MW)	**1,280**	—
Average utilisation hours (hours)	**2,167**	—
Gross generation (MWh)	**2,773,518**	—
Net generation (MWh)	**2,620,985**	—
Net coal consumption rate (grams/KWh)	**319**	—

YAOMENG POWER PLANT II

Yaomeng Power Plant II had an installed capacity of 1,260 MW and its gross generation and net generation were approximately 585,884 MWh and 558,003 MWh respectively.

The following table sets out certain operation data of Yaomeng Power Plant II for each of the two years ended 31 December 2007 and 2006:

	For the year ended 31 December	
	2007	2006
Installed capacity (MW)	**1,260**	—
Average utilisation hours (hours)	**465**	—
Gross generation (MWh)	**585,884**	—
Net generation (MWh)	**558,003**	—
Net coal consumption rate (grams/KWh)	**322**	—

CHANGSHU POWER PLANT

Changshu Power Plant had an installed capacity of 1,230 MW and its gross generation and net generation were approximately 6,655,036 MWh and 6,280,282 MWh respectively.

The following table sets out certain operation data of Changshu Power Plant for each of the two years ended 31 December 2007 and 2006:

	For the year ended 31 December	
	2007	2006
Installed capacity (MW)	**1,230**	1,230
Average utilisation hours (hours)	**5,411**	5,338
Gross generation (MWh)	**6,655,036**	6,565,590
Net generation (MWh)	**6,280,282**	6,226,880
Net coal consumption rate (grams/KWh)	**337**	341

OPERATING RESULTS

TURNOVER

The Group recorded turnover of approximately RMB5,907,301,000 in 2007 as compared with RMB5,202,934,000 of the previous year, representing an increase of approximately 13.54%. The increase in average on-grid tariff contributed an increase of turnover by approximately RMB60,318,000. With the commencement of operation of Pingwei Power Plant II and Yaomeng Power Plant II, the Group's turnover recorded an increase of RMB790,864,000, whilst fewer utilisation hours of the existing generation units reduced the revenue by approximately RMB146,815,000.

OTHER INCOME

In 2007, the Group's other income was approximately RMB41,722,000, representing an increase of approximately 122.58% as compared with RMB18,745,000 of the previous year. The fees received for managing power plants reduced by approximately RMB2,874,000 while rental income of power plants increased by approximately RMB931,000. Repairs and maintenance services fee income increased by approximately RMB24,920,000.

FUEL COSTS

Fuel costs were a major component of the Group's operating costs. In 2007, the fuel costs of the Group were approximately RMB3,840,488,000, accounting for approximately 71.04% of the total operating costs. Fuel costs increased by approximately 24.89% compared with RMB3,075,001,000 of the previous year, of which an increase of approximately RMB311,710,000 was attributable to higher average coal prices; and an increase of approximately RMB554,266,000 was attributable to the commencement of operation of the new power generation units in Pingwei Power Plant II and Yaomeng Power Plant II, whilst factors such as reduction in power generation of the existing power generation units and coal consumption lowered fuel cost by approximately RMB100,489,000.

In 2007, the Group's unit fuel cost was approximately RMB155 per MWh, representing an increase of approximately 12.06% over the corresponding period last year.

DEPRECIATION

The Group's depreciation amounted to approximately RMB460,084,000 in 2007, representing an increase of approximately 22.30% compared with approximately RMB376,206,000 of the previous year. An increase in depreciation of approximately RMB80,077,000 was attributable to the commencement of operation of the new power generation units in Pingwei Power Plant II and Yaomeng Power Plant II. The other factors including revaluation surplus of property, plant and equipment also lead to an increase of depreciation of approximately RMB3,801,000.

STAFF COSTS

In 2007, staff costs of the Group amounted to approximately RMB333,625,000, representing a decrease of approximately 6.00% over RMB354,908,000 of last year. Staff costs increased by approximately RMB7,097,000 due to the grant of share options to senior management and key technicians during the period, and offset by approximately RMB28,380,000 owing to the stringent control on headcount and remuneration structure adjustment as well as the decrease in the average remuneration package.

REPAIRS AND MAINTENANCE

The Group recorded repairs and maintenance expenses of approximately RMB275,760,000 in 2007, representing an increase of approximately 3.72% compared with RMB265,868,000 of the previous year. The increase in repairs and maintenance expenses of approximately RMB2,726,000 was attributable to a number of factors including the overhaul of existing units and the increase in prices while approximately RMB7,166,000 was attributable to the commencement of operation of the new power generation units in Pingwei Power Plant II and Yaomeng Power Plant II.

CONSUMABLES

In 2007, the Group's consumables amounted to approximately RMB72,918,000, increased by 7.45% as compared with RMB67,863,000 of the previous year. The commencement of operation of the new power generation units in Pingwei Power Plant II and Yaomeng Power Plant II resulted in an increase in consumables of approximately RMB4,957,000. Materials consumed by our existing power generation units lead to an increase in consumables by approximately RMB98,000.

OTHER GAINS

Other gains of the Group amounted to approximately RMB15,935,000 in 2007, representing a decrease of approximately RMB71,435,000 or approximately 81.76% as compared with RMB87,370,000 of the previous year. During the period, there was no revaluation surplus of property, plant and equipment as compared to last year, which led to a decrease of approximately RMB79,674,000. The amortisation of deferred income increased by approximately RMB4,643,000. The write-back of provision for other receivables increased by approximately RMB3,596,000.

OTHER OPERATING EXPENSES

In 2007, other operating expenses of the Group amounted to approximately RMB423,510,000, representing an increase of approximately RMB35,427,000 or approximately 9.13%, over RMB388,083,000 of last year. An increase in other operating costs of approximately RMB34,635,000 was attributable to the commencement of operation of the new power generation units in Pingwei Power Plant II and Yaomeng Power Plant II. The rest of the other operating costs increased by approximately RMB792,000.

OPERATING PROFIT

Operating profit of the Group in 2007 amounted to approximately RMB558,573,000, representing a decrease of approximately 28.49% as compared with approximately RMB781,120,000 of the previous year.

FINANCE COSTS

Finance costs of the Group in 2007 amounted to approximately RMB184,950,000, representing an increase of approximately 38.55% as compared with RMB133,489,000 of the previous year. Finance costs increased by approximately RMB82,235,000 was due to the suspension of capitalisation of certain interests as the new power generation units commenced operation. Reduction in operational borrowings accumulated from the past years saved finance costs by approximately RMB11,504,000. Loss on foreign exchange decreased by approximately RMB19,270,000.

SHARE OF RESULTS OF ASSOCIATED COMPANIES

Share of results of associated companies in 2007 was a loss of approximately RMB47,909,000, representing a decrease of approximately RMB149,962,000 as compared with the profit of approximately RMB102,053,000 of the previous year. Share of results of associated companies was reduced as a result of a decline in profit generated from Changshu Power Plant due to higher coal prices and fuel costs. In addition, the results of Shanghai Power were first incorporated into the Group since March 2007. The share of results was partly offset by the loss on changes in fair value of derivative instruments of the convertible bonds issued by Shanghai Power, resulting in the share of loss of associated companies.

GAIN ON DEEMED DISPOSAL OF INTEREST IN AN ASSOCIATED COMPANY

In 2007, the holders of convertible bonds of Shanghai Power have substantially converted all these bonds into the new shares of Shanghai Power pursuant to the relevant terms and conditions. In turn, the Group's interest in Shanghai Power were diluted from 25% to 21.9% and a gain on deemed disposal of interest in Shanghai Power amounted to approximately RMB311,398,000 was recorded in the profit and loss account.

TAXATION

Tax expenses of the Group in 2007 were approximately RMB69,477,000, representing a drop of approximately 33.50% as compared with RMB104,478,000 of the previous year. The decrease in tax charge was mainly attributable to the decrease in profit before taxation and the utilisation of deferred tax. As Pingwei Power Plant II was in the tax exemption period, it had no tax charge. Shentou I Power Plant enjoyed a preferential tax rate of 7.5%.

As there is a change in the income tax law, tax expenses of the Group will increase starting from 2008.

PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

In 2007, the profit attributable to equity holders of the Company was approximately RMB592,435,000, representing a decrease of approximately 15.70% as compared to RMB702,767,000 of the previous year.

SEGMENT INFORMATION

The Group's principal activities are the generation and sale of electricity, investment holdings and the development of power plants as a single business segment. Substantially all of the Group's assets, liabilities and capital expenditure are located or utilised in the PRC except that certain cash and bank balances equivalent to approximately RMB417 million were deposited in certain banks in Hong Kong as at 31 December 2007 (2006: approximately RMB476 million).

CONVERSION THE CONVERTIBLE BONDS OF SHANGHAI POWER

As at December 2006, the Company acquired 390,876,250 shares of Shanghai Power at RMB4.26 per share. As at 31 December 2007, the average closing price of Shanghai Power for the previous five days was RMB9.56 per share, representing an increase of 124.4% over the acquisition price of Shanghai Power by the Company.

The Acquisition was completed during the period and the Group commenced to account for Shanghai Power as an associated company from 17 March 2007.

For the period ended 31 December 2007, the share of results of associated companies, including the share of net adjusted loss of Shanghai Power from 17 March 2007 to 22 December 2007 (the "Relevant Period"), was a loss of approximately RMB110,714,000. The loss was mainly attributable to the share of Shanghai Power's adjusted loss on changes in fair value of derivative component of its convertible bonds amounting to approximately RMB213,000,000 calculated in accordance with the Group's accounting policies.

During the Relevant Period, holders of these convertible bonds had substantially converted all these convertible bonds into the new shares of Shanghai Power pursuant to the relevant terms and conditions. Consequently, the Group's interest in Shanghai Power was diluted from 25% to 21.9% and a gain on deemed disposal of interest in Shanghai Power of RMB311,398,000 was recorded by the Group.

During the Relevant Period, Shanghai Power also experienced changes in certain substantial shareholders and as a result of a change in the composition of the Board in Shanghai Power on 22 December 2007, the directors of the Company consider that the Company was no longer able to exercise significant influence over the financial and operating decisions of Shanghai Power. Consequently, the Company ceased to account for Shanghai Power as an associated company and began to recognise its investment in Shanghai Power as "Available-for-sale financial assets" which is measured based on its fair value.

As at 31 December 2007, the fair value of the Group's interest in the equity securities of Shanghai Power amounted to approximately RMB3,775,865,000.

As the Group was required to recognise the changes in fair value of the derivative component of the convertible bonds of Shanghai Power according to the Group's accounting policies, the Group recognised the loss into the results of the Group for the period on equity basis. However, the above loss may not truly reflect the performance of Shanghai Power.

On 23 August 2007, Shanghai Power announced that holders of the Convertible Bonds of aggregate principal amount of approximately RMB973,000,000 had converted such bonds into new shares of Shanghai Power before 14 August 2007 pursuant to the terms and conditions of the convertible bonds . Outstanding convertible bonds of aggregate principal amount of approximately RMB27,000,000 were redeemed by Shanghai Power before 21 August 2007 pursuant to its initial terms. As a result, the Group's interests in Shanghai Power were diluted from 25% to 21.92%.

LIQUIDITY, FINANCIAL RESOURCES AND BORROWINGS

As at 31 December 2007, cash and cash equivalents of the Group were approximately RMB734,057,000. The Group derived its funds mainly from cash inflow from operating activities, bank borrowings and dividends from the associated companies, which amounted to approximately RMB646,468,000, RMB5,242,350,000 and RMB176,926,000 respectively.

DEBTS

Set out below are details of the loans and borrowings of the Group for the years ended 31 December 2007 and 2006:

	2007	2006
	RMB'000	RMB'000
Short-term bank borrowings	**605,000**	1,330,000
Other short-term borrowings	**—**	98,000
Short-term loan payable to CPIF	**—**	140,000
Current portion of long-term loan payable to CPIF	**127,863**	—
Current portion of long-term bank borrowings	**466,000**	996,000
Long-term bank borrowings maturing within 1-2 years	**571,850**	651,000
Long-term bank borrowings maturing within 3-5 years	**100,000**	93,000
Long-term bank borrowings maturing over 5 years	**7,034,500**	3,068,000
Long-term loan payable to CPIF	**270,295**	395,562
Long-term loan payable to SEPC	**—**	19,437
	9,175,508	6,790,999

The interest rates on the Group's loans, which currently range from 3.6% to 7.5%, are subject to adjustment in accordance with the relevant regulations of the People's Bank of China.

Our debt to equity ratio (total borrowings/shareholders' equity) as at 31 December 2007 and 2006 were approximately 82.4% and 74.8% respectively.

CAPITAL EXPENDITURES

In 2007, capital expenditures of the Group were primarily attributable to construction of power plants and technical upgrade projects for existing units. Sources of funds were mainly from project financing and operating cash flow.

TECHNICAL UPGRADES

In 2007, the Group arranged technical upgrades, such as energy conservation and desulphurisation, for exiting units. We spent approximately RMB617,896,000 for technical upgrades.

NEWLY CONSTRUCTED PROJECTS

Pingwei Power Plant II: Total investment for 2007 was approximately RMB685,999,000.

Yaomeng Power Plant II: Total investment for 2007 was approximately RMB1,143,142,000.

Huanggang Dabieshan Power Plant: Total investment for 2007 was approximately RMB1,205,553,000.

RISK MANAGEMENT

The financial and operational risks in the electricity industry have been increased due to factors including significant increase in oil price, the subprime mortgage crisis in the United States, significant fluctuations in the international capital markets, the reinforcement of the austerity measures of China, and the delay in the implementation of policies such as the increase in tax rate and interest rate and the coal-electricity linkage mechanism.

To control the financial risks such as foreign exchange rate and interest rate and other operational risks of the development of the Company, the Group further strengthened its risk management. The Group has implemented all-round risk management and has established a systematic, comprehensive risk management mechanism and internal control system. It has a designated risk management department in place for executing the risk management system and the implementation of risk management measures.

FOREIGN EXCHANGE RATE RISK

The Group experienced spectacular development in business in Hong Kong and the PRC. Most of the Group's revenue was denominated in Renminbi. With the increasing intensity in the reform of Renminbi and fluctuation of exchange rate, we will have certain profit or loss in foreign exchange from the translation of US dollars and HK dollars into RMB. It affected the financial positions and operating results of the Group and thus exposed us to foreign currency risk.

In 2007, the exchange rate of RMB against US dollars and HK dollars has further increased, resulting in higher foreign exchange rate risk. Therefore, the Group has adopted various methods to keep foreign exchange loss under effective control.

The Group currently does not use any derivative instruments to manage exposures to foreign currency risk. Still, we strive to seek effective methods to monitor these risks and minimise the effects on our profit and interests arising from fluctuation in foreign exchange rate.

INTEREST RATE RISK

In 2007, People's Bank of China has raised the basic interest rate of deposits and loans for six times which increases the capital cost of the Group for a period of time. As the Group has satisfactory results and credit status, adjustment in interest rate in the short-term will not have actual impact on the operation of the Group. To reduce the rising capital cost caused by higher interest rates and mitigate financial risk, the Group has actively expanded financing channels and strived for preferential loans to reduce the level of effective interest rate. Meanwhile, the Group has implemented centralised management of capital and unified the capital management of different power plants of the Group to lower capital and interest expenses. In addition, the Group has carried out research on other financial instruments and adopted various risk-controlling measures and endeavoured to minimise interest rate risk.

PLEDGE OF ASSETS

As at 31 December 2007, a wholly-owned subsidiary of the Group pledged its machinery with a net book value of approximately RMB580,000,000 to a bank to secure bank loan granted to it in the amount of approximately RMB343,000,000.

CONTINGENT LIABILITIES

As at 31 December 2007, the Group had no material contingent liabilities.

EMPLOYEES

As at 31 December 2007, the Group and its associated company had a total of 7,633 full-time employees.

The Group focused on enhancing the general qualities of employees and continued to strengthen talent training and on-the-job training. It actively built up employees' sense of belonging and responsibility, promote the cohesiveness of the enterprise and reinforce performance assessment in order to address the demand for human resources during the Company's further development.

OUTLOOK AND PROSPECTS FOR 2008

The austerity measures for the PRC economy will be intensified, yet the economy will maintain its steady growth in 2008. It is expected that the electricity consumption will continue to have a rapid increase while the growth in newly commenced power generation units will slow down. The supply and demand of electricity will maintain its general balance status continuously which will be favorable to the Group's power generation capacity expansion.

In 2008, reforms on the national energy policies will be further intensified and it is the right time for the launch of a new series of coal-electricity price linkage mechanism. Our Group will keep track of the development of the policies on the coal-electricity price linkage mechanism and strive to reasonably increase the on-grid tariff so as to cover the increase in fuel costs.

The Group will continue to follow the changes in the power market and policies adjustment and prepare for market operations and production adjustments.

The Group will enlarge energy conservation, emission reduction and environmental protection intensity to establish an "energy conserved, environmental-friendly" enterprise.

The Group will actively cultivate the corporate culture characterised as "Still water runs deep" and endeavor to build up a harmonious organization.

The key objectives of the Group for 2008 are as follows:

1. To enhance strategic development, speed up mergers and acquisitions and the construction of new units, expand its business for further development and boost its company value.

2. To strengthen safety production foundation, ensure the operation safety and stability of our equipments to generate power as much as possible.

3. To explore cooperation of coal-electricity actively and strengthen fuel procurement management so as to ensure a stable coal supply.

4. To implement target management, refine operational management, promote efficiency and effectiveness so as to enhance profitability.

5. To strengthen training of talents, performance assessment and position management so as to raise general quality of the operation and management teams.

CORPORATE GOVERNANCE

China Power strives to raise the standard of corporate governance and regards corporate governance as part of value creation. This reflects the commitment of the Board and senior management on abiding by the standards of corporate governance, as well as our willingness to maintain transparency and accountability to maximise the value of our shareholders as a whole.

CORPORATE GOVERNANCE REPORT

The Company has strictly complied with the code provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 to the Listing Rules in 2007. The Corporate Governance Report of the Company during the year is set out below:

THE BOARD

The Board is the highest decision-making and managing body of the Company. Having regard to the best interests of the Company and its shareholders, the Board reviews and approves major matters such as business strategies, budgets, major investments as well as mergers and acquisitions. In addition, the Directors have acknowledged that the principal responsibilities of the Board also include supervising and administrating the operation and financial position of the Company, approving the result announcements and other announcement concerning operation conditions of the Company to be published to the public on a regular basis, optimising corporate governance structure and promoting the communication with our shareholders.

COMPOSITION OF THE BOARD

The Board comprises chairman of the Board and chief executive officer, Ms. Li Xiaolin, executive Director and the president, Mr. Liu Guangchi, two non-executive Directors, namely Mr. Gao Guangfu and Mr. Guan Qihong, and three independent non-executive Directors, namely Mr. Kwong Che Keung, Gordon, Mr. Li Fang and Mr. Tsui Yiu Wa, Alec. Profiles of the Directors are set out in the section headed "Directors and Senior Management Profiles" of this annual report.

Members of the Board possess various experience, capabilities, and expertise suitable for and relevant to the Board. Details are set out in the section headed "Directors and Senior Management Profiles" of this annual report.

The Board includes experts in electric power technology and management, professionals in finance and law as well as scholars. They are not only experienced, but also have progressive thinking. More than one-third of our Board members are independent non-executive directors who can help the Board to make more effective independent judgment. The non-executive Directors (including the independent non-executive directors) who form the majority of the Board possess diverse expertise. As such, they are able to make decisions in an objective and professional manner, to assist the management in formulating the Company's development strategies, and to ensure that the preparation of financial and other mandatory reports by the Board are in strict adherence to appropriate standards in order to protect the interests of the shareholders and the Company. The Board has received annual written confirmation of independence from each of the independent non-executive Directors and believed that, as at the date of this annual report, they were independent of the Company in accordance with the relevant requirement of the Listing Rules.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a set of Code of Conduct for Securities Transactions by Directors ("Code of Conduct"), the terms of which are not less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules. Having made specific inquiries to all Directors, all Directors confirmed that they have complied with the Code of Conduct throughout 2007.

CHAIRMAN OF THE BOARD AND CHIEF EXECUTIVE OFFICER

Code provision A.2.1 stipulates that the roles of chairman and chief executive should be separated and should not be performed by the same individual. For the year ended 31 December 2007, the positions of the Chairman of the Board and the chief executive officer were served by Mr. Wang Binghua and Ms. Li Xiaolin respectively. Mr. Wang Binghua has formally resigned as non-executive Director and chairman of the Company on 1 January 2008, and Ms. Li Xiaolin was appointed as chairman of the Company thereafter. Ms. Li Xiaolin currently serves as chairman of the Board and chief executive officer. The Board believes that Ms. Li Xiaolin has served as the Chief Executive Officer and accumulated extensive experience in the capital market and the industry. It will be more effective in developing the Company's long-term business strategies and execute the Company's business plans if Ms. Li Xiaolin continues to serve as the Chief Executive Officer of the Company. To help maintain a balance of power, the Company has also set up an Executive Committee. The Executive Committee was formed by a number of Executive Directors and Senior Management and meetings were convened regularly to make decision on matters concerning the daily management and business of the Company.

TERM OF OFFICE OF THE DIRECTORS

Code A.4.1 stipulates that non-executive directors should be appointed for a specific term and subject to retirement by rotation and re-election. Code A.4.2 also stipulates that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment, and that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

The non-executive Directors of the Company (except Mr. Guan Qihong who has been appointed for a term of three years) are not appointed for a specific term, but are subject to retirement by rotation and re-election in accordance with the articles of association of the Company. In addition, as provided in the articles of association of the Company, the executive Director who is also the Chief Executive Officer of the Company shall not be subject to retirement by rotation, while all the other Directors will be subject to retirement at every annual general meeting after the annual general meeting in 2007.

In order to achieve full compliance with the Code, the Company ensures that all directors (with the exception of the executive Director who is also the chief executive officer of the Company) are subject to retirement by rotation and re-election at least once every three years.

The Company is of the view that the position of Chief Executive Officer is crucial to the operation of the Company. The articles of association of the Company stipulate that the Chief Executive Officer shall not be subject to retirement by rotation, which reflects the importance of this position and ensures that the impact of the change of personnel on the operation of the Company is kept minimal.

AVAILABILITY AND ACCESS OF THE INFORMATION OF THE BOARD MEETING

The Board held several regular meetings during the year. Before each Board meeting, sufficient notice of meeting was sent to each Director of the Company to promote better attendance of the Directors. To ensure a thorough understanding of the proposed matters by the Directors, the Company will provide the Directors with complete and reliable written reports in a reasonable period of time and the management or professionals will answer enquiries from the Directors at any time. The Board held five meetings during 2007. Minutes of the meetings are kept by our company secretary, and the Board and committee members may inspect the documents and minutes of the Board and the committees at anytime.

COMMITTEES UNDER THE BOARD

Currently, the Board has set up four Committees, namely Executive Committee, Audit Committee, Compensation and Nomination Committee, as well as Investment and Risk Control Committee to implement internal supervision and control on each relevant aspect of the Company.

EXECUTIVE COMMITTEE

The Company established the Executive Committee on 30 January 2008. As a committee under the Board, the Executive Committee will conduct its work under the guidance of the Board, report to the Board, and perform the functions and duties of the Board during the recess of the Board. The Chairman of the Board acts as the chairman of the committee. The members of the committee include chairman of the Board, president, vice presidents, chief financial officer, internal audit officer as well as other members designated by the Board. The Executive Committee will set up the office of Executive Committee as the organisation to handle daily business.

AUDIT COMMITTEE

The Company established the Audit Committee on 24 August 2004 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Code which became effective on 31 December 2004. The Board has approved the regulations of the Audit Committee at the board meeting of 2007. The primary duties of the Audit Committee set out in the regulations, inter alia, include: (1) to communicate with internal auditor and determine annual internal audit plans, discuss internal audit procedures with the internal auditor at least once every six months, review and monitor the internal control systems, internal audit functions and effects of annual internal audit plans; (2) to make proposals to the Board on the appointment, re-appointment and removal of the external auditor, review and monitor the independence, objectivity and audit effectiveness of the external auditor in accordance with the relevant standards issued by the Hong Kong Institute of Certified Public Accountants, formulate and implement the engagement policy on the provision of non-auditing services by the external auditor; (3) to review financial information of the Company; (4) to supervise the financial reporting system and internal control system; (5) to conduct any inspection authorised by the Board based on its terms of reference, in that case, the committee is entitled to solicit any necessary information from any employees while who have been instructed to assist the committee to satisfy any of its requirements.

The Audit Committee comprises of three members, namely Mr. Kwong Che Keung, Gordon, Mr. Li Fang and Mr. Tsui Yiu Wa, Alec, all of whom are independent non-executive Directors. The Audit Committee is chaired by Mr. Kwong Che Keung, Gordon. For the purpose of reinforcing their independence, all members of the Audit Committee have appropriate professional qualifications, accounting or related financial management experience referred to in the Listing Rules.

The Audit Committee held two meetings during 2007 (average attendance was 100%). The committee together with the senior management, internal and independent auditors of the Company reviewed the internal and independent audit results and discussed matters relating to audit, internal control system and financial reporting.

COMPENSATION AND NOMINATION COMMITTEE

The Company established the Compensation and Nomination Committee on 24 August 2004. Its primary duties are to evaluate the performance of the Directors and senior management and to determine the specific compensation packages for all executive Directors, including benefits in kind, pensions, benefits, and compensation for lost of office or upon appointment, to make recommendations on the remuneration of non-executive Directors and to make recommendations in respect of the appointment and removal of members of the Board according to criteria such as educational background and work experience. The remuneration of the Directors approved by the shareholders is determined by the Board with reference to their experience, performance, duties and market conditions.

The Compensation and Nomination Committee comprises three members, namely Mr. Li Fang, Mr. Kwong Che Keung, Gordon, and Mr. Tsui Yiu Wa, Alec, all of whom are independent non-executive Directors. The committee is chaired by Mr. Li Fang.

The Compensation and Nomination Committee held one meeting during 2007 (average attendance was 100%) to review and make recommendations in respect of the Directors' remuneration in 2007 and the overall remuneration package for Directors, and senior management in 2007.

INVESTMENT AND RISK CONTROL COMMITTEE

The Company established the Investment and Risk Control Committee on 24 August 2004. Its primary duties are to formulate our overall development plans and investment decision-making procedures, monitor the implementation of our strategic plans, provide trainings to the Board with regard to the strategies of the Company and assist the senior management in managing our internal and external risks.

The Investment and Risk Control Committee comprises four members, namely Ms. Li Xiaolin, Mr. Liu Guangchi, Mr. Gao Guangfu and Ms. Xu Lihong. The committee is chaired by Ms. Li Xiaolin.

The Investment and Risk Control Committee held two meetings during 2007 to review relevant significant acquisitions.

Details of Directors' attendance at the Board meetings and meetings of Board committees held in 2007 are set out in the following table:

Board of Directors

Directors	Attendance Required	Attendance in Person	Attendance by Proxy
Executive Directors			
Li Xiaolin *(Vice-chairman of the Board and chief executive officer)*	5	4	1
Hu Jiandong *(Executive vice president)*	5	4	1
Non-executive Directors			
Wang Binghua (Chairman of the Board)	5	1	4
Gao Guangfu	5	5	—
Independent Non-executive Directors			
Kwong Che Keung, Gordon	5	5	—
Li Fang	5	5	—
Tsui Yiu Wa, Alec	5	5	—
Audit Committee			
Kwong Che Keung, Gordon	2	2	—
Li Fang	2	2	—
Tsui Yiu Wa, Alec	2	2	—
Compensation and Nomination Committee			
Kwong Che Keung, Gordon	1	1	—
Li Fang	1	1	—
Tsui Yiu Wa, Alec	1	1	—
Investment and Risk Control Committee			
Executive Directors			
Li Xiaolin *(Vice-chairman of the Board and chief executive officer)*	2	0	2
Hu Jiandong *(Executive vice president)*	2	2	—
Non-executive Directors			
Wang Binghua *(Chairman of the Board)*	2	1	1
Gao Guangfu	2	2	—

ACCOUNTABILITY AND AUDITING

During the Board meetings where the Company's annual or interim results were discussed, the Board received comprehensive feedback from the management with regard to the Company's production, operating and financial situations, which helped us better understand and assess the Company's performance and position. Aside from making comprehensive and due analysis and evaluation on the Company's production, operational and financial situation, the management also reviewed the Company's future development goals.

The management has provided sufficient information and explanations to the Board, allowing the Board to make an informed assessment on the financial data and other information submitted to them. The Board also has the opportunity to request further detailed information from the Company which will comply with such request accordingly. The Company will hold meetings with the auditors on a regular basis for making suggestions and inquiries.

The Board acknowledges its responsibility in preparing accounts. The auditors' report states the auditors' reporting responsibilities.

AUDITOR'S REMUNERATION

For the year ended 31 December 2007, the Company has reviewed the performance of PricewaterhouseCoopers as the Company's auditors (the "Auditors") and is considering their reappointment. For the year ended 31 December 2007, the remuneration payable to the Auditors amounted to approximately HK$4,710,000, while the fees for non-audit services, including the review of interim reports and other services in connection with the Company's acquisitions, amounted to approximately HK$4,980,000 in aggregate.

INTERNAL CONTROL SYSTEM

The Board put particular emphasis on risk management and strengthening internal monitoring system. In respect of organisational structure, in addition to the Audit Committee, the Company has also established the Investment and Risk Control Committee and the Compensation and Nomination Committee. The principles of the internal control framework are: to strengthen the Company's internal monitoring and control in accordance with the requirements of the Hong Kong Stock Exchange, continuously improve the Company's corporate governance structure, build up integrity corporate culture, establish an effective control system, continuously assess the competence of the internal control system and the efficiency of the management through auditing, investigations on conflicts of interests and internal assessment and etc, remind the management on risks and ensure the effective running of the control system.

The Company has established the Internal Control Department which is crucial to the Company's internal controls. To create a good internal control environment, the Internal Control Department provides internal control assessment report to the management on a regular or ad hoc basis. It also regularly reports to the Audit Committee and the Board on internal control affairs. To minimise risk faced by the Company, the department evaluates and reviews the Company's internal control process to avoid risks and provide a solid foundation for building up an effective internal control system.

In respect of internal control assessment, the Company has issued and implemented the "Internal Control Manual" as well as new systems in May 2007. At the end of 2007, the Company conducted internal control assessment according to the "Internal Control Manual". By analysing 188 internal control modes during the business process, we formed a true picture on the current conditions of internal control of each unit and found out defects and weaknesses of the internal control to prevent potential operation and management risks and enhance the corporate governance level and economic benefits.

In respect of system establishment, together with the launch of systems in 2007, the Company conducted self-assessment and follow-up assessment on the establishment and compliance of the systems. The assessment began with our business process analysis. By making comparison with specific systems, we assessed the completeness, rationality, effectiveness of the internal control structure and system of the Company and its wholly-owned holding companies while introducing recommendations for improvements. As a result, we enhanced the recognition of system establishment, which helped the systems cover each part of business process and formed an effective control system for the Company.

As for internal auditing, the Company has strengthened its efforts on internal audit items such as budget management, fuel management, and performance assessment this year under its integrated management focuses. With enhanced effectiveness of the internal audit function, internal audit was conducted for the independent and objective supervision and assessment on the adequacy and effectiveness of the operation of the internal control system.

The Company has linked its risk management to internal control. By taking the risk management framework requirements of The Committee of Sponsoring Organisations of the Treadway Commission, i.e. the promoter of the National Commission on Fraudulent Financial Reporting, and risk management guidelines set out by the Hong Kong Institute of Certified Public Accountants into full account, the Company was able to make prompt efforts necessary for expanding internal control elements and took a proactive approach in conducting overall risk management. Meanwhile, we launched risk management trainings and established expert database for risk management to strengthen the awareness of risk management, issue warning against management risks and ensure the effective running of the control systems.

COMMUNICATION WITH SHAREHOLDERS

Apart from reporting to the shareholders and investors on its operation and financial conditions semi-annually and annually, the Company also discloses relevant information such as electricity generation regularly so that the investors have a better understanding about the operation of the Company.

The Company also holds regular press conferences and meetings with financial analysts and investors, during which the Company's management will directly provide relevant information and data to the media, financial analysts, fund managers and investors, as well as answer their enquiries in a prompt, complete and accurate manner. The Company's website is updated continuously, providing up-to-date information regarding every aspect of the Company to investors and the public.

The Company features the Capital Markets and Investor Relations Department, which takes charge of the Company's relationship with investor relations by providing information and services to investors, promptly replying to their enquiries, and maintaining channels of active and timely communications with them.

ENVIRONMENTAL PROTECTION CONCEPT

China Power provides light to society while keeping its corporate mission of "providing green energy and serving our community". We bear social responsibility and are dedicated to building up a resource-saving and environmental-friendly enterprise.

The implementation of various national environmental protection policies in 2007 has imposed greater pressure and risk for environmental protection. China Power persisted in corporate sustainable development and carried out various environmental protection work, such as the development of a comprehensive system, advocacy of corporate responsibility, commencement of regulatory management, strengthening of system execution, implementation of environmental risk control and promotion of emission reduction by technological advancement and innovative management, so as to raise our competitiveness. There was no negative environmental event caused by production during the year, which we believed we have effectively maintained a harmonious development between the enterprise and the environment.

ENVIRONMENTAL PROTECTION MANAGEMENT SYSTEM

In 2007, China Power has integrated its production process and enhanced several systems for environmental protection work management, supervision and incident management, which standardised, regulated and refined the management of environmental work. Environmental protection work was included in the power generation procedures, which ensured smooth operation of the environmental protection facilities and that pollutant emissions were under control. The emission of various pollutants was less than last year, which denoted a successful environmental risk control.

ENVIRONMENTAL PROJECTS

- ### DESULPHURISATION PROJECTS

  The operation of the desulphurisation facilities of Changshu Power Plant's Unit 3 and Unit 4 has commenced in 2007, which desulphurisation rate amounted to 95.8%. Sulphur dioxide emission was reduced by 21,800 tons during the year.

  Flue gas desulphurisation projects of twelve units, namely Unit 1 and Unit 2 of Pingwei Power Plant, Unit 1, Unit 2, Unit 3 and Unit 4 of Yaomeng Power Plant, Unit 3, Unit 4, Unit 5 and Unit 6 of Shentou I Power Plant, Unit 1 and Unit 2 of Changshu Power Plant, have commenced in 2007 and the above units will commence operations respectively by the end of 2008. It is expected that the above projects can reduce sulphur dioxide emission by 175,000 tons annually.

- ### OTHER ENVIRONMENTAL PROTECTION PROJECTS

  The zero discharge of waste water project of Shentou I Power Plant was in the final stage of trial operation. It will commence full operation in April 2008 which can reduce the discharge of waste water by 9,000,000 tons.

  The feasibility study report on the disposal and recycling project of sewage of Pingwei Power Plant has been completed. We will then undergo implementation according to the planned schedule and will , at the same time, actively take part in water conservation activities to control the daily consumption of water and avoid useless waste. The amount of water conserved totaled 8,000,000 tons in 2007.

- **SPECIFIC ENVIRONMENTAL PROTECTION FUND**

In accordance with the regulations concerning the management of specific environmental protection fund in the PRC, we strived for privileged fund from specific environmental protection fund to implement environmental protection and enhancement plan. In 2007, Pingwei Power Plant was granted a specific environmental protection fund of RMB5,000,000, Yaomeng Power Plant was granted a specific environmental protection fund of RMB8,000,000, Shentou I Power Plant was granted a specific environmental protection fund of RMB8,000,000 while Changshu Power Plant was granted a specified environmental protection fund of RMB15,000,000 for the construction and enhancement of environmental protection facilities such as desulphurisation units.

- **"TRIPLE SIMULTANEITIES" OF NEW ENVIRONMENTAL PROTECTION PROJECTS**

China Power developed and constructed new projects with "Triple Simultaneities" for the newly constructed units. They are the strengthening of environmental protection facilities of coal-fired power plants such as fuel gas desulphurisation facilities, electrical dust remover and wastewater disposal equipment, the implementation of core projects and the design and management of construction , as well as putting efforts on the environmental acceptance test after the completion of construction projects.

Environmental protection projects of Unit 3 and Unit 4 of Pingwei Power Plant II and Unit 5 of Yaomeng Power Plant II have commenced operations, among which Unit 3 of Pingwei Power Plant II has successfully passed the inspection and acceptance by the Environmental Protection Inspection and Acceptance Department of the State Environmental Protection Administration on 10 January 2008.

DISCHARGE FEE PAYMENT

For the year 2007, total discharge fees paid by our power plants, including approximately RMB28,520,000 of Changshu Power Plant, amounted to approximately RMB121,310,000, representing an increase as compared with last year. The increase was mainly attributable to the intensification of regulation of discharge of pollutants in China, a further increase in the discharge fees and the increment of discharge fees due to the commencement of new units.

Excluding the effect of the doubled discharge fees of Changshu Power Plant in July 2007, due to the commencement of operation of Unit 3 and Unit 4 of desulphurisation facilities, the annual discharge fees were comparable with that of last year.

REDUCING WASTAGE AND GREENHOUSE GAS EMISSION

Global warming has become an increasingly hot issue with international concerns. As a power generation enterprise primarily fuelled by coal, China Power not only keeps close watch on global climate changes, but also takes an active control measures for our impacts on climatic changes. Our exploration and research on the control of greenhouse gas emission, have made certain progress and achievements. We have strived to reduce consumption of coal and emission of greenhouse gas via various measures such as operating management enhancement and technical upgrades.

In 2007, China Power had four super-critical generation units commenced operations. Net coal consumption rate was decreased by 5.14 grams/kWh to 343.41 grams/kWh, while standard coal and raw coal were decreased by 159,000 tons and 245,000 tons respectively. Emissions of sulphur dioxide, nitrogen oxide and carbon dioxide were decreased by 3,200 tons, 2,250 tons and 500,000 tons respectively as compared with last year.

In 2008, the operation of three of our 600 MW super-critical generation units will be commenced. Units with large scale and high efficiency that commenced operation soon will substantially lower the energy consumption level, improve the efficiency of the generation units and effectively reduce emissions of pollutant.

The Company, the Board and the management deeply acknowledge that investor relations constitute a strategic management activity which could enhance understanding between investors and the Company, upgrade the level of corporate governance, transparency and strategic credibility as well as create values for shareholders. The Company has gained knowledge and experience in investor relations with the further development of its strategies. But still, we are always enthusiastic and sincere in dealing with investor relations.

The management of the Company highly appreciates every opportunity to meet with investors, security analysts and financial media. We establish long-term and good interaction with our investors by sincerely and meticulously giving explanations and guidance so that they can recognise and understand our corporate development. We aim to create long-term values for shareholders by dedication to investor relation.

In 2007, the Company held three meetings with analysts and media (on annual results, interim results and the acquisition of Qinghe's assets, one of which was a global teleconference) and four general meetings. To facilitate the issue of our annual results and interim results and the acquisition, we launched several global road show campaigns in Hong Kong, Singapore, Europe and the US. In addition, we also attended five investor conferences organised by Investment Banks. Including regular visits by investors, the Company conducted nearly three hundred one-on-one meetings or small group meetings with dozens of institution investors in 2007, maintaining good communication with security analysts, institution investors and financial media.

In 2008, the Company will further improve investor relations with our commitment to provide better services for investors, security analysts and financial media. The Company will implement a scheme of "Improving Investor Relations Response" with the aim to ensure three "immediate responses": an immediate response to disclose information about various types of investors concern, such as power generation, commencing operations of new generation units, new investment projects and acquisitions; an immediate response to handle enquiries from investors, security analysts and financial journalists; and an immediate response to direct various opinions or advice from investors to the management and the Board.

1. WHAT IS THE COMPANY'S DEVELOPMENT STRATEGY? WILL THE COMPANY CONSIDER EXPLORING NEW MARKETS OF RENEWABLE ENERGY OR NUCLEAR ENERGY? IS THERE ANY PLAN TO ACQUIRE OR DEVELOP HYDRO ELECTRICITY PROJECTS?

Since its IPO, the Company has adopted a clear and well-defined development strategy: to maintain the steady and healthy growth of the Company through acquisition and construction of coal-fired or hydro power plants in the developed coastal areas or areas with abundant resources capitalising on the strong support of CPI Group/CPI Holding.

The strategic positions and focuses of China Power, CPI Holding and CPI Group are distinctive. CPI Group emphasises its development on the establishment of a large-scale electricity generation production base and an integrated energy assets base, characterised by its focus on the nuclear power development. CPI Holding, on the other hand, undertakes the role of enterprise incubator, with a focus on backing up China Power in the development of coal fired or hydro power plants, developing renewable energy and investing in businesses such as transmission and distribution of electricity.

According to the aforementioned strategic divisions and positioning, and having taken into consideration shareholders' interests and the unique business nature of renewable energy and nuclear power, China Power is keeping an eye on the opportunities of developing renewable energy or embarking on nuclear power generation. However, China Power is currently focusing on developing coal fired or hydro power plants.

2. WHAT ARE THE CONSIDERATIONS OF THE COMPANY ABOUT ASSET INJECTION? IS THE PARENT COMPANY IN SUPPORT OF SUCH CAPITAL INJECTION?

Since its IPO in 2004, we have acquired Shentou I Power Plant and 25% interest in Shanghai Power in 2005 and 2006 respectively. This year, we announced the acquisition of new generating units in Qinghe Power Plant and entered into a framework agreement to acquire 25% interest in Guangzhou Power, fulfilling the commitment of completing an acquisition project each year proposed shortly after listing. Most of these acquisitions were completed through the capital injection from the parent company, showing its strong support for the listed company.

CPI Group is a large power enterprise with diversified and high-quality asset portfolio. The current total installed capacity of its power equipments amounted to 43GW in which more than 20% was contributed by hydro power assets. The Group developed large regular coal-fired or hydro power generation and was also granted the development rights of nuclear power, and was currently involved in several nuclear projects. Furthermore, the Group also expanded its presence in the coal-related and port-related industries.

In view of the unfavorable trend of uprising coal price, the Company is under the consideration of hedging and controlling the operating risks resulting from the rising fuel price by introducing hydro power assets in time to optimise assets structure. In 2008, we target to achieve a breakthrough in capital injection with the continuous support from the parent company.

3. WITH THE COMMENCEMENT OF THE OPERATION OF MANY NEW GENERATING UNITS, THE SUPPLY AND DEMAND FOR ELECTRICITY IN MAINLAND CHINA HAS BEEN SIGNIFICANTLY IMPROVED AND CERTAIN AREAS ARE EVEN IN FACE OF OVER-SUPPLY. HOW MANY ESTIMATED UTILISATION HOURS OF ELECTRICITY WILL BE ACHIEVED BY THE COMPANY IN 2008? WHAT MEASURES WILL THE COMPANY TAKE TO DEAL WITH THE OVERSUPPLY?

According to the preliminary statistics by the China Electricity Council, as at the end of 2007, the total installed capacity of China was 713 GW, representing an increase of 14.36% over the same period last year, while the growth rate decreased 6.2%, which was the first decrease in capacity of the power equipment since 2002. According to the forecast by the China Electricity Council, domestic economy growth will be steady in 2008 but with lower growth rate than the previous year. Therefore, our investment in power generation and production scale will slightly decrease from the high level last year.

Currently, China is going through the intermediate stage of industrialisation, during which heavy industry will maintain a rapid growth, resulting a strong demand in electricity. Therefore, electricity demand of the country will continue to grow rapidly. However, the growth of the demand is expected to slow down in 2008 under the influence of energy-saving policy of China and hence we estimate that the reduction of our utilisation rate will be moderate.

We will take the following measures to raise our electricity production: (1) to build up the concept of "Every watt Counts"; (2) to capitalise on low tariff advantage; (3) to properly schedule maintenance and to strengthen production management; (4) to improve the coordination and communication with power grids and despatching authorities; and (5) to adopt an incentive system to promote electricity generation.

4. WHAT IS THE REASON FOR A LOWER THAN AVERAGE TARIFF OF THE POWER PLANTS OF CHINA POWER? WOULD IT AFFECT THE FUTURE DEVELOPMENT OF CHINA POWER?

The average tariff of China Power is lower than that of its peers in the industry. Among the six power plants currently under commercial operation, the on-grid tariffs of our three operating power plants are lower than the benchmark tariff for new units in their respective province. In particular, the tariff of Shentou I Power Plant, Pingwei Power Plant and Yaomeng Power Plant is 20%, 10% and 9.4% lower than the provincial benchmark tariffs respectively.

The lower tariff of China Power is a legacy of its predecessors. Pingwei Power Plant, Yaomeng Power Plant and Shentou I Power Plant were cost centers or parts of their local provincial electricity bureaus or provincial electricity companies and did not have their own tariffs. Upon their de-mergers, the government adopted a tariff system for these power plants on the basis of "cost + reasonable profit + tax". As they are mine-mouth power plants and have been in operations for years upon demerger, the lower tariff reflects their relatively low costs.

In March 2005, the National Development and Reform Commission announced the "Provisional Measures for the Administration of the On-Grid Tariff" which requires the "gradual unification of tariffs of power plants". On such basis, the tariffs of the power plants of the Company had been raised during the last two years and their respective increase according to the implementation of fuel cost pass-through in both 2005 and 2006 was higher than their provincial averages.

5. WHAT IS THE APPLICABLE TAX RATE FOR CHINA POWER AT PRESENT? HOW WOULD IT AFFECT THE COMPANY IF THE CHINESE GOVERNMENT UNIFORMS THE INCOME TAX FOR DOMESTIC AND FOREIGN ENTERPRISES?

In the late 2006, the State Council announced the Circular on Implementing the Transitional Preferential Policies on Enterprise Income Tax which states detailed requirement about the 5-year transitional period of the unification of the two types of tax. The Circular requires that the enterprises enjoying an enterprise income tax rate of 15% will be subject to tax rates of 18%, 20%, 22% and 25% in 2008, 2009, 2010 and 2011 respectively, which unifies the two types of tax gradually. In the long run, an increase in applicable tax rate will affect our operation to a certain extent. In the short-to-medium run, however, the impact is expected to be insignificant attributable to the arrangement of the transitional period.

According to the recently introduced Transitional Preferential Policies on Income Tax. Among the six power plants of China Power under operations in 2008, the preferential tax treatment “First two years exemption and subsequent three years 50% reduction” of Pingwei Power Plant, Yaomeng Power Plant and Changshu Power Plant has been expired and these power plants are subject to an income tax rate of 18% since 1 January 2008. Shentou I Power Plant is still enjoying the preferential period of 50% reduction, which will end in 2009. Applicable tax rates for the years of 2008 and 2009 will be 9% and 10%, respectively. Since 2010, a transitional preferential tax rate of 22% will be effected. Pingwei II Power Plant and Yaomeng II Power Plant are still enjoying the tax-free period, they will be subject to the applicable tax rate of 25% after the above preferential period in the years start from 2012 and 2013, respectively.

The Company puts great emphasis on how the changes in the income tax policy of the PRC government affect our operations. To minimise the impacts of such tax rate changes on our operations, we will continue strengthening our management and cost control, and capitalising on the tax benefit policies during the transitional period. On the other hand, our future acquisitions and new projects will take the new income tax policy into account and make appropriate adjustments to our strategies in order to maximise shareholders’ value.

6. WHAT IS THE COMPANY’s DIVIDEND POLICY? WOULD IT INCREASE THE DIVIDEND PAYOUT RATIO?

The Company formulates its dividend policy upon having fully taken into account various factors such as our cash flow, development needs and dividend payout ratio of peer groups. China Power’s dividend payout ratio in 2005 and 2006 were 37.5% and 41.0%, respectively.

In 2007, the Board recommended a dividend rate of 32.9%. We believe that this dividend payout level is appropriate. From now on, apart from our commitment of a dividend payout ratio of not less than 25%, we will also take the above factors into full consideration when formulating our dividend policy.

The Directors have pleasure in presenting to the shareholders their report together with the audited accounts of the Group for the year ended 31 December 2007 (the "Accounts").

PRINCIPAL ACTIVITIES

The principal activity of the Group is to develop, construct, own, operate and manage large power plants in China, and engage in investment holdings. Particulars of the Company's principal subsidiaries are shown under Note 20 to the Accounts.

RESULTS AND DISTRIBUTION

The results of the Group for the year ended 31 December 2007 are set out in the Consolidated Profit and Loss Account on page 85. The Board has recommended to pay a final dividend of RMB0.054 per share for the year ended 31 December 2007, with a total amount of approximately RMB194,703,000. Subject to approval at the forthcoming annual general meeting, the proposed final dividend is payable in mid of June, 2008.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group acquired property, plant and equipment of approximately RMB7,015,468,000, mainly representing general power assets. Details of the movements in property, plant and equipment of the Group and the Company during the year are set out in Note 16 to the Accounts.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in Note 27 to the Accounts.

RESERVES

Details of movements in the reserves of the Group and the Company during the year are set out in Note 28 to the Accounts.

DISTRIBUTABLE RESERVE

According to Section 79B of the Companies Ordinance, as at 31 December 2007, the distributable reserve of the Company amounted to RMB1,507,925,000 (2006: RMB1,225,095,000).

DIRECTORS

The present Directors are set out in the section headed "Corporate information" in this annual report. Biographical details of the Directors are set out in the section headed "Directors and senior management profiles" in this annual report, and details of Directors' emoluments are set out in Note 15 to the Accounts. After the year end, Mr. Wang Binghua and Mr. Hu Jiandong resigned as Directors on 1 January and 30 January 2008 respectively due to change in work posting. The Board would like to take this opportunity to thank Mr. Wang and Mr. Hu for their valuable contributions to the Company during their services.

Mr. Liu Guangchi and Mr. Guan Qihong were appointed by the Board as Director on 30 January 2008 and they will retire at the Annual General Meeting in accordance with Article 81 of the Company's Articles and Rule A.4.2 of Appendix 14 of the Listing Rules and, being eligibe, offer themselves for re-election. At the forthcoming Annual General Meeting, Mr. Gao Guangfu, Mr. Kwong Che Keung, Gordon, Mr. Li Fang and Mr. Tsui Yiu Wa, Alec shall vacate from their offices in accordance with Rule A.4.2 of Appendix 14 of the Listing Rules and they, being eligible, offer themselves for re-election. If all the above Directors are re-elected, they will not enter into service contracts with the Company or any of its subsidiaries which are not determinable by the employing company within one year without payment of compensation other than statutory compensation.

As at 31 December 2007, none of the Directors had a service contract with the Company or any subsidiaries which was not determinable by the employing company within one year without payment of compensation other than statutory compensation.

The Company has received from each of its independent non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange. The Company considers all of its independent non-executive Directors independent.

SHARE OPTION SCHEMES

The Company has two share option schemes, namely the Pre-IPO share option scheme (the "Pre-IPO Share Option Scheme") and the share option scheme (the "Share Option Scheme") as follows:

(A) PRE-IPO SHARE OPTION SCHEME

The Company has conditionally approved and adopted the Pre-IPO Share Option Scheme on 24 August 2004. The purposes of the Pre-IPO Share Option Scheme are to attract and retain high-calibre personnel who have contributed to the Company's long-term development and profitability and to motivate them to higher levels of performance by providing them with the opportunity to acquire equity in the Company.

The Pre-IPO Share Option Scheme ended on the date on which dealings in the shares commenced on the Hong Kong Stock Exchange (i.e. 15 October 2004). No further options may be granted after that date but the provisions of the Pre-IPO Share Option Scheme shall remain in full force and effect.

As at the date of this annual report, a total of 10,531,400 shares (representing approximately 0.29% of the existing issued share capital of the Company) may be issued by the Company if all options which had been granted under the Pre-IPO Share Option Scheme have been exercised.

Save that the exercise price per share is subject to the options granted under the Pre-IPO Share Option Scheme being the issue price per share under the IPO of the Company, the principal terms of the Pre-IPO Share Option Scheme are substantially the same as the terms of the Share Option Scheme. Grantees under the Pre-IPO Share Option Scheme were required to pay HK$1.00 to the Company as the nominal consideration of each option granted.

Each option has a 10-year exercise period within which there is a total vesting period of four years. Commencing from the first, second, third and fourth anniversaries of the offer date of an option, the relevant grantee may exercise up to 25%, 50%, 75% and 100% respectively of the shares comprised in his or her option (less any number of shares in respect of which the option has been previously exercised).

The Company has used the Black-Scholes Option Pricing Model (the "Model") to value the Pre-IPO Share Options during the year. The Model is one of the commonly used models to estimate the fair value of an option. The value of an option varies with different variables of certain subjective assumptions. Any change in the variables so adopted may materially affect the estimation of the fair value of an option. As such, the fair values calculated are inherently subjective and uncertain due to the assumptions made and the limitations of the valuation model used.

The Pre-IPO Share Options were granted on 18 September 2004 to the Directors and senior management of the Company and on 11 October 2004 to certain other employees of the Company. The fair value of the Pre-IPO Share Options determined at the dates of grant using the Model were HK$9,875,200 and HK$4,006,000 respectively. Such value has been expensed regressively through the Group's profit and loss account over the four-year vesting period of the Pre-IPO Share Options commencing from the year ended 31 December 2004. For the year ended 31 December 2007, an amount of share option expense of RMB551,000 (2006:RMB1,274,000) has been recognised, with a corresponding adjustment recognised in the Group's employee share-based compensation reserve.

Movements of the options granted under the Pre-IPO Share Option Scheme during the year ended 31 December 2007 are as follows:

Grantee and Position	Date of grant	Number of Shares subject to Options: As at 1 January 2007	Granted during the year	Lapsed or cancelled during the year	Exercised during the year	Outstanding as at 31 December 2007	Expiry date	Exercise price per share (HK$)
WANG Binghua *Chairman of the Board and Non-Executive Director (Note 1)*	18 September 2004	1,495,400	—	—	—	1,495,400	17 September 2014	2.53
LI Xiaolin *Vice-Chairman of the Board, Executive Director and Chief Executive Officer (Note 2)*	18 September 2004	1,661,500	—	—	—	1,661,500	17 September 2014	2.53
HU Jiandong *Executive Director and Executive Vice President (Note 1)*	18 September 2004	996,900	—	—	—	996,900	17 September 2014	2.53
GAO Guangfu *Non-Executive Director*	18 September 2004	207,700	—	—	—	207,700	17 September 2014	2.53
GU Dake *Vice President*	18 September 2004	872,300	—	—	—	872,300	17 September 2014	2.53
WANG Zhiying *Vice President*	18 September 2004	872,300	—	—	—	872,300	17 September 2014	2.53
ZHAO Yazhou *Vice President*	18 September 2004	872,300	—	—	—	872,300	17 September 2014	2.53
ZHAO Xinyan *Vice President*	18 September 2004	540,000	—	—	—	540,000	17 September 2014	2.53

Grantee and Position	Date of grant	Number of Shares subject to Options: As at 1 January 2007	Granted during the year	Lapsed or cancelled during the year	Exercised during the year	Outstanding as at 31 December 2007	Expiry date	Exercise price per share (HK$)
WANG Zichao *Vice President*	18 September 2004	540,000	—	—	—	540,000	17 September 2014	2.53
Liu Feng *Human Resources Supervisor*	11 October 2004	498,500	—	—	—	498,500	10 October 2014	2.53
Xu Lihong *Financial Controller*	11 October 2004	498,500	—	—	—	498,500	10 October 2014	2.53
Yu Bing *Technical Supervisor*	11 October 2004	540,000	—	—	—	540,000	10 October 2014	2.53
TSE Hiu Tung, Sheldon *Company Secretary (Note 3)*	18 September 2004	207,700	—	105,700	102,000	—	17 September 2014	2.53
Other employees	11 October 2004	2,016,000	—	675,000	405,000	936,000	10 October 2014	2.53

Note:

(1) Mr. Wang Binghua and Mr. Hu Jiandong resigned as Directors on 1 January and 30 January 2008 respectively. Their options will be exercised or lapsed in accordance with the Pre-IPO Share Option Scheme.

(2) Mr. Li Xiaolin has been appointed as Chairman of the Board since 1 January 2008.

(3) Mr. Tse Hiu Tung, Sheldon exercised his share options to subscribe for a total of 102,000 shares of the Company on 8 June 2007. The share price of the Company on the trading day immediately before his exercise of options was HK$4.15. Mr. Tse ceased to be the Company's employee since 30 April 2007. The Pre-IPO options not being vested were lapsed upon his resignation.

(B) SHARE OPTION SCHEME

The Share Option Scheme was conditionally approved and adopted by a resolution in writing passed by the Company's shareholders on 24 August 2004. The purposes of the Share Option Scheme are to attract and retain high-calibre personnel to provide them with the opportunity to acquire equity in the Company and to motivate them to higher levels of performance.

Unless otherwise terminated by the Board or the shareholders of the Company in general meeting in accordance with the terms of the Share Option Scheme, the Share Option Scheme shall be valid and effective for a period of 10 years from the date on which it is conditionally adopted by resolution of our shareholders in general meeting (i.e. 24 August 2004) (the "Scheme Period"), and after which no further options will be granted or offered but the provisions of the Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any subsisting options granted within the Scheme Period or otherwise as may be required in accordance with the provisions of the Share Option Scheme.

The Board may, at its absolute discretion, offer any employees, Directors (including executive and non-executive Directors other than independent non-executive Directors), chief executive and members of the management of the Company and the Group (the "Eligible Person") options to subscribe for shares in the Company. Upon acceptance of the offer of an option, the grantee shall pay HK$1.00 to the Company as a nominal consideration for option granted.

As at the date of issue of this annual report, the total number of shares in respect of which options may be granted under the Share Option Scheme was 270,645,150, representing approximately 7.51% of the existing issued share capital of the Company.

Except with the approval of the Company's independent shareholders at the general meeting, the total number of shares issued and to be issued upon the exercise of the options granted or to be granted to each Eligible Person under the Share Option Scheme and 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 Company's shares in issue.

The exercise price per share subject to the options granted under the Share Option Scheme shall be determined by the Board but shall be not less than the greatest of:

(a) the closing price of the shares as stated in the Hong Kong Stock Exchange's daily quotation sheet on the date, which must be a business day, of the written offer of the option (the "Offer Date");

(b) the average closing price of the shares as stated in the Hong Kong Stock Exchange's daily quotation sheet for the five business days immediately preceding the Offer Date; and

(c) the nominal value of the shares.

In the event of a capitalisation issue, rights issue, sub-division or consolidation of the shares or reduction of the capital of the Company whilst any option remains exercisable, the Company shall make such corresponding adjustments to the exercise price per share for the outstanding options.

An option may be exercised at any time during a period to be notified by the Board to each grantee, such period not to exceed ten years from the Offer Date of the relevant option. Options granted under the Share Option Scheme will have a total vesting period of four years. Commencing from the first, second, third and fourth anniversaries of the Offer Date of an option, the relevant grantee may exercise up to 25%, 50%, 75% and 100% respectively of the shares comprised in his or her option subject to any early vesting of options described in the following paragraphs.

(1) RIGHTS ON A GENERAL OFFER

If a general offer (whether by way of take-over offer, share repurchase offer or scheme of arrangement or otherwise in similar manner) is made to the Company's shareholders, the Company shall use its best endeavours to procure that such offer is extended to all the grantees (on the same terms mutatis mutandis, and assuming that they will become, by the exercise in full of the options granted to them, shareholders of the Company). If such offer, having been approved in accordance with applicable laws and regulatory requirements becomes, or is declared unconditional, the grantees shall be entitled to exercise the option in full (to the extent not already exercised) within 14 days after the date on which such general offer becomes or is declared unconditional.

(2) RIGHTS ON SCHEMES OF COMPROMISE OR ARRANGEMENT

If, pursuant to the Companies Ordinance, a compromise or arrangement between the Company and its shareholders or creditors is proposed for the purposes of or in connection with a scheme for the reconstruction of the Company or its amalgamation with any other company or companies, the Company shall give notice thereof to all grantees on the same date as it dispatches to each shareholder or creditor of the Company a notice summoning a meeting to consider such a compromise or arrangement, and thereupon each grantee shall be entitled to exercise all or any of his/her options in whole or in part prior to 12:00 noon on the day immediately preceding the date of the meeting directed to be convened by the court for the purposes of considering such compromise or arrangement. With effect from the date of such meeting, the rights of all grantees to exercise their respective options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all options shall, to the extent that they have not been exercised, lapse and determine.

(3) RIGHTS ON A VOLUNTARY WINDING-UP

In the event of an effective resolution being passed for the voluntary winding-up of the Company or an order of the court is made for the winding-up of the Company, the Company shall give notice thereof ("winding-up notice") to all grantees on the same day as such resolution is passed or order is made. The grantee may by notice in writing to the Company within 21 days after the date of the winding-up notice elect to be treated as if the option (to the extent not already exercised) had been exercised immediately before the passing of such resolution either to its full extent or to the extent specified in the grantee's notice, such notice to be accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which notice is given, whereupon the grantee will be entitled to receive out of the assets available in the liquidation pari passu with the Company's shareholders such sum as would have been received in respect of the Shares the subject of such election.

The Company has used the Black-Scholes Option Pricing Model (the "Model") to value the options during the year. The Model is one of the commonly used models to estimate the fair value of an option. The value of an option varies with different variables of certain subjective assumptions. Any change in the variables so adopted may materially affect the estimation of the fair value of an option. As such, the fair values calculated are inherently subjective and uncertain due to the assumptions made and the limitations of the valuation model used.

The options granted pursuant to the Share Option Scheme were granted on 4 April 2007 to the Directors and senior management of the Company. The fair value of the options determined at the dates of grant using the Model were HK$23,517,000. For the year ended 31 December 2007, an amount of share option expense of RMB7,820,000 has been recognised, with a corresponding adjustment recognised in the Group's employee share-based compensation reserve.

Movements of the options granted under the Share Option Scheme for the year ended 31 December 2007 are as follows:

		Number of Shares subject to Options						
Grantee and Position	**Date of grant**	**As at 1 January 2007**	**Granted during the year**	**Lapsed or cancelled during the year**	**Exercised during the year**	**Outstanding as at 31 December 2007**	**Expiry date**	**Exercise price per share (HK$)**
WANG Binghua *Chairman of the Board and Non-Executive Director (Note 1)*	4 April 2007	—	921,000	—	—	921,000	3 April 2017	4.07
LI Xiaolin *Vice-Chairman of the Board, Executive Director and Chief Executive Officer (Note 2)*	4 April 2007	—	1,905,000	—	—	1,905,000	3 April 2017	4.07
HU Jiandong *Executive Director and Executive Vice President (Note 1)*	4 April 2007	—	1,377,000	—	—	1,377,000	3 April 2017	4.07
GAO Guangfu *Non-Executive Director*	4 April 2007	—	667,000	—	—	667,000	3 April 2017	4.07
GU Dake *Vice President*	4 April 2007	—	1,377,000	—	—	1,377,000	3 April 2017	4.07
WANG Zhiying *Vice President*	4 April 2007	—	1,377,000	—	—	1,377,000	3 April 2017	4.07
ZHAO Yazhou *Vice President*	4 April 2007	—	1,377,000	—	—	1,377,000	3 April 2017	4.07
ZHAO Xinyan Vice President	4 April 2007	—	804,000	—	—	804,000	3 April 2017	4.07
WANG Zichao *Vice President*	4 April 2007	—	804,000	—	—	804,000	3 April 2017	4.07

Grantee and Position	Date of grant	Number of Shares subject to Options: As at 1 January 2007	Granted during the year	Lapsed or cancelled during the year	Exercised during the year	Outstanding as at 31 December 2007	Expiry date	Exercise price per share (HK$)
LIU Genyu *New Energy Development Supervisor*	4 April 2007	—	804,000	—	—	804,000	3 April 2017	4.07
LIU Feng *Human Resources Supervisor*	4 April 2007	—	600,000	—	—	600,000	3 April 2017	4.07
XU Lihong *Financial Controller*	4 April 2007	—	600,000	—	—	600,000	3 April 2017	4.07
YU Bing *Technical Supervisor*	4 April 2007	—	804,000	—	—	804,000	3 April 2017	4.07
Other employees	4 April 2007	—	7,212,000	—	—	7,212,000	3 April 2017	4.07

Note:

(1) Mr. Wang Binghua and Mr. Hu Jiandong resigned as Directors on 1 January and 30 January 2008 respectively. Their options will be lapsed or exercised in accordance with the Share Option Scheme.

(2) Mr. Li Xiaolin has been appointed as Chairman of the Board since 1 January 2008.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year, save as disclosed below, none of the Directors and their associates (as defined in the Listing Rules) had any interests in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group:

Name	Position with Company	Other Interests
Wang Binghua *(Note 1)*	Chairman and Non-executive director	Chairman of CPI Holdings
Li Xiaolin *(Note 2)*	Vice-chairman, Executive Director and Chief Executive Officer	Vice-president of CPI Group; director and President of CPI Holding *(Note 3)*; Chairman of China Power New Energy Development Limited
Hu Jiandong *(Note 1)*	Executive Director and Executive Vice-president	Director and Vice-president of CPI Holdings
Gao Guangfu	Non-executive Director	Manager of the Department of Finance and Asset Management of CPI Group and director of CPI Holding

Notes:

(1) Mr. Wang Binghua and Mr. Hu Jiandong resigned as Directors on 1 January and 30 January 2008 respectively.

(2) Mr. Li Xiaolin has been appointed as Chairman of the Board since 1 January 2008.

(3) Mr. Li Xiaolin resigned as President of CPI Holding on 3 February 2008.

DIRECTORS' INTEREST IN CONTRACTS

There is no contract of significance in which the Company, its subsidiaries, holding company or associated company was a party, and in which any Director of the Company had a material interest, subsisted at any time during the year.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES OR DEBENTURES

As at 31 December 2007, save as disclosed below, none of the Directors has 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, Cap. 571 of the Laws of Hong Kong (the "SFO") which will have to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or which will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or which will be required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

Name	Capacity	Name of company in which interests are held	Date of grant	Number of underlying shares interested under physically settled equity derivatives	Percentage of issued share capital of the Company (%)	Long/Short position
WANG Binghua	Beneficial owner	the Company	18 September 2004 and 4 April 2007	2,416,400	0.07	Long
LI Xiaolin	Beneficial owner	the Company	18 September 2004 and 4 April 2007	3,566,500	0.10	Long
HU Jiandong	Beneficial owner	the Company	18 September 2004 and 4 April 2007	2,373,900	0.07	Long
GAO Guangfu	Beneficial owner	the Company	18 September 2004 and 4 April 2007	874,700	0.02	Long

Notes:

(1) The interests of the above Directors in the underlying shares of the Company represent the options granted to them under the Pre-IPO Share Option Scheme and Share Option Scheme by the Company.

(2) None of the above Directors has any interests in the Company's securities (except for interests held under equity derivatives).

(3) Mr. Wang Binghua and Mr. Hu Jiandong resigned as Directors on 1 January and 30 January 2008 respectively.

(4) Mr. Liu Guangchi and Mr. Guan Qihong have been appointed as Directors on 30 January 2008. They do not have any interests in the Company's securities.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 31 December 2007, save as disclosed below, no person, not being a Director or chief executive of the Company, had an interest or short position in the shares or underlying shares of the Company which should be recorded in the register kept under Section 336 of the SFO.

Name	Capacity	Number of shares in which interested other than under equity derivatives[3]	Percentage of issued share capital of the Company (%)	Long/Short position
CPDL	Beneficial owner	1,996,500,000	55.38[4]	Long
CPI Holding[1]	Interest of a controlled corporation	1,996,500,000	55.38[4]	Long
CPI Group[2]	Interest of a controlled corporation	1,996,500,000	55.38[4]	Long
Mondrian Investment Partners Limited	Investment manager	219,258,000	6.08	Long

Notes:

(1) CPI Holding is the beneficial owner of the entire issued share capital of CPDL and therefore CPI Holding is deemed to be interested in the Shares owned by CPDL for the purposes of the SFO.

(2) CPI Group is the beneficial owner of the entire issued share capital of CPI Holding and therefore CPI Group is deemed to be interested in the Shares owned by CPI Holding for the purposes of the SFO.

(3) CPI Group, CPI Holding and CPDL do not have any interest in the equity derivatives of the Company.

(4) After the end of the year, CPI Holding has acquired 17,276,000 shares of the Company, representing about 0.47% of issued share capital of the Company. As a result, CPI Group, CPDL and CPI Holding are deemed to be interested in 2,013,776,000 shares representing 55.85% of the issued shares of the Company.

(5) On 23 January 2008, The Bank of New York Mellon Corporation acquired 185,495,622 shares of the Company, representing about 5.15% of issued share capital of the Company.

CONNECTED TRANSACTIONS ENTERED INTO BY THE GROUP

CONNECTED TRANSACTIONS

(A) DISPOSAL OF NON-CORE BUSINESS ASSETS

On 23 May 2007, the Company entered into the disposal agreement with CPI Holding ("Disposal Agreement"), pursuant to which the Company agreed to sell and CPI Holding agreed to purchase from the Company, the entire equity interests in Pingwei Maintenance Company, Pingwei Industry Company, Yaomeng Engineering Company and Yaomeng Industrial Company for a total consideration of RMB285,086,600.

Upon completion of the disposals, the Company would cease to own Pingwei Maintenance Company and Yaomeng Engineering Company which hold the repair and maintenance assets, Pingwei Industry Company and Yaomeng Industrial Company which hold the other non-core business assets and would thereafter focus its resources on the development of Pingwei Power Plant and Yaomeng Power Plant, both with the core business of power generation.

The consideration shall be payable in cash within 30 working days after satisfaction (or waiver by the Company or CPI Holding (as the case may be)) of all the conditions precedent set out in the Disposal Agreement.

As CPI Holding is a substantial shareholder of the Company, the entering into the Disposal Agreement constitutes a connected transaction of the Company pursuant to the Listing Rules.

(B) ACQUISITION OF ASSETS AND LIABILITIES

On 16 November 2007, the Company entered into the asset acquisition agreement with Qinghe Power Plant ("Asset Acquisition Agreement"), a wholly owned subsidiary of CPI Holding, pursuant to which the Company agreed to purchase the following assets and to assume all rights, debts and liabilities in relation to such assets subject to the satisfaction (or waiver) of certain conditions set out in the Asset Acquisition Agreement.

The assets to be acquired under the Asset Acquisition Agreement mainly comprise of a power plant under construction, which are situated in Qinghe District, Tieling City, Liaoning Province, PRC. According to the latest schedule, the construction of the power plant is expected to be completed by the end of 2008 and the power plant will by then be equipped with a 600MW super-critical coal-fired generation unit. The assets also include the other related equipment, facilities and one piece of land over which the power plant is located.

Completion of the acquisition will take place following the satisfaction (or waiver by the Company or Qinghe Power Plant (as the case may be)) of certain conditions set out in the Asset Acquisition Agreement. Subject to adjustments in certain specified circumstances set out in the Asset Acquisition Agreement, the consideration for the acquisition amounting to RMB944,628,262 shall be payable in cash upon completion of the acquisition.

As CPI Holding is a substantial shareholder of the Company, its subsidiary, Qinghe Power Plant, is a connected person of the Company within the meaning of the Listing Rules. As such, the entering into the Asset Acquisition Agreement constituted a connected transaction of the Company.

(1) 2x600MW Super-critical Generation Unit Construction Project Management Agreement ("Construction Project Management Agreement") Amendment Agreement

On 16 November 2007, the Company (who signed the agreement on behalf of China Power Qinghe Company), Qinghe Power Plant and CPI Engineering Company (a subsidiary of CPI Group) entered into an amendment agreement whereby the rights and liabilities under the Construction Project Management Agreement (the details of which are set out below) will be transferred to China Power Qinghe Company.

In April 2006, Qinghe Power Plant entered into the Construction Project Management Agreement with CPI Engineering Company. Under the terms of the agreement, Qinghe Power Plant engaged CPI Engineering Company as project manager to manage phase I and phase II of the project which involves the construction of a 600MW super-critical coal fired power generation unit during each phase in Qinghe, Liaoning Province, the PRC.

Pursuant to the Construction Project Management Agreement, the management fees payable to CPI Engineering Company for phase I comprise two parts, the first part being a management fee of RMB31,500,000 and the second part being the information system charges of RMB5,000,000 for installing, developing, purchasing and maintaining the equipment and software for the information technology system at the power plant.

The basic management fee for phase I is payable by six instalments, the first instalment of 20% is payable within one month after the signing of the agreement and the second instalment of 15% is payable upon the commencement of the excavation for the construction of the main building of the power plant for phase I. The rest of the instalments become payable as and when specific progresses have been made. The information system charges are payable as to 50% after the signing of the Construction Project Management Agreement, as to 40% after the completion of the information system and as to 10% after the completion of the "168 hours trial runs period" for phase I.

The basic management fee for phase II payable to CPI Engineering Company is RMB13,500,000. The payment schedule for phase II is similar to the one for phase I. However, if the construction works for phase II do not commence within the "168 hours trial runs period" for the phase I, CPI Engineering Company will incur extra costs for the delay and the parties agree that the basic management fees will be increased to RMB22,500,000.

CPI Engineering Company will also be entitled to bonus management fees if it can successfully control the construction costs to certain level below the budged sums and such bonus management fees will be calculated with reference to the level of cost reduction but it is estimated that such bonus management fees will not exceed the amount of RMB15,000,000 for both phases of the project.

(2) 600MW Super-critical Generation Unit Expansion Project Equipment Integration, Equipment Manufacture Supervision and Imported Equipment Procurement Agency Services Agreement (CPCECHT/03-CTA-04-2003) ("Equipment Agreement") Amendment Agreement

On 16 Novermber 2007, the Company (who signed on behalf of China Power Qinghe Company, Qinghe Power Plant and CPCE (a subsidiary of CPI Group) entered in to an amendment agreement whereby the rights and liabilities under the Equipment Agreement (the details of which are set out below) will be transferred to China Power Qinghe Company.

In April 2004, Qinghe Power Plant entered into the Equipment Agreement with CPCE. Under the terms of the agreement, Qinghe Power Plant engaged CPCE to provide technical assistance and consultancy services relating to the purchase of the equipment and machinery required for the Project, including assistance in calling of tenders, supervision of manufacture of the equipment and machinery and acting as agent for purchasing imported equipment and parts. The total service fee payable under the Equipment Agreement is RMB6,000,000 which is payable by six instalments after specific progresses have been made.

CPI Group is the ultimate controlling shareholder of the Company. Accordingly, the amendment agreements for Construction Project Management Agreement and Equipment Agreement constitute connected transactions of the Company under the Lisiting Rules.

(C) REPLACEMENT AGREEMENTS

1. Replacement Agreement for Yaomeng Power Plant

On 19 March 2007, Yaomeng Power Plant entered into the Replacement Agreement with Hongxiang Power Plant (a subsidiary of the CPI Group). Pursuant to the agreement, Yaomeng Power Plant agreed to generate, on behalf of Hongxiang Power Plant, the amount of electricity required under its power production targets prescribed by the PRC government for the year 2007. In return, Hongxiang Power Plan agreed that Yaomeng Power Plant would settle directly with the provincial power grid company in relation to the electricity charges and pay a fixed fee of RMB0.07 per KWh to Hongxiang Power Plant.

2. Replacement Agreements for Pingwei Power Plant II

On 1 July, 1 August and 1 September 2007, Pingwei Power Plant II entered into the Replacement Agreements with CPI Wuhu Power Plant (a subsidiary of the CPI Holding). According to the agreements, Pingwei Power Plant II agreed to generate, on behalf of CPI Wuhu Power Plant, the amount of electricity required under its power production targets prescribed by the PRC government for July, August and September 2007. In return, CPI Wuhu Power Plant would settle directly with the provincial power grid company and then paid a monthly service fee of RMB0.24 per KWh (tax included) to Pingwei Power Plant II for the amount of electricity generated in any given month.

3. Replacement Agreement for Yaomeng Power Plant

On 20 July 2007, Yaomeng Power Plant entered into the Replacement Agreement with Nanyang Xinguang Power Plant (a subsidiary of the CPI Group). According to the agreement, Yaomeng Power Plant agreed to generate, on behalf of Nanyang Xinguang Power Plant, the amount of electricity required under its power production targets prescribed by the PRC government for the year 2007. In return, Nanyang Xinguang Power Plant agreed that upon receipt of payments from the provincial power grid company, Yaomeng Power Plant will retain RMB238 per MWh (tax included) and the difference between the on-grid tariffs and RMB238 per MWh will be retained by Nanyang Xinguang Power Plant.

As CPI Group and CPI Holding are substantial shareholders of the Company, their subsidaries, CPI Wuhu Power Plant, Hongxiang Power Plant and Nanyang Xinguang Power Plant, are connected persons of the Company. The entering into the above Replacement Agreements therefore constituted connected transactions of the Company.

CONTINUING CONNECTED TRANSACTIONS

(A) MANAGEMENT AGREEMENT

The Company entered into a management agreement (the "Management Agreement") dated 27 August 2004 with CPI Group and CPI Holding in respect of the management of Qinghe Power Plant, Shentou I Power Plant, Guixi Power Plant, Fujian Electricity Company, Wuhu Shaoda Power Plant and Hongze Power Plant for a term of three years in return for a service fee.

The service fee payable by CPI Group and CPI Holding to the Company under the Management Agreement consists of the following three components:

- costs (including set-up, operational and other recurrent items to be incurred by the Company in managing the power plants) (the "Management Costs");
- a premium to cover estimated risks set at 15% of the Management Costs; and
- a profit/loss margin which is an incentive/penalty calculated by reference to the confirmed results of the power plants under management but which shall not exceed 15% of the Management Costs.

The first two components of the service fee are payable monthly in arrears. The profit/loss margin component is payable based on the annual evaluation of performance of the management but no later than 90 days after the end of each year.

The service fee, excluding the profit/loss margin component, payable by CPI Group and CPI Holding may be adjusted according to changes in total installed capacity of the power plants under management. The formula for adjustment is as follows:

$$\text{New monthly service fee} = \text{Service fee for the previous month} \times \frac{\text{Total installed capacity of the managed power plants after adjustment}}{\text{Total installed capacity of the managed power plants before adjustment}}$$

In addition, the service fee may be adjusted annually by reference to the following factors:

- the inflation rate of the previous year as published by the National Bureau of Statistics of China;
- the average percentage increase in salaries of the Company's employees as approved by the Board; and
- any change in the scope or nature of the management services.

The Management Agreement was later supplemented on 1 September 2006 and 14 June 2007 respectively. Pursuant to the supplemental management agreement dated 14 June 2007, CPI Holding and the Company agreed to amend the Management Agreement as amended by deleting Hongze Power Plant from the list of its managed power plants and adjust the service fee payable to the Company in accordance with the formula provided above due to an adjustment to the total installed capacity of the managed power plants. In addition, the parties also agreed to renew the Management Agreement for a term of three years after its expiry on 30 June 2007. The renewed term will commence from 1 July 2007 and end on 30 June 2010.

Under the supplemental management agreement dated 14 June 2007, the service fee (excluding the profit/loss margin component) is adjusted to RMB9,956,700 per annum or RMB829,725 per month and the list of the managed power plants includes Qinghe Power Plant, Guixi Power Plant, Fujian Electricity Company, Wuhu Shaoda Power Plant and CPI Wuhu Power Plant.

Both CPI Group and CPI Holding are the controlling shareholders of the Company and the transactions under the Management Agreement and the supplemental agreements therefore constitute continuing connected transactions of the Company under the Listing Rules.

(B) LAND LEASE AGREEMENTS

1. Pingwei Yaomeng Land Lease Agreements

Each of Pingwei Power Plant and Yaomeng Power Plant entered into a land lease agreement with CPI Group on 27 August 2004 (the "Land Lease Agreements") to lease from CPI Group the land on which they are respectively situated. The Land Lease Agreement with Yaomeng Power Plant was later supplemented on 24 September 2004 and 23 May 2007 respectively. In addition, the Land Lease Agreement with Pingwei Power Plant was also supplemented on 23 May 2007. The basic terms of the above two Land Lease Agreements as amended are as follows:

Land Lease Agreement	Area of leased land sq. m.	Annual rent RMB	Lease Commencement date	Lease expiry date
Pingwei Land Lease Agreement	4,352,884	6,845,839.32	1 August 2004	16 September 2019 (being the expiry date of the term of operation of Pingwei Power Plant)
Yaomeng Land Lease Agreement	2,858,170.6	5,275,364.7	1 August 2004	26 August 2019 (being the expiry date of the term of operation of Yaomeng Power Plant)

CPI Group is the ultimate controlling shareholder of the Company. Accordingly, the Land Lease Agreements constitute continuing connected transactions of the Group under the Listing Rules.

2. Land Use Right Lease Agreement

On 9 June 2005, Tianze Development Limited entered into a land use right lease agreement (the "Land Use Right Lease Agreement") with CPI Group regarding the lease from CPI Group of a piece of land with an area of approximately 2,925,019.15 sq. m. for a term of 20 years commencing from 1 July 2005. The annual rent for the period up to 31 December 2007 is fixed at RMB4,940,000. The rental amount is subject to review by the parties with reference to an independent valuation upon expiry of the said period.

Shentou I Power Plant is situated on a parcel of land allocated by the State to CPI Group. Accordingly, it is essential to entering into the Land Use Right Lease Agreement to ensure that Shentou I Power Plant is entitled to continue its operation on the land.

CPI Group is the ultimate controlling shareholder of the Company. Accordingly, the Land Use Right Lease Agreement constitutes a continuing connected transaction of the Company under the Listing Rules.

3. Qinghe Land Lease Agreement

The Company (who signed the agreement on behalf of China Power Qinghe Company) entered into a land lease agreement with CPI Group on 16 November 2007 (the "Qinghe Land Lease Agreement"). According to the Qinghe Land Lease Agreement, the Company agreed to lease from CPI Group a portion of the land on which the assets to be acquired pursuant to the Asset Acquisition Agreement are situated. The basic terms of the Qinghe Land Lease Agreement are as follows:

i) Area of leased land: 140,020 square meters;

ii) Annual rent: RMB2,982,400;

iii) Term: commencing from the first day of the month immediately following the month in which China Power Qinghe Company is incorporated until the occurrence of the following events (whichever is the earliest):

- The expiry of CPI Group's rights to lease the land;
- China Power Qinghe Company ceases to be a member of CPI Group;
- the expiry of China Power Qinghe Company's business licence.

CPI Group is the ultimate controlling shareholder of the Company. Accordingly, the Qinghe Land Lease Agreement constitutes a continuing connected transaction of the Company under the Listing Rules.

(C) SERVICE AGREEMENTS

Tianze Development Limited, a wholly owned subsidiary of the Company, entered into a series of service agreements (the "Service Agreements") with certain wholly owned subsidiaries of the CPI Group on 9 June 2005 to ensure the sustained operation of Shentou I Power Plant. Subsequently, Tianze novated the rights and benefits of the Service Agreements to Shentou I Power Plant.

On 22 November 2007, Shentou I Power Plant and Shentou Engineering Company or Shentou Industrial Company entered into four supplemental agreements respectively to renew the following service agreements for a term of three years after their expiry on 31 December 2007 and the relevant terms are summarised below:

	Annual Cap (RMB millions)			
Service Agreement	**2007**	**2008**	**2009**	**2010**
Technical Repair and Maintenance Framework Agreement	68	68	68	68
Fuel and Chemical Processing Services Framework Agreement	24	24	24	24
Non-power Generation Facilities Maintenance Framework Agreement	39	39	39	39
Composite Ancillary Services Framework Agreement	19	19	19	19

CPI Group is the ultimate controlling shareholder of the Company. Accordingly, the Service Agreements and the four supplemental agreements constitute continuing connected transactions of the Company under the Listing Rules.

(D) PROPERTY LEASE AGREEMENT

The Company entered into a property lease agreement (the "Property Lease Agreement") on 1 September 2006 with CPI Holding in which the premises being rented are used as an office of the Company. The terms of the Property Lease Agreement are set out as below:

Address of Premise	Area of leased sq. m.	Use	Annual Rent	Lease Term
Premises situated on 7th, 8th, 9th, 11th to 13th Floors, East Building, Huihuang Shidai Plaza, 56 North West Fourth Ring Road, Haidian District, Beijing, PRC	6,800	Office	US$1,468,800 or US$18 per square metre per month	1 September 2006 to 31 August 2009

CPI Holding is a wholly owned subsidiary of CPI Group and CPI Group is the ultimate controlling shareholder of the Company. As such, CPI Group and CPI Holding are connected persons of the Company as defined in the Listing Rules. Accordingly, the Property Lease Agreement constitutes a continuing connected transaction of the Company under the Listing Rules.

(E) PURCHASE AGREEMENTS

On 21 December 2006, each of Pingwei Power Plant II and Yaomeng Power Plant II has entered into the Pingwei Purchase Agreement ("Pingwei Purchase Agreement") and Yaomeng Purchase Agreement ("Yaomeng Purchase Agreement") (Pingwei Purchase Agreement and Yaomeng Purchase Agreement collectively the "Purchase Agreements") with the Beijing China Power Environmental Engineering Company Limited* ("Supplier") respectively pursuant to which each of Pingwei Power Plant II and Yaomeng Power Plant II agrees to purchase from the Supplier the limestone power for desulphurization (the "Materials").

1. PINGWEI PURCHASE AGREEMENT

Under the Pingwei Purchase Agreement, Pingwei Power Plant II agrees to purchase from the Supplier the materials for a term commencing from 15 January 2007 and ending on 31 December 2009.

The purchase price of the Materials is calculated on a cost plus profit basis and shall be determined by the parties each year by reference to the market condition and costs of production. It is agreed that for the year ending 15 January 2008, the purchase price of the Materials shall be RMB265 per ton which is determined based on a cost plus a not more than 15% gross profit margin and for the remaining term of the Pingwei Purchase Agreement, the purchase price of the Materials shall not exceed an amount equal to a cost plus a not more than 10% gross profit margin. The total purchase price under the Pingwei Purchase Agreement for each of the two years ending 15 January 2008 and 2009 shall not exceed RMB18,500,000 and the total purchase price for the period from 16 January 2009 to 31 December 2009 shall not exceed RMB18,500,000. It is anticipated that the annual cap for each of the three financial years ending 31 December 2009 is RMB18,500,000.

2. YAOMENG PURCHASE AGREEMENT

Under the Yaomeng Purchase Agreement, Yaomeng Power Plant II agrees to purchase from the Supplier the materials for a term commencing from 10 September 2007 and ending on 31 December 2009.

The purchase price of the Materials is calculated on a cost plus profit basis and shall be determined by the parties each year by reference to the market condition and costs of production. It is agreed that for the year ending 10 September 2008, the purchase price of the Materials shall be RMB265 per ton which is determined based on a cost plus a not more than 15% gross profit margin and for the remaining term of the Yaomeng Purchase Agreement, the purchase price of the Materials shall not exceed an amount equal to a cost plus a not more than 10% gross profit margin. The total purchase price under the Yaomeng Purchase Agreement for each of the two years ending 10 September 2008 and 2009 shall not exceed RMB20,000,000 and the total purchase price for the period from 11 September 2009 to 31 December 2009 shall not exceed RMB20,000,000. It is anticipated that the annual cap for each of the three financial years ending 31 December 2009 is RMB20,000,000.

Since the Supplier is a subsidiary of the CPI Holding and is held by CPI Holding and its wholly owned subsidiary as to 60%, and CPI Holding wholly owns CPDL which is a substantial shareholder of the Company, the Supplier is a connected person of the Company under the Listing Rules. The Purchase Agreements constitute continuing connected transactions of the Group.

(F) SERVICE AGREEMENTS WITH PINGWEI POWER PLANT AND YAOMENG POWER PLANT

On 23 May 2007, Pingwei Power Plant entered into a series of service agreements with Pingwei Maintenance Company and Pingwei Industry Company. On the same date, Yaomeng Power Plant entered into a series of service agreements with Yaomeng Engineering Company and Yaomeng Industrial Company. Those service agreements are for the purposes of ensuring the sustained operations of Pingwei Power Plant and Yaomeng Power Plant and the relevant terms are summarised below:

Service Agreements	**Annual Cap (RMB Million)**		
	2007	**2008**	**2009**
Composite repair and maintenance services agreement between Pingwei Power Plant and Pingwei Maintenance Company	66.4	66.4	66.4
Composite repair and maintenance services agreement between Yaomeng Power Plant and Yaomeng Engineering Company	48.32	48.32	48.32
Fuel related services agreement between Pingwei Power Plant and Pingwei Industry Company	44.59	44.59	44.59
Fuel related services agreement between Yaomeng Power Plant and Yaomeng Industrial Company	26.93	26.93	26.93
Cleaning, repair and maintenance agreement in relation to power plant between Pingwei Power Plant and Pingwei Industry Company	10.06	10.06	10.06
Cleaning, repair and maintenance agreement in relation to power plant between Yaomeng Power Plant and Yaomeng Industrial Company	21.474	21.474	21.474
Composite services agreement between Pingwei Power Plant and Pingwei Industry Company	15.8	15.8	15.8
Composite services agreement between Yaomeng Power Plant and Yaomeng Industrial Company	16.595	16.595	16.595

As Pingwei Maintenance Company, Pingwei Industry Company, Yaomeng Engineering Company and Yaomeng Industrial Company will become subsidiaries of CPI Holding after the completion of the Disposal Agreement between the Company and CPI Holding, the entering into the above service agreements constitute continuing connected transactions of the Company.

(G) SERVICE AGREEMENTS WITH PINGWEI POWER PLANT II AND YAOMENG POWER PLANT II

On 22 November 2007, Pingwei Power Plant II, Yaomeng Power Plant II and Huangguang Dabieshan Power Plant entered into certain continuing connected transaction agreements with Pingwei Maintenance Company, Pingwei Industry Company, Yaomeng Engineering Company and Yaomeng Industrial Company in relation to the provision of various services in connection with their day-to-day businesses and operations and the relevant terms are summarised below:

Service Agreements	**Annual Cap (RMB Million)**		
	2008	**2009**	**2010**
Composite repair and maintenance services agreement between Pingwei Power Plant II and Pingwei Maintenance Company	40	40	40
Composite repair and maintenance services agreement between Yaomeng Power Plant II and Yaomeng Engineering Company	43	43	43
Composite repair and maintenance services agreement between Huangguang Dabieshan Power Plant and Shentou Engineering Company	43	43	43
Fuel related services agreement between Pingwei Power Plant II and Pingwei Industry Company	20	20	20
Fuel related services agreement between Yaomeng Power Plant II and Yaomeng Industrial Company	16	16	16
Fuel related services agreement between Huangguang Dabieshan Power Plant and Shentou Industrial Company	17	17	17

Service Agreements	Annual Cap (RMB Million)		
	2008	2009	2010
Cleaning, repair and maintenance agreement in relation to power plants between Pingwei Power Plant II and Pingwei Industry Company	13	13	13
Cleaning, repair and maintenance agreement in relation to power plants between Yaomeng Power Plant II and Yaomeng Industrial Company	12	12	12
Cleaning, repair and maintenance agreement in relation to power plants between Huangguang Dabieshan Power Plant and Shentou Industrial Company	11	11	11
Composite services agreement between Pingwei Power Plant II and Pingwei Industry Company	3	3	3
Composite services agreement between Yaomeng Power Plant II and Yaomeng Industrial Company	7	7	7
Composite services agreement between Huangguang Dabieshan Power Plant and Shentou Industrial Company	7	7	7

As Pingwei Maintenance Company, Pingwei Industry Company, Yaomeng Engineering Company and Yaomeng Industrial Company will become subsidiaries of CPI Holding after the completion of the Disposal Agreement between the Company and CPI Holding, the entering into the above service agreements constitute continuing connected transactions of the Company.

The independent non-executive Directors have reviewed the continuing connected transactions during the year and confirmed that the transactions have been entered into:

(1) in the ordinary and usual course of business of the Company;

(2) on normal commercial terms and no less favourable than those available to or from independent third parties; and

(3) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The auditors have reported their factual findings on the selected samples based on the agreed procedures to the Board stating that:

(1) the transactions have been approved by the Board;

(2) the transactions were entered into in accordance with the relevant agreements and documents governing such transactions; and

(3) the aggregate values of the transactions did not exceed the relevant upper limits applicable to such transactions approved by the Hong Kong Stock Exchange.

The Company has complied with the requirements set out in Chapter 14A of the Listing Rules.

Save as disclosed above, no contracts of significance to which any of the Company, its subsidiaries, holding company or associated companies was a party subsisted at any time during the year or at the end of the year.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor its subsidiaries purchased, sold or redeemed any of the listed securities of the Company during the year.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2007, the aggregate amount of purchases attributable to the Group's five largest suppliers accounted for approximately 84.0% of the Group's total purchases and purchases attributable to the Group's largest supplier accounted for approximately 42.3% of the Group's total purchases.

For the year ended 31 December 2007, the aggregate amount of turnover attributable to the Group's five largest customers accounted for approximately 97.6% of the Group's total turnover and turnover attributable to the Group's largest customer accounted for approximately 36.5% of the Group's total turnover.

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 an interest in any of the Group's five largest suppliers or customers.

PUBLIC FLOAT

As at the date of this annual report, based on public information available to the Company and to the best knowledge of the Directors, the Company maintained sufficient public float, being 25% of the issued share capital of the Company as required under the Listing Rules.

AUDITORS

The Accounts have been audited by PricewaterhouseCoopers who retire and, being eligible, offered themselves for re-appointment.

On behalf of the Board
China Power International Development Limited

Li Xiaolin
Chairman

Hong Kong, 14 April 2008

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22/F, Prince's Building
Central, Hong Kong

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
CHINA POWER INTERNATIONAL DEVELOPMENT LIMITED
(incorporated in Hong Kong with limited liability)

We have audited the consolidated accounts of China Power International Development Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 85 to 166, which comprise the consolidated and company balance sheets as at 31 December 2007, and the consolidated profit and loss account, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE ACCOUNTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated accounts in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, and the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of accounts that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated accounts based on our audit and to report our opinion solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated accounts give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2007 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 14 April 2008

For the year ended 31 December 2007

	Note	Year ended 31 December 2007 RMB'000	2006 RMB'000
Turnover	5	**5,907,301**	5,202,934
Other income	6	**41,722**	18,745
Fuel costs		**(3,840,488)**	(3,075,001)
Depreciation		**(460,084)**	(376,206)
Staff costs	11	**(333,625)**	(354,908)
Repairs and maintenance		**(275,760)**	(265,868)
Consumables		**(72,918)**	(67,863)
Other gains	7	**15,935**	87,370
Other operating expenses		**(423,510)**	(388,083)
Operating profit	8	**558,573**	781,120
Interest income from bank deposits		**23,794**	56,469
Finance costs	9	**(184,950)**	(133,489)
Share of (loss)/profit of associated companies		**(47,909)**	102,053
Gain on deemed disposal of interest in an associated company	22(b)	**311,398**	—
Profit before taxation		**660,906**	806,153
Taxation	10	**(69,477)**	(104,478)
Profit for the year		**591,429**	701,675
Attributable to:			
Equity holders of the Company		**592,435**	702,767
Minority interests		**(1,006)**	(1,092)
		591,429	701,675
Earnings per share for profit attributable to equity holders of the Company during the year (expressed in RMB per share)			
- basic	13	**0.16**	0.22
- diluted	13	**0.16**	0.22
Dividends	14	**194,703**	288,408

Consolidated Balance Sheet

As at 31 December 2007

	Note	As at 31 December 2007 RMB'000	2006 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	16	**14,594,556**	8,206,774
Prepayment for construction of power plants	17	**881,858**	3,374,073
Land use rights	18	**43,334**	18,518
Goodwill	19	**166,939**	166,939
Interest in an associated company	21	**847,294**	850,675
Prepayment for investment	22(a)	**—**	1,665,133
Available-for-sale financial assets	22(b)	**3,775,865**	—
Other long-term prepayments		**58,668**	28,980
		20,368,514	14,311,092
Current assets			
Inventories	23	**277,843**	287,142
Accounts receivable	24	**1,283,074**	860,804
Prepayments, deposits and other receivables		**175,404**	112,251
Amount due from an intermediate holding company	25	**3,821**	1,638
Amounts due from fellow subsidiaries	25	**41,341**	11,441
Dividends receivable from an associated company		**65,699**	98,751
Cash and cash equivalents	26	**734,057**	1,446,928
		2,581,239	2,818,955
Total assets		**22,949,753**	17,130,047
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	27	**3,798,610**	3,798,104
Share premium		**2,755,361**	2,754,586
Reserves	28	**4,580,918**	2,526,525
		11,134,889	9,079,215
Minority interests		**44,458**	25,826
Total equity		**11,179,347**	9,105,041

	Note	As at 31 December 2007 RMB'000	2006 RMB'000
LIABILITIES			
Non-current liabilities			
Deferred income		**163,028**	158,156
Long-term bank borrowings	29	**7,706,350**	3,812,000
Long-term payable to CPI Financial Company ("CPIF")	30	**270,295**	395,562
Long-term payable to Shanxi Electric Power Corporation ("SEPC")	31	**—**	19,437
Deferred income tax liabilities	35	**227,362**	10,907
		8,367,035	4,396,062
Current liabilities			
Accounts payable	32	**428,630**	240,244
Construction cost payable		**1,322,781**	422,613
Other payables and accrued charges	33	**318,813**	304,520
Amount due to ultimate holding company	34	**81,471**	68,889
Amounts due to fellow subsidiaries	25	**26,163**	3,279
Current portion of long-term bank borrowings	29	**466,000**	996,000
Short-term bank and other borrowings	29	**605,000**	1,428,000
Current portion of long-term payable to CPIF	30	**127,863**	—
Short-term loan from CPIF	30	**—**	140,000
Taxation payable		**26,650**	25,399
		3,403,371	3,628,944
Total liabilities		**11,770,406**	8,025,006
Total equity and liabilities		**22,949,753**	17,130,047
Net current liabilities		**(822,132)**	(809,989)
Total assets less current liabilities		**19,546,382**	13,501,103

Li Xiaolin
Director

Liu Guangchi
Director

Balance Sheet

As at 31December 2007

	Note	As at 31 December 2007 RMB'000	2006 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	16	**5,211**	5,086
Investments in subsidiaries	20	**4,175,750**	3,623,450
Interest in an associated company	21	**552,500**	552,500
Prepayment for investment	22(a)	**—**	1,665,133
Available-for-sale financial assets	22(b)	**3,775,865**	—
		8,509,326	5,846,169
Current assets			
Prepayments, deposits and other receivables		**4,936**	8,327
Amount due from an intermediate holding company	25	**3,821**	1,638
Amounts due from subsidiaries	20	**431,068**	—
Dividends receivable		**709,230**	768,386
Cash and cash equivalents	26	**660,289**	1,183,413
		1,809,344	1,961,764
Total assets		**10,318,670**	7,807,933
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	27	**3,798,610**	3,798,104
Share premium		**2,755,361**	2,754,586
Reserves	28	**3,480,628**	1,237,934
		10,034,599	7,790,624

	Note	As at 31 December 2007 RMB'000	2006 RMB'000
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	35	**211,073**	—
Current liabilities			
Other payables and accrued charges	33	**21,030**	17,309
Amounts due to subsidiaries	20	**49,410**	—
Amount due to a fellow subsidiary	25	**2,558**	—
		72,998	17,309
Total liabilities		**284,071**	17,309
Total equity and liabilities		**10,318,670**	7,807,933
Net current assets		**1,736,346**	1,944,455
Total assets less current liabilities		**10,245,672**	7,790,624

Li Xiaolin

Director

Liu Guangchi

Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2007

	Attributable to equity holders of the Company					
	Share capital (Note 27) RMB'000	**Share premium** RMB'000	**Other reserves (Note 28)** RMB'000	**Accumulated losses (Note 28)** RMB'000	**Minority interests** RMB'000	**Total** RMB'000
Balance at 1 January 2007	3,798,104	2,754,586	3,331,289	(804,764)	25,826	9,105,041
Deferred tax on change in tax rate for net revaluation surplus of property, plant and equipment						
- Group (Note 35)	—	—	(9,075)	—	—	(9,075)
- An associated company	—	—	(487)	—	—	(487)
Release of revaluation reserve upon disposal of property, plant and equipment						
- Group	—	—	(544)	544	—	—
- An associated company	—	—	(210)	210	—	—
Increase in fair value of available-for-sale financial assets (Note 22(b))	—	—	1,962,630	—	—	1,962,630
Deferred tax on increase in fair value of available-for-sale financial assets (Note 35)	—	—	(211,073)	—	—	(211,073)
Disposal of subsidiaries	—	—	(89,339)	89,339	—	—
Net income recognised directly in equity	—	—	1,651,902	90,093	—	1,741,995
Profit for the year	—	—	—	592,435	(1,006)	591,429
Total recognised income and expense	—	—	1,651,902	682,528	(1,006)	2,333,424
Employee share option benefits	—	—	8,371	—	—	8,371
Exercise of share options	506	775	—	—	—	1,281
Lapse of share options	—	—	(747)	747	—	—
2006 final dividend (Note 14)	—	—	—	(288,408)	—	(288,408)
Contribution from minority shareholders of a subsidiary	—	—	—	—	19,638	19,638
	506	775	7,624	(287,661)	19,638	(259,118)
Balance at 31 December 2007	3,798,610	2,755,361	4,990,815	(409,897)	44,458	11,179,347

For the year ended 31 December 2007

	Attributable to equity holders of the Company					
	Share capital (Note 27) RMB'000	**Share premium** RMB'000	**Other reserves (Note 28)** RMB'000	**Accumulated losses (Note 28)** RMB'000	**Minority interests** RMB'000	**Total** RMB'000
Balance at 1 January 2006	3,323,100	1,507,626	3,237,652	(1,259,989)	11,044	6,819,433
Net revaluation surplus of property, plant and equipment						
- Group	—	—	95,260	—	—	95,260
- An associated company	—	—	13,545	—	—	13,545
Deferred tax on net revaluation surplus of property, plant and equipment						
- Group (Note 35)	—	—	(14,287)	—	—	(14,287)
- An associated company	—	—	(2,032)	—	—	(2,032)
Net income recognised directly in equity	—	—	92,486	—	—	92,486
Profit for the year	—	—	—	702,767	(1,092)	701,675
Total recognised income and expense	—	—	92,486	702,767	(1,092)	794,161
Issuance of new shares						
– Placing of shares	474,897	1,282,223	—	—	—	1,757,120
– Exercise of share options	107	162	—	—	—	269
Share issuance expenses	—	(35,425)	—	—	—	(35,425)
Employee share option benefits	—	—	1,274	—	—	1,274
Lapse of share options	—	—	(123)	123	—	—
2005 final dividend	—	—	—	(247,665)	—	(247,665)
Contribution from minority shareholders of a subsidiary	—	—	—	—	15,874	15,874
	475,004	1,246,960	1,151	(247,542)	15,874	1,491,447
Balance at 31 December 2006	3,798,104	2,754,586	3,331,289	(804,764)	25,826	9,105,041

Consolidated Cash Flow Statement

For the year ended 31 December 2007

	Note	Year ended 31 December 2007 RMB'000	2006 RMB'000
Cash flows from operating activities			
Cash generated from operations	36(a)	**646,468**	1,110,660
Interest paid		**(482,095)**	(269,595)
PRC income tax paid		**(71,852)**	(90,017)
Net cash generated from operating activities		**92,521**	751,048
Cash flows from investing activities			
Balance payment for acquisition of a subsidiary		**—**	(15,941)
Prepayment for investment		**(25,593)**	(1,665,133)
Payments for property, plant and equipment		**(2,798,371)**	(2,466,355)
New prepayment for construction of power plants		**(526,689)**	(1,714,137)
Proceeds from disposal of property, plant and equipment		**840**	1,421
Increase in other long-term prepayments		**(29,688)**	(28,980)
Disposal of subsidiaries, net of cash disposed	36(b)	**258,965**	—
Dividends received		**176,926**	75,962
Interest received		**23,794**	56,469
Net cash used in investing activities		**(2,919,816)**	(5,756,694)

For the year ended 31 December 2007

	Note	Year ended 31 December 2007 RMB'000	2006 RMB'000
Cash flows from financing activities			
New bank borrowings		**5,242,350**	3,529,500
Short-term loan from CPIF		**—**	140,000
Contributions from minority shareholders of a subsidiary		**19,638**	15,874
Issuance of new shares		**1,281**	1,757,389
Share issuance expenses		**—**	(35,425)
Repayment of bank borrowings		**(2,603,000)**	(894,500)
Repayment of short-term loan from CPIF		**(140,000)**	—
Repayment of other borrowings		**(98,000)**	—
Repayment of long-term payable to SEPC		**(19,437)**	(542)
Dividends paid		**(288,408)**	(247,665)
Net cash generated from financing activities		**2,114,424**	4,264,631
Net decrease in cash and cash equivalents		**(712,871)**	(741,015)
Cash and cash equivalents at 1 January		**1,446,928**	2,187,943
Cash and cash equivalents at 31 December	26	**734,057**	1,446,928

1 GENERAL INFORMATION

China Power International Development Limited (the "Company") was incorporated in Hong Kong on 24 March 2004 as a limited liability company under the Hong Kong Companies Ordinance. The Company's shares were listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 15 October 2004.

The principal activities of the Company and its subsidiaries (together, the "Group") are principally engaged in the generation and sale of electricity, investment holdings and the development of power plants in the People's Republic of China (the "PRC").

These consolidated accounts are presented in thousands of Renminbi ("RMB'000"), unless otherwise stated, and have been approved for issue by the Board on 14 April 2008.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated accounts are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated accounts have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). These consolidated accounts are prepared under the historical cost convention except that property, plant and equipment are stated at revalued amount less subsequent accumulated depreciation and accumulated impairment losses; and available-for-sale financial assets, and certain financial assets and financial liabilities (including derivative instruments) are measured at fair value, as appropriate.

The preparation of accounts in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated accounts, are disclosed in Note 4.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.1 Basis of preparation *(Continued)*

The following standards, amendments to standards and interpretations are mandatory for the financial year ended 31 December 2007.

HKAS 1 (Amendment)	Presentation to Financial Statements: Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment

The adoption of the above standards, amendments to standards and interpretations did not have any significant financial impact to the Group.

The following new standards, amendments to standards and interpretations have been issued but are not effective for 2007 and have not been early adopted:

HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Amendment)	Borrowing Costs
HKFRS 8	Operating Segments
HK(IFRIC)-Int 11	HKFRS 2 - Group and Treasury Share Transactions
HK(IFRIC)-Int 12	Service Concession Arrangements
HK(IFRIC)-Int 13	Customer Loyalty Programmes
HK(IFRIC)-Int 14	HKAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The directors anticipate that the adoption of these new standards, amendments to standards and interpretations in future periods will have no significant financial impact to the Group.

In addition, the following standards and amendments were also in issue but not yet effective:

HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKFRS 2 (Amendment)	Share-based Payment Vesting Conditions and Cancellations
HKFRS 3 (Revised)	Business Combination

In preparing these accounts, the directors have taken into account all information that could reasonably be expected to be available and have ascertained that the Group has obtained adequate financial resources to support the Group to continue in operational existence for the foreseeable future. Under these circumstances, the directors consider that it is proper to prepare the accounts on a going concern basis notwithstanding that at 31 December 2007, the Group's current liabilities exceeded its current assets by RMB822,132,000.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.2 Consolidation

The consolidated accounts include the accounts of the Company and all of its subsidiaries made up to 31 December.

(a) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interests. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the profit and loss account (Note 2.7).

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet the investments in subsidiaries are stated at cost less provision for impairment losses (Note 2.8). The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

(b) Minority interests

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group that are recorded in the consolidated profit and loss account. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.2 Consolidation *(Continued)*

(c) Associated companies

Associated companies are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investment in an associated company is accounted for using the equity method of accounting and is initially recognised at cost. The Group's investments in associated companies includes goodwill (net of any accumulated impairment loss) identified on acquisition, if any (Note 2.7).

The Group's share of its associated companies' post-acquisition profits or losses is recognised in the consolidated profit and loss account, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investments. When the Group's share of losses in an associated company equals or exceeds its interest in the associated company, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associated company.

Unrealised gains on transactions between the Group and its associated companies are eliminated to the extent of the Group's interests in the associated companies. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associated companies have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains or losses in an associated company is recognised in the consolidated profit and loss account.

In the Company's balance sheet the investment in an associated company is stated at cost less provision for impairment losses (Note 2.8). The results of associated companies are accounted for by the Company on the basis of dividend received and receivable.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.3 Foreign currency translation

(a) Functional and presentation currency

Items included in the accounts of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The principal activities of the Group are transacted in RMB and accordingly the consolidated accounts are presented in RMB, which is the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

Translation differences on non-monetary financial assets such as equities classified as available-for-sale are included in the available-for-sale reserve in equity.

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each profit and loss account are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) all resulting exchange differences are recognised as a separate component of equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.4 Property, plant and equipment

Property, plant and equipment other than construction in progress (see Note 2.5 below) are recognised initially at cost. Cost comprises purchase price, costs transferred from construction in progress and any directly attributable costs of bringing the assets to the condition for their intended use.

Subsequent to the initial recognition, property, plant and equipment other than construction in progress are carried at their revalued amounts less subsequent accumulated depreciation and impairment losses. Independent valuations, on a market value basis or depreciated replacement cost basis when there is no evidence of market value for such an item, are performed on a regular basis with an interval of not more than five years. In the intervening years, the directors review the carrying values of the assets and adjustment is made where they consider that there has been a material change.

Increases in the carrying amount arising on revaluation are credited to the revaluation reserve. Decreases that offset previous increases of the same asset are charged against revaluation reserve directly in equity; all other decreases are expensed in the profit and loss account. Any subsequent increases are credited to the profit and loss account up to the amount previously charged. Upon the disposal of the assets, any revaluation reserve balance remaining attributable to the relevant asset is transferred from the revaluation reserve to retained earnings and is shown as a movement in reserves.

Depreciation of property, plant and equipment (other than construction in progress) is calculated using the straight-line method to allocate their costs or revalued amounts to their residual values over their estimated useful lives, as follows:

Leasehold improvements	Over the lease term
Furniture and fixture	3 - 5 years
Buildings	8 - 45 years
Power generators and equipment	9 - 28 years
Electricity supply equipment	13 - 30 years
Tools and other equipment	3 - 18 years
Motor vehicles	2 - 12 years

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are expensed in the profit and loss account during the financial period in which they are incurred.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.8). Such impairment losses are recognised in the profit and loss account except where the asset is carried at valuation and the impairment losses do not exceed the revaluation surplus for that same asset, in which case it is treated as a revaluation decrease.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.4 Property, plant and equipment *(Continued)*

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the profit and loss account.

2.5 Construction in progress

Construction in progress represents property, plant and equipment under construction and pending installation and is stated at cost less accumulated impairment losses, if any. Cost includes the costs of construction of buildings, the costs of plant and machinery and interest charges arising from borrowings used to finance these assets during the period of construction or installation and testing. No provision for depreciation is made on construction in progress until such time as the relevant assets are completed and are available for the intended use. When the assets concerned are brought into use, the costs are transferred to other property, plant and equipment and depreciated in accordance with the policy as stated in Note 2.4 above.

2.6 Land use rights

Land use rights are stated at cost less accumulated amortisation and accumulated impairment losses (if any). Cost mainly represents consideration paid for the rights to use the land on which various plants and buildings are situated for a period of 50 years from the date the respective right was granted. Amortisation of land use rights is calculated on a straight-line basis over the period of the land use rights.

2.7 Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose (Note 2.8).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.8 Impairment of investments in subsidiaries, associated company and non-financial assets

Assets that have an indefinite useful life or have not yet available for use are not subject to depreciation/amortisation and are at least tested annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to depreciation/amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows ("cash-generating units"). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generated unit) in prior years. A reversal of an impairment loss is recognised immediately in the profit and loss account.

2.9 Financial assets

The Group classifies its financial assets in the following categories: loans and receivable and available-for-sale financial assets. The classification depends on the purposes for which the financial assets were acquired. Management determine the classification of its financial assets at initial recognition.

(a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets.

(b) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.9 Financial assets *(Continued)*

Investments are initially recognised at fair value plus transaction cost. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method, less any provision for impairment.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences on monetary securities are recognised in the profit or loss account; translation differences on non-monetary securities are recognised in equity. Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in equity.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the profit and loss account as gains and losses from investment securities. Dividends on available-for-sale equity instruments are recognised in the profit and loss account as part of other income when the Group's right to receive payments is established.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group established fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss - is removed from equity and recognised in the profit and loss account. Impairment losses recognised in the profit and loss account on equity instruments are not reversed through the profit and loss account. Impairment testing of accounts and other receivables is described in Note 2.11.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.10 Inventories

Inventories comprise coal, oil, consumable supplies and spare parts held for consumption and usage and are stated at the lower of cost and net realisable value after provision for obsolete items, and are expensed to fuel costs or repair and maintenance expense when used, or capitalised to property, plant and equipment when installed, as appropriate. Cost comprises purchase price and other costs incurred in bringing the inventories to their present location and condition and excludes borrowing costs.

2.11 Accounts and other receivables

Accounts and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of accounts and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the profit and loss account within other operating expenses. When a receivable is uncollectible, it is written off against the allowance account for receivables. Subsequently recoveries of amounts previously written off are credited to other gains in the profit and loss account.

2.12 Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits held at call with banks.

2.13 Financial liabilities and equity

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. Financial liabilities (including trade payables) are initially measured at fair value, and are subsequently measure at amortised cost, using the effective interest method. An equity instrument is any contract that does not meet the definition of financial liability and evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Ordinary shares are classified as equity. Incremental costs, net of tax, directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.14 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit and loss account over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2.15 Current and deferred income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries and associated company operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or a liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associated company, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.16 Employee benefits

(a) Pension obligations

The Group's contributions to the Mandatory Provident Fund Scheme established under the Hong Kong Mandatory Provident Fund Schemes Ordinance are expensed as incurred. Both the Group and its employees in Hong Kong are required to contribute 5% of each individual's relevant income with a maximum amount of HK$1,000 per month as a mandatory contribution. Employees may also elect to contribute more than the minimum as a voluntary contribution. The assets of the scheme are held separately from those of the Group and managed by independent professional fund managers.

For employees in Mainland China, the Group contributes on a monthly basis to various defined contribution plans organised by the relevant municipal and provincial governments in the PRC based on certain percentage of the relevant employees' monthly salaries. The municipal and provincial governments undertake to assume the retirement benefit obligations payable to all existing and future retired employees under these plans and the Group has no further constructive obligation for post-retirement benefits beyond the contributions made. Contributions to these plans are expensed as incurred.

(b) Bonus entitlements

The expected cost of bonus payments is recognised as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made. Liabilities of bonus plan are expected to be settled within twelve months and are measured at the amounts expected to be paid when they are settled.

(c) Share-based compensation

The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each balance sheet date, the entity revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision of original estimates, if any, in the profit and loss account, with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.17 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligations using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.18 Deferred income

Deferred income represents subsidies received from government in connection with the purchases of property, plant and equipment and special grants for environmental improvement projects. Subsidies and grants received are initially recognised at their fair values where there is a reasonable assurance that the subsidies and grants will be received and the Group will comply with all attached conditions. Deferred income is included in non-current liabilities and are credited to the profit and loss account on a straight-line basis over the expected lives of the related assets and projects.

2.19 Operating lease

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made or received under operating leases (net of any incentives received from the lessor) are charged or credited to the profit and loss account on a straight-line basis over the period of the lease.

2.20 Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. All borrowing costs are charged to the profit and loss account in the period in which they are incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.21 Revenue and income recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax and discounts and after eliminating sales within the Group.

The Group recognises revenue and income when the amount can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below.

(i) Sales of electricity are recognised when electricity is generated and transmitted.

(ii) Management fee income and repairs and maintenance services fee income are recognised when services are rendered.

(iii) Operating lease rental income is recognised on a straight-line basis over the lease periods.

(iv) Interest income is recognised on a time-proportion basis using the effective interest method.

2.22 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's accounts in the period in which the dividends are approved by the Company's shareholders or directors as appropriate.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risks (including: foreign exchange risk, interest rate risks and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The use of financial derivatives to hedge certain risk exposures is governed by the Group's policies approved by the Board. The Group does not use derivative financial instruments for speculative purposes.

3 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.1 Financial risk factors *(Continued)*

(a) Foreign exchange risk

The Group mainly operates in the PRC with most of the transactions settled in RMB. Foreign exchange risk arises when future commercial translation or recognised assets and liabilities are denominated in a currency that is not the entity's functional currency. The Group is exposed to foreign exchange risk primarily with respect to Hong Kong Dollars ("HK$").

The Group's assets and liabilities, and transactions arising from its operations primarily do not expose to material foreign exchange risk. Other than certain cash and bank balances, the Group's assets and liabilities are primarily denominated in RMB. The Group generates RMB from sales in the PRC to meet its liabilities denominated in RMB. The Group has not used any forward contracts or currency borrowings to hedge its exposure as the cost-benefit is considered not effective.

As at 31 December 2006 and 2007, certain of the Group's cash and bank balances were denominated in HK$, details of which have been disclosed in Note 26. RMB experienced certain appreciation in recent years which is the major reason for the exchange losses recognised by the Group for the years ended 31 December 2006 and 2007. Further depreciation or appreciation of HK$ against RMB will affect the Group's financial position and results of operations.

At 31 December 2007, if HK$ had weakened/strengthened by 10% against RMB, with all other variables held constant, post-tax profit for the year would have been RMB42,150,000 (2006: RMB47,689,000) lower/higher, mainly as a result of foreign exchange losses/gains on translation of HK dollar-denominated cash and bank balances.

(b) Interest rate risks

The Group's income and operating cash flows are substantially independent of changes in market interest rates and the Group has no significant interest-bearing assets except for the cash and cash equivalents, details of which have been disclosed in Note 26. The Group's exposure to changes in interest rates is mainly attributable to its borrowings, details of which have been disclosed in Notes 29 to 31. Borrowings carried at floating rates expose the Group to cash flow interest rate risk whereas borrowings carried at fixed rates expose the Group to fair value interest rate risk. The Group has not used any interest rate swaps to hedge its exposure to interest rate risk.

At 31 December 2007, if the interest rates on bank borrowings had been 50 basis points higher/lower than the prevailing rate announced by the People's Bank of China, with all other variables held constant, post-tax profit for the year would have been RMB10,820,000 (2006: RMB4,378,000) lower/higher, mainly as a result of higher/lower interest expense on floating rate bank borrowings.

3 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.1 Financial risk factors *(Continued)*

(c) Price risk

The Group is exposed to equity securities price risk in respect of investments held by the Group which are classified as available-for-sale financial assets. The Group's available-for-sale financial assets are publicly traded. However, the Group does not trade these investments as such investments are held for strategic rather than trading purpose. The volatility of stock market is generally significant recently. At 31 December 2007, if the quoted market price of the equity investments held by the Group had increased/decreased by 10% to 30%, with all other variables held constant, the results of the Group would have been unaffected as the investment are classified as available-for-sale and no investments were disposed of or impaired; and equity would have been RMB339,828,000 to RMB1,019,483,000 (2006: Nil) higher/lower, mainly as a result of the changes in fair value of available-for-sale financial assets.

The Group also exposes to commodity price risk mainly in relation to the coal price. At 31 December 2007, the Group entered into certain coal purchase contracts with coal suppliers in order to reduce its exposure to fluctuations in coal prices.

(d) Credit risk

The carrying amounts of cash at bank and term deposits, available-for-sale financial assets and receivables included in the consolidated balance sheet represent the Group's maximum exposure to credit risk in relation to its financial assets.

Substantially all of the Group's cash at bank and term deposits are held in major financial institutions, which management believes are of high credit quality. The Group's available-for-sale financial assets are also publicly traded in a recognised stock exchange. Management does not expect any losses from non-performance by these counterparties.

The Group is exposed to significant concentration of credit risk in terms of electricity sales as a majority of the Group's sales of electricity were made to regional and provincial power grid companies. The Group normally grants credit terms ranging from 15 to 60 days to these power grid companies and the Group normally does not require collaterals from trade debtors. Ageing analysis of the Group's accounts receivable is disclosed in Note 24. Management makes periodic collective assessment as well as individual assessment on the recoverability of account and other receivables based on historical payment records, the length of the overdue period, the financial strength of the debtors and whether there are any disputes with the relevant debtors. The Group's historical experience in collection of accounts and other receivables falls within the recorded allowances and the directors are of the opinion that adequate provision for uncollectible receivables has been made.

3 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.1 Financial risk factors *(Continued)*

(e) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents and the availability of funding through an adequate amount of committed credit facilities.

The Group's primary cash requirements have been for construction of power plants, additions of and upgrades on property, plant and equipment, payment on related debts and payment for purchases and operating expenses. The Group finances its working capital requirements through a combination of internal resources and short-term and long-term bank loans.

As at 31 December 2007,the net current liabilities of the Group amounted to RMB 822,132,000. Management monitors regularly the Group's current and expected liquidity requirements to ensure it maintains sufficient cash and cash equivalents and has available funding through adequate amount of committed banking facilities to meet its working capital requirements. The amount of undrawn credit facilities at the balance sheet date are disclosed in Note 29(f) to the accounts. The directors believe that the Group's current operating cash flows and credit facilities from banks are sufficient for financing its capital commitments in the near future and for working capital purposes.

3 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.1 Financial risk factors *(Continued)*

(e) Liquidity risk *(Continued)*

The table below analyses the Group's and the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Within 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000
Group				
At 31 December 2007				
Bank and other borrowings	**1,579,588**	**1,047,924**	**1,427,870**	**10,291,208**
Payables and accruals	**2,070,224**	**—**	**—**	**—**
Amount due to:				
ultimate holding company	**81,471**	**—**	**—**	**—**
fellow subsidiaries	**26,163**	**—**	**—**	**—**
Long-term payable to CPIF	**148,180**	**14,231**	**277,352**	**—**
At 31 December 2006				
Bank and other borrowings	2,740,000	879,133	671,518	4,701,144
Payables and accruals	967,377	—	—	—
Amount due to:				
ultimate holding company	68,889	—	—	—
fellow subsidiaries	3,279	—	—	—
Long-term payable to CPIF	18,911	148,180	291,583	—
Long-term payable to SEPC	848	848	20,710	—
Short-term loan from CPIF	146,803	—	—	—
Company				
At 31 December 2007				
Payables and accruals	**21,030**	**—**	**—**	**—**
Amount due to:				
subsidiaries	**49,788**	**—**	**—**	**—**
a fellow subsidiary	**2,558**	**—**	**—**	**—**
At 31 December 2006				
Payables and accruals	**17,309**	**—**	**—**	**—**

3 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group manages the capital structure and make adjustments to it in the light of changes in economic condition. In order to maintain or adjust the capital structure, the Group may adjust the dividend payments to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as "equity", as shown in the consolidated balance sheet, plus net debt.

The table below analyses the Group's capital structure as at 31 December 2007 and 2006.

	2007	2006
	RMB'000	RMB'000
Total bank and other borrowings (Note 29)	**8,777,350**	6,236,000
Total payables to CPIF (Note 30)	**398,158**	535,562
Long-term payable to SEPC	**—**	19,437
Less: Cash and cash equivalents (Note 26)	**(734,057)**	(1,446,928)
Net debt	**8,441,451**	5,344,071
Total equity	**11,179,347**	9,105,041
Total capital	**19,620,798**	14,449,112
Gearing ratio	**43%**	37%

The increase in the gearing ratio during 2007 resulted primarily from the additional borrowings obtained in order to finance the capital investments in the construction and development of new power plants.

3 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.3 Fair value estimation

The carrying amounts of the Group's current financial assets, including cash and cash equivalents, accounts receivable, deposits and other receivables and balances with group companies, and the Group's current financial liabilities including accounts payable, other payables and accrued charges, current borrowings and balances with group companies, approximate their fair values due to their short maturities.

The fair value of financial instruments traded in active markets (such as available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price.

The nominal values less any estimated credit adjustments for financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate available to the Group for similar financial instruments.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements used in preparing the accounts are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Property, plant and equipment carried at valuation

Property, plant and equipment other than construction in progress are revalued by independent valuers on a regular basis with an interval of not more than five years. In the intervening years the directors review the carrying values and adjustment is made where there has been a material change. In arriving at the valuation, assumptions and economic estimates have to be made.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(CONTINUED)*

(ii) Useful lives, residual values and depreciation charge of property, plant and equipment

The Group's management determines the estimated useful lives, residual values and related depreciation charges for the Group's property, plant and equipment, other than construction in progress. This estimate is based on the historical experience of the actual useful lives and residual values of property, plant and equipment of similar nature and functions. It could change significantly as a result of technological advancement and innovations in the power industry. Management will adjust the depreciation charge where useful lives or residual values are vary with previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives and actual residual values may differ from estimated residual values. Periodic review could result in a change in depreciable lives and residual values and therefore depreciation expense in the future periods.

(iii) Impairment of non-financial assets

The Group tests annually whether goodwill has suffered any impairment. Other assets reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts have been determined based on value-in-use calculations or fair value less costs to sell. These calculations require the use of judgements and estimates.

Management judgement is required in the area of asset impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related asset values may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs to sell and net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test and as a result affect the Group's financial condition and results of operations. If there is a significant adverse change in the projected performance and resulting future cash flow projections, it may be necessary to take an impairment charge to the profit and loss account.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(CONTINUED)*

(iv) Current and deferred taxation

The Group is subject to income taxes in various jurisdictions. Judgement is required in determining the provision for income taxes in each of these jurisdictions. There are transactions and calculations during the ordinary course of business for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such as differences will impact the income tax and deferred tax provisions in the period in which such determination in made.

Deferred tax assets relating to certain temporary differences are recognised when management considers it is probable that future taxable profits will be available against which the temporary differences or tax losses can be utilised. When the expectation is different from the original estimate, such differences will impact the recognition of deferred tax assets and taxation charges in the period in which such estimate is changed.

(v) Significant influence of an associated company

An associated company is an entity over which the Group has significant influence, but not control. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

In determining whether significant influence can be exercised over an entity, judgement is required in assessing the amount of influence that the Group can exert on the investee company's financial and operating policy decisions. In making this judgement, the Group evaluates the facts and circumstances after taking into account of, among other factors, the board composition of the investee company, the number of board members that the Group may nominate, the timeliness and sufficiency of financial information that can be made available to the Group, the details of the decision making process that the Group can participate, and the relative voting rights of board representatives from each shareholder. These circumstances may change from time to time as a result of a change in business strategies, shareholdings or relative voting rights of board representatives. Management continues to evaluate the situation and when there are facts and circumstances indicating that the Group starts or ceases to be able to exercise significant influence on the investee company, the Group may account for the investment differently in accordance with the relevant accounting policies.

5 TURNOVER, REVENUE AND SEGMENT INFORMATION

Revenue recognised during the year is as follows:

	2007 RMB'000	2006 RMB'000
Sales of electricity to regional and provincial power grid companies (note (a))	**5,569,226**	5,202,934
Provision for power generation services (note (b))	**338,075**	—
	5,907,301	5,202,934

Note:

(a) Pursuant to the power purchase agreements entered into between the Group and the respective regional and provincial power grid companies, the Group's sales of electric power were made to these power grid companies at the tariff rates agreed with the respective regional and provincial power grid companies as approved by the relevant government authorities.

(b) Provision for power generation services represents income from generation of electricity on behalf of other power plants based on mutually agreed prices.

Segment information

The Group's principal activities are the generation and sale of electricity, investment holdings and the development of power plants as a single business segment. Substantially all of the Group's assets, liabilities and capital expenditure are located or utilised in the PRC except that certain cash and bank balances equivalent to approximately RMB417 million were deposited in certain banks in Hong Kong at 31 December 2007 (2006: approximately RMB476 million). Accordingly, no segment information is presented.

6 OTHER INCOME

	2007 RMB'000	2006 RMB'000
Management fee income (Note 38)	**11,322**	14,196
Rental income	**5,480**	4,549
Repairs and maintenance services fee income	**24,920**	—
	41,722	18,745

7 OTHER GAINS

	2007 RMB'000	2006 RMB'000
Amortisation of deferred income	**9,541**	4,898
Write-back of provision for other receivables	**6,394**	1,816
Write-back of provision for amount due from SEPC	**—**	982
Write-back of previous revaluation deficits on property, plant and equipment	**—**	79,674
	15,935	87,370

8 OPERATING PROFIT

Operating profit is stated after charging/(crediting) the following:

	2007 RMB'000	2006 RMB'000
Amortisation of land use rights (Note 18)	**641**	386
Auditor's remuneration	**5,918**	5,248
Depreciation of property, plant and equipment (Note 16)	**460,084**	376,206
(Gain)/loss on disposal of property, plant and equipment	**(382)**	4,628
Operating lease rental in respect of leasehold land and buildings	**32,728**	24,609
Revaluation deficits on property, plant and equipment	**—**	18,143
Staff costs including directors' emoluments (Note 11)	**333,625**	354,908
Write-off of pre-operating expenses	**27,336**	24,064

9 FINANCE COSTS

	2007 RMB'000	2006 RMB'000
Interest expense on		
- bank borrowings wholly repayable within five years	**268,349**	196,263
- bank borrowings not wholly repayable within five years	**196,850**	46,779
- other borrowings wholly repayable within five years	**—**	5,280
- long-term payable to related companies wholly repayable within five years	**21,824**	20,525
	487,023	268,847
Less: Amounts capitalised in property, plant and equipment	**(327,530)**	(180,085)
	159,493	88,762
Net exchange losses	**25,457**	44,727
	184,950	133,489

Amounts capitalised are borrowing costs related to funds borrowed specifically for the purpose of obtaining qualifying assets. The weighted average interest rate on such capitalised borrowings is approximately 5.9% (2006: 5.7%) per annum.

10 TAXATION

No Hong Kong profits tax has been provided for as the Group did not have any estimated assessable profit in Hong Kong for the year (2006: Nil).

The provision for PRC current income tax is calculated based on the statutory tax rate of 33% on the estimated assessable income for the year except as disclosed below.

The amount of taxation charged/(credited) to the consolidated profit and loss account represents:

	2007	2006
	RMB'000	RMB'000
PRC current income tax	**72,827**	94,965
Deferred income tax (credit)/charge (Note 35)	**(3,350)**	9,513
	69,477	104,478

The taxation on the Group's profit before taxation differs from the theoretical amount that would arise using the taxation rate of the country where the Group principally operates as follows:

	2007	2006
	RMB'000	RMB'000
Profit before taxation	**660,906**	806,153
Less: Share of loss/(profit) of associated companies	**47,909**	(102,053)
	708,815	704,100
Calculated at the PRC statutory tax rate of 33% (2006: 33%)	**233,909**	232,353
Effect of preferential tax rate	**(94,473)**	(146,169)
Effect of tax holiday	**(12,824)**	(17,968)
Effect of different taxation rates	**12,153**	7,211
Income not subject to taxation	**(118,455)**	(16,588)
Expenses not deductible for taxation purposes	**50,867**	45,639
Effect of changes in tax rates	**(1,700)**	—
Taxation charge	**69,477**	104,478

10 TAXATION *(CONTINUED)*

Share of taxation attributable to associated companies for the year ended 31 December 2007 of RMB23,230,000 (2006: RMB17,436,000) are included in the Group's share of (loss)/profit of associated companies for the year.

Pursuant to the relevant PRC income tax rules and regulations, special income tax rates have been granted to certain subsidiaries of the Group and the associated company as being foreign invested enterprises which are engaged in the energy, transportation or infrastructure activities. These companies are subject to a tax rate of 15% for the year followed by tax rates gradually increased from 18% to 25% in the ensuing five years towards year 2012. A subsidiary acquired by the Group in year 2005 was entitled to a two-year exemption from income tax in year 2005 and 2006 and a reduction in income tax rate at 7.5% for the year. The company will be subject to tax rates gradually increased from 9% to 25% in the ensuing five years towards 2012. A subsidiary of the Group that started operations during the year also entitled to a two-year exemption from income tax starting year 2007 followed by a 50% reduction in income tax rate towards year 2011 at rates gradually increased from 10% to 12% and at 25% thereafter.

11 STAFF COSTS

	2007 **RMB'000**	2006 RMB'000
Wages, salaries and bonuses	**181,087**	224,155
Share options granted to directors and employees (Note 27(b))	**8,371**	1,274
Pension costs - defined contribution plans	**50,711**	45,346
Staff welfare	**93,456**	84,133
	333,625	354,908

12 PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The profit attributable to equity holders of the Company is dealt with in the accounts of the Company to the extent of RMB570,491,000 (2006: RMB720,730,000).

13 EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of shares in issue during the year.

	2007	2006
Profit attributable to equity holders of the Company (RMB'000)	**592,435**	702,767
Weighted average number of shares in issue (shares in thousands)	**3,605,563**	3,180,106
Basic earnings per share (RMB)	**0.16**	0.22

(b) Diluted

Diluted earnings per share is calculated based on the weighted average number of shares in issue during the year plus the weighted average number of shares deemed to be issued at no consideration if all outstanding options had been exercised.

	2007	2006
Profit attributable to equity holders of the Company (RMB'000)	**592,435**	702,767
Weighted average number of shares in issue (shares in thousands)	**3,605,563**	3,180,106
Adjustment for share options (shares in thousands)	**4,013**	2,063
Adjusted weighted average number of shares for diluted earnings per share (shares in thousands)	**3,609,576**	3,182,169
Diluted earnings per share (RMB)	**0.16**	0.22

14 DIVIDENDS

	2007 **RMB'000**	2006 RMB'000
Proposed final dividend of RMB0.054 (2006: RMB0.08) per share	**194,703**	288,408

The dividend paid during the year ended 31 December 2007 was RMB288,408,000 (or RMB0.08 per share). A final dividend in respect of 2007 of RMB0.054 per share, amounting to a total dividend of RMB194,703,000 is to be proposed at the Annual General Meeting on 28 May 2008. The accounts do not reflect this dividend payable.

15 EMOLUMENTS FOR DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' emoluments

The remuneration of each of the directors of the Company for the year ended 31 December 2007 is set out below:

Name of director	Fees RMB'000	Basic salary, housing allowance, other allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Employer's contribution to pension scheme RMB'000	Total RMB'000
Executive directors					
Ms. Li Xiaolin	—	1,429#	57	1	1,487
Mr. Hu Jiandong	—	1,095#	71	1	1,167
Non-executive directors					
Mr. Wang Binghua	194	478#	—	—	672
Mr. Gao Guangfu	116	362#	—	—	478
Independent non-executive directors					
Mr. Kwong Che Keung, Gordon	194	116	—	—	310
Mr. Li Fang	194	116	—	—	310
Mr. Tsui Yiu Wa, Alec	194	136	—	—	330

15 EMOLUMENTS FOR DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS *(CONTINUED)*

(a) Directors' emoluments *(Continued)*

The remuneration of each of the directors of the Company for the year ended 31 December 2006 is set out below:

Name of director	Fees RMB'000	Basic salary, housing allowance, other allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Employer's contribution to pension scheme RMB'000	Total RMB'000
Executive directors					
Ms. Li Xiaolin	—	905 #	317	10	1,232
Mr. Hu Jiandong	—	649 #	126	10	785
Non-executive directors					
Mr. Wang Binghua	205	237#	—	—	442
Mr. Gao Guangfu	123	68#	—	—	191
Independent non-executive directors					
Mr. Kwong Che Keung, Gordon	205	61	—	—	266
Mr. Li Fang	205	61	—	—	266
Mr. Tsui Yiu Wa, Alec	123	61	—	—	184

None of the directors of the Company waived any emoluments during the years ended 31 December 2006 and 2007.

Included in the amount were share-based compensation, which are determined based on the fair value of the share options granted to the relevant directors at the date of grant and recognised over the vesting periods. During the years ended 31 December 2006 and 2007, none of these options has been exercised by the directors.

15 EMOLUMENTS FOR DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS *(CONTINUED)*

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include 2 (2006: 2) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining 3 (2006: 3) individuals during the year are as follows:

	2007	2006
	RMB'000	RMB'000
Basic salaries, housing allowance, other allowances, share options and benefits in kind	**2,892**	1,654
Discretionary bonuses	**204**	394
Employers' contributions to pension schemes	**2**	39
	3,098	2,087

The emoluments fell within the following bands:

	Number of individuals	
	2007	2006
Nil to HK$1,000,000 (equivalent to RMB970,530 (2006: RMB1,022,490))	**1**	3
HK$1,000,000 to HK$2,000,000 (equivalent to RMB970,530 to RMB1,941,060 (2006: RMB1,022,490 to RMB2,044,980))	**2**	—

(c) During the year, no emoluments have been paid by the Group to the directors or any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

16 PROPERTY, PLANT AND EQUIPMENT

(a) Group

	Buildings and leasehold improvements RMB'000	Power generators and equipment RMB'000	Electricity supply equipment RMB'000	Furniture and fixture, tools and other equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
Cost or valuation							
At 1 January 2007	3,132,412	7,242,573	1,435,281	511,539	150,045	3,920,940	16,392,790
Additions	18,018	808	342	12,890	16,803	6,966,607	7,015,468
Disposals	(124)	(1,049)	(1,189)	(3,377)	(1,158)	—	(6,897)
Transfer	1,652,704	4,455,669	928,187	206,976	2,281	(7,245,817)	—
Disposal of subsidiaries (Note 36(b))	(161,875)	(26,545)	(1,392)	(47,581)	(71,583)	—	(308,976)
At 31 December 2007	4,641,135	11,671,456	2,361,229	680,447	96,388	3,641,730	23,092,385
Representing:							
Cost	1,670,722	4,456,477	928,529	219,866	19,084	3,641,730	10,936,408
Valuation	2,970,413	7,214,979	1,432,700	460,581	77,304	—	12,155,977
	4,641,135	11,671,456	2,361,229	680,447	96,388	3,641,730	23,092,385
Accumulated depreciation and impairment losses							
At 1 January 2007	1,560,501	5,241,395	1,060,219	246,845	77,056	—	8,186,016
Depreciation charge for the year	107,103	259,763	43,344	37,290	12,584	—	460,084
Disposals	(55)	(944)	(1,100)	(3,353)	(987)	—	(6,439)
Disposal of subsidiaries (Note 36(b))	(59,777)	(20,539)	(741)	(23,043)	(37,732)	—	(141,832)
At 31 December 2007	1,607,772	5,479,675	1,101,722	257,739	50,921	—	8,497,829
Net book value							
At 31 December 2007	3,033,363	6,191,781	1,259,507	422,708	45,467	3,641,730	14,594,556

16 PROPERTY, PLANT AND EQUIPMENT *(CONTINUED)*

(a) Group *(Continued)*

	Buildings and leasehold improvements RMB'000	Power generators and equipment RMB'000	Electricity supply equipment RMB'000	Furniture and fixture, tools and other equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
Cost or valuation							
At 1 January 2006	2,718,608	5,663,986	1,272,360	450,842	107,202	983,782	11,196,780
Additions	11,756	3,279	88	24,070	8,437	3,041,399	3,089,029
Disposals	(4,311)	(3,291)	(10,080)	(45,720)	(846)	—	(64,248)
Transfer	3,999	16,959	23,077	28,353	31,853	(104,241)	—
Revaluation	402,360	1,561,640	149,836	53,994	3,399	—	2,171,229
At 31 December 2006	3,132,412	7,242,573	1,435,281	511,539	150,045	3,920,940	16,392,790
Representing:							
Cost	—	—	—	—	—	3,920,940	3,920,940
Valuation	3,132,412	7,242,573	1,435,281	511,539	150,045	—	12,471,850
	3,132,412	7,242,573	1,435,281	511,539	150,045	3,920,940	16,392,790
Accumulated depreciation and impairment losses							
At 1 January 2006	1,124,554	3,533,955	897,532	217,918	79,612	—	5,853,571
Depreciation charge for the year	91,954	214,200	33,313	31,616	5,123	—	376,206
Disposals	(1,426)	(2,663)	(8,951)	(44,399)	(760)	—	(58,199)
Revaluation	345,419	1,495,903	138,325	41,710	(6,919)	—	2,014,438
At 31 December 2006	1,560,501	5,241,395	1,060,219	246,845	77,056	—	8,186,016
Net book value							
At 31 December 2006	1,571,911	2,001,178	375,062	264,694	72,989	3,920,940	8,206,774

16 PROPERTY, PLANT AND EQUIPMENT *(CONTINUED)*

(a) Group *(Continued)*

(i) As at 31 December 2007, certain of the Group's property, plant and equipment with carrying value of approximately RMB4,619 million (2006: RMB4,394 million) were situated on leasehold land in the PRC leased from China Power Investment Corporation (中國電力投資集團公司)("CPI Group") which held the rights on the leasehold land under long-term leases.The remaining period of the Group's rights on leasehold land as at 31 December 2007 are ranging from 12 to 18 years (2006: 13 to 19 years).

(ii) As at 31 December 2007, certain property, plant and equipment of the Group with carrying amount of approximately RMB580 million (2006: RMB727 million) was pledged as security for certain long-term bank borrowings of the Group (Note 29).

16 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(b) Company

	Leasehold improvements RMB'000	Office and other equipment RMB'000	Furniture and fixture RMB'000	Motor vehicles RMB'000	Total RMB'000
Cost or valuation					
At 1 January 2007	5,669	1,155	65	527	7,416
Additions	—	50	3	1,832	1,885
At 31 December 2007	5,669	1,205	68	2,359	9,301
Representing:					
Cost	—	50	3	1,832	1,885
Valuation	5,669	1,155	65	527	7,416
	5,669	1,205	68	2,359	9,301
Accumulated depreciation and impairment losses					
At 1 January 2007	2,059	228	24	19	2,330
Depreciation charge for the year	1,077	236	14	433	1,760
At 31 December 2007	3,136	464	38	452	4,090
Net book value					
At 31 December 2007	2,533	741	30	1,907	5,211

16 PROPERTY, PLANT AND EQUIPMENT *(CONTINUED)*

(b) Company *(Continued)*

	Leasehold improvements RMB'000	Office and other equipment RMB'000	Furniture and fixture RMB'000	Motor vehicles RMB'000	Total RMB'000
Cost or valuation					
At 1 January 2006	5,669	592	75	—	6,336
Additions	—	662	—	530	1,192
Disposals	—	(14)	—	—	(14)
Revaluation	—	(85)	(10)	(3)	(98)
At 31 December 2006	5,669	1,155	65	527	7,416
Representing:					
Cost	—	—	—	—	—
Valuation	5,669	1,155	65	527	7,416
	5,669	1,155	65	527	7,416
Accumulated depreciation and impairment losses					
At 1 January 2006	945	72	16	—	1,033
Depreciation charge for the year	1,114	192	15	18	1,339
Disposals	—	(4)	—	—	(4)
Revaluation	—	(32)	(7)	1	(38)
At 31 December 2006	2,059	228	24	19	2,330
Net book value					
At 31 December 2006	3,610	927	41	508	5,086

16 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(c) As detailed in Note 2.4, property, plant and equipment other than construction in progress are recognised initially at cost and are stated at revalued amount less subsequent accumulated depreciation and accumulated impairment losses. The latest independent valuation was performed by Sallmanns (Far East) Limited, independent valuers registered in Hong Kong, on a depreciated replacement cost or market value basis, where applicable, as at 31 December 2006.

The Directors have reviewed the carrying value of the Group's property, plant and equipment as at 31 December 2007 and are of the opinion that the amount is not materially different from the carrying amount that would have been recognised had these assets been carried at cost less accumulated depreciation and impairment losses or their fair values.

17 PREPAYMENT FOR CONSTRUCTION OF POWER PLANTS

Prepayment for construction of power plants represents advance payments made to contractors in connection with the construction of the Group's power plants including payments for equipment and machineries pending delivery to the relevant power plants for installation.

18 LAND USE RIGHTS

	2007 **RMB'000**	2006 RMB'000
Cost		
At 1 January	**19,097**	19,097
Additions	**29,505**	—
Disposal of subsidiaries (Note 36(b))	**(4,091)**	—
As at 31 December	**44,511**	19,097
Accumulated amortisation		
At 1 January	**579**	193
Amortisation charge for the year	**641**	386
Disposal of subsidiaries (Note 36(b))	**(43)**	—
At 31 December	**1,177**	579
Net book amount		
At 31 December	**43,334**	18,518

18 LAND USE RIGHTS *(CONTINUED)*

The amount represents cost of the land use rights in respect of land located in the PRC where certain of the Group's property, plant and equipment are built on. As at 31 December 2007, the remaining period of the land use rights ranged between 47 and 49 years.

19 GOODWILL

	2007	2006
	RMB'000	RMB'000
Cost		
As at 1 January and 31 December	**166,939**	166,939

Goodwill is allocated to Shanxi Shentou Electric Power Company Limited, a subsidiary of the Group.

For the purposes of impairment reviews, the recoverable amount of goodwill is determined based on value-in-use calculations. The value-in-use calculations use pre-tax cash flow projections based on financial budgets approved by management for the purposes of impairment reviews covering a five-year period.

There are a number of assumptions and estimates involved in the preparation of cash flow projections for the period covered by the approved budget. The pre-tax discount rate used for value-in-use calculations for goodwill is 9% (2006:9%). Management estimates the discount rate using pre-tax rates that reflect market assessments of the time value of money and the specific risks relating to the cash-generating unit. Other key assumptions applied in the impairment tests include the expected tariff rates, demands of electricity in the region where the power plant is located and fuel costs.

Management prepared the financial budgets taking into account actual and prior year performance and market development expectations. Management believes that any reasonably foreseeable change in any of the above key assumptions would not cause the carrying amount of goodwill to exceed the recoverable amount.

20 INVESTMENTS IN SUBSIDIARIES

	Company	
	2007	2006
	RMB'000	RMB'000
Unlisted investments, at cost (note (a))	**4,175,750**	3,623,450
Amounts due from subsidiaries (note (b))	**431,068**	—
Amounts due to subsidiaries (note (c))	**49,410**	—

Note:

(a) During the year, the Company made additional capital contribution to power plants under construction amounting to approximately RMB757 million.

(b) Except for an aggregate amount due from subsidiaries of RMB430,000,000 (2006: Nil) which carry interest ranging from 2.88% to 3.42% (2006: Nil) per annum and repayable within the next twelve months, amounts due from subsidiaries are unsecured, interest free and repayable on demand.

(c) The amounts due to subsidiaries are unsecured, repayable on demand, and carry interest at 0.72% to 0.81% (2006: Nil) per annum.

20 INVESTMENTS IN SUBSIDIARIES *(CONTINUED)*

The following is a list of the subsidiaries at 31 December 2007:

Name of companies	Place of establishment and operation	Paid up/ issued capital	Equity interest attributable to the Group	Type of legal entity	Principal activities
Interests held directly:					
Pingdingshan Yaomeng Power Generating Company Limited	The PRC	RMB866,000,000	100%	Wholly foreign-owned enterprise	Generation and sale of electricity
Anhui Huainan Pingwei Electric Power Generating Company Limited	The PRC	RMB841,600,000	100%	Wholly foreign-owned enterprise	Generation and sale of electricity
Huainan Pingwei No.2 Electric Power Generating Company Limited	The PRC	USD104,153,007	100%	Wholly foreign-owned enterprise	Generation and sale of electricity
Pingdingshan Yaomeng No.2 Power Generating Company Limited	The PRC	USD96,460,827	100%	Wholly foreign-owned enterprise	Generation and sale of electricity
Huanggang Dabieshan Power Generating Company Limited	The PRC	RMB584,426,622	93%	Sino-foreign equity joint venture	Development of power plants
Tianze Development Limited (“Tianze”)	British Virgin Islands	USD1	100%	Limited liability company	Investment holdings
中電恒源物流（北京）有限公司	The PRC	HK$5,000,000	100%	Wholly foreign-owned enterprise	Provision of logistics service
Interests held indirectly:					
Shanxi Shentou Electric Power Company Limited	The PRC	RMB501,681,030	100%	Wholly foreign-owned enterprise	Generation and sale of electricity
中電博亞企業管理（北京）有限公司	The PRC	HK$1,000,000	100%	Wholly foreign-owned enterprise	Provision of management service

21 INTEREST IN AN ASSOCIATED COMPANY

	Group		Company	
	2007	2006	**2007**	2006
	RMB'000	RMB'000	**RMB'000**	RMB'000
Unlisted investments, at cost	**552,500**	552,500	**552,500**	552,500
Share of undistributed post-acquisition reserves	**294,794**	298,175	**—**	—
	847,294	850,675	**552,500**	552,500

The following is the details of the associated company as at 31 December 2007:

Name of company	Place of establishment and operation	Paid up capital	Equity interest attributable to the Group	Type of legal entity	Principal activity
Associated company - interest held directly:					
Jiangsu Changshu Electric Power Generating Company Limited ("Changshu Company")	The PRC	RMB1,105,000,000	50%	Sino-foreign equity joint venture	Generation and sale of electricity

21 INTEREST IN AN ASSOCIATED COMPANY *(CONTINUED)*

The following is an extract of the operating results and financial position of Changshu Company, based on a set of unaudited management accounts of Changshu Company for the year prepared by management of the Group in accordance with those relevant accounting policies as set out in Note 2.

	2007	2006
	RMB'000	RMB'000
Operating results		
Turnover	**1,903,730**	1,865,541
Profit before taxation	**149,494**	238,977
Profit after taxation	**125,609**	204,105
Financial position		
Property, plant and equipment	**2,230,743**	2,227,666
Current assets	**449,732**	438,454
Current liabilities	**(823,742)**	(845,242)
Long-term liabilities	**(162,146)**	(119,529)
Net assets	**1,694,587**	1,701,349

Dividend income from the associated company for the year amounted to RMB65,699,000 (2006: RMB98,751,000).

22 PREPAYMENT FOR INVESTMENT AND AVAILABLE-FOR-SALE FINANCIAL ASSETS

(a) Prepayment for investment

Pursuant to an agreement entered into by the Company and CPI Group on 27 August 2004, the Company was granted a call option (the "Call Option") to acquire up to 25% equity interest in Shanghai Electric Power Co., Ltd. ("Shanghai Power"), a joint stock limited company incorporated in the PRC with its A shares listed on the Shanghai Stock Exchange. Pursuant to a resolution passed by an extraordinary general meeting of the Company on 6 December 2006, the shareholders granted their approval to exercise the Call Option to acquire 25% equity interest in Shanghai Power at an aggregate consideration of approximately RMB1,665 million (the "Acquisition"). As at 31 December 2006, the consideration was fully paid in cash to CPI Group and the amount was recorded as a prepayment for investment in Shanghai Power as at 31 December 2006.

22 PREPAYMENT FOR INVESTMENT AND AVAILABLE-FOR-SALE FINANCIAL ASSETS *(Continued)*

(b) Available-for-sale financial assets

During the year, the Acquisition was completed and the Group commenced to account for Shanghai Power as an associated company from 17 March 2007.

Included in the share of results of associated companies for the year ended 31 December 2007 was a share of Shanghai Power's adjusted post-acquisition net loss for the period from 17 March 2007 to 22 December 2007 (the "Relevant Period") amounting to RMB110,714,000, which is mainly attributable to a share of Shanghai Power's adjusted loss on changes in fair value of derivative component of its convertible bonds amounting to RMB213,000,000. During the Relevant Period, the Group also received dividend income from Shanghai Power amounting to RMB78,175,000.

During the Relevant Period, holders of these convertible bonds had substantially converted all these convertible bonds into new shares of Shanghai Power pursuant to the relevant terms and conditions. Consequently, the Group's interest in Shanghai Power has been diluted from 25% to 21.9% and a gain on deemed disposal of interest in Shanghai Power of RMB311,398,000 was recorded by the Group.

During the Relevant Period, Shanghai Power also experienced changes in certain substantial shareholders and as a result of a change in the composition of the Boardin Shanghai Power on 22 December 2007, the directors of the Company consider that the Group is no longer able to exercise significant influence over the financial and operating decisions of Shanghai Power despite that the Group held an aggregate 21.9% interest in Shanghai Power (also see Note 4(v)). Consequently, the Company ceased to account for Shanghai Power as an associated company and began to recognise its investment in Shanghai Power as "Available-for-sale financial assets" which is measured based on its fair value, with the changes in fair value recognised in equity.

As at 31 December 2007, the fair value of the Company's and the Group's interest in the equity securities of Shanghai Power amounted to RMB3,775,865,000 and the changes in the fair value of the Company's and the Group's interest in Shanghai Power amounting to RMB2,163,313,000 and RMB1,962,630,000 respectively were recorded in equity (Note 28).

22 PREPAYMENT FOR INVESTMENT AND AVAILABLE-FOR-SALE FINANCIAL ASSETS *(CONTINUED)*

(b) Available-for-sale financial assets *(Continued)*

The following is the details of the available-for-sale financial assets as at 31 December 2007:

Name of company	Place of establishment and operation	Registered and Paid up capital	Equity interest attributable to the Group	Type of legal entity	Principal activity
Shanghai Electric Power Co., Ltd	The PRC	RMB1,783,116,769	21.9%	Joint stock company with limited liability with its A shares listed on the Shanghai Stock Exchange	Investment holdings and the generation and sale of electricity

23 INVENTORIES

	Group	
	2007	2006
	RMB'000	RMB'000
Coal and oil	**125,041**	139,035
Spare parts and consumables	**152,802**	148,107
	277,843	287,142

24 ACCOUNTS RECEIVABLE

	Group	
	2007	2006
	RMB'000	RMB'000
Accounts receivable from regional and provincial power grid companies (note (a))	**798,887**	424,796
Accounts receivable from other companies (note (a))	**62,467**	—
	861,354	424,796
Notes receivable (note (b))	**421,720**	436,008
	1,283,074	860,804

24 ACCOUNTS RECEIVABLE *(CONTINUED)*

The carrying value of accounts and notes receivable approximate their fair values due to the short-term maturity. All accounts and notes receivable are denominated in RMB.

Note:

(a) The Group normally grants 15 to 60 days credit period to customers from the end of the month in which the sales are made. The ageing analysis of the accounts receivable is as follows:

	Group	
	2007	2006
	RMB'000	RMB'000
1 to 3 months	**844,762**	408,635
4 to 6 months	**16,169**	16,161
7 to 9 months	**423**	—
	861,354	424,796

The credit quality of accounts receivable that are neither past due nor impaired can be assessed by reference to the historical information about counterparty default rates. The existing counterparties do not have significant default in the past.

As of 31 December 2007, accounts receivable of RMB17,619,000 (2006: RMB16,161,000) were past due but not considered to be impaired because these mainly relate to receivables from regional and provincial power grid companies for which there is no recent history of default. The ageing analysis of these accounts receivable is as follows:

	2007	2006
	RMB'000	RMB'000
1 to 3 months	**1,027**	—
4 to 6 months	**16,169**	16,161
7 to 9 months	**423**	—
	17,619	16,161

As of 31 December 2007, no accounts receivable were impaired (2006:Nil).

(b) Notes receivable are analysed as follows:

	2007	2006
	RMB'000	RMB'000
Bank acceptance notes issued by related parties	**208,720**	193,008
Bank acceptance notes issued by third parties	**16,000**	—
Commercial acceptance notes issued by related parties	**177,000**	243,000
Commercial acceptance notes issued by third parties	**20,000**	—
	421,720	436,008

The notes receivable are normally with maturity period of 90 to 180 days (2006: 90 to 180 days). There is no recent history of default on notes receivable.

25 BALANCES WITH AN INTERMEDIATE HOLDING COMPANY AND FELLOW SUBSIDIARIES

The balances with an intermediate holding company and fellow subsidiaries are unsecured, interest free and are repayable on demand.

26 CASH AND CASH EQUIVALENTS

	Group		Company	
	2007	2006	**2007**	2006
	RMB'000	RMB'000	**RMB'000**	RMB'000
Cash at bank and in hand	**326,719**	289,647	**252,951**	26,132
Time deposits with initial term of less than three months	**407,338**	1,157,281	**407,338**	1,157,281
	734,057	1,446,928	**660,289**	1,183,413
Denominated in:				
HK$	**421,539**	476,887	**416,718**	475,787
RMB	**312,425**	969,892	**243,562**	707,615
USD	**93**	149	**9**	11
	734,057	1,446,928	**660,289**	1,183,413

(i) The weighted average effective interest rate on time deposits, with maturity ranging from 1 to 3 months, was 2.5% and 4.1% per annum during the years ended 31 December 2007 and 2006 respectively. Cash at bank earns interest at floating rates based on daily bank deposit rates.

(ii) The Group's cash and cash equivalents denominated in RMB are deposited with banks in the PRC. The conversion of these RMB denominated balances into foreign currencies and the remittance of funds out of the PRC is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

27 SHARE CAPITAL

(a) Authorised and issued capital

	Company	
	Number of shares (of HK$1 each)	RMB'000
Authorised:		
At 1 January 2006, 31 December 2006 and 31 December 2007	10,000,000,000	10,600,000
Issued and fully paid:		
At 1 January 2006	3,135,000,000	3,323,100
Placing of shares (note (i))	470,000,000	474,897
Exercise of share options (note (ii))	103,850	107
At 31 December 2006	3,605,103,850	3,798,104
Exercise of share options (note (ii))	507,000	506
At 31 December 2007	3,605,610,850	3,798,610

Note:

(i) On 27 November 2006, the Company completed a placing of 470,000,000 shares at a subscription price of HK$3.70 per share for an aggregate consideration of approximately HK$1,739 million (equivalent to approximately RMB1,757 million). Accordingly, 470,000,000 new shares of HK$1 each were issued at a premium of HK$2.70 each for cash. The premium on issue of shares of HK$1,269 million (equivalent to approximately RMB1,282 million) net of expenses of approximately HK$35 million (equivalent to approximately RMB35 million) was credited to the share premium account. These new shares rank pari passu in all respects with the existing shares.

(ii) During the year ended 31 December 2007, 507,000 new shares of HK$1 each (2006:103,850) were issued at a price of HK$2.53 each for cash upon the exercise of the relevant options to subscribe for 507,000 (2006: 103,850) shares of the Company under a share option scheme of the Company as detailed in note (b) (ii) below. These new shares rank pari passu in all respects with the existing shares.

27 SHARE CAPITAL *(CONTINUED)*

(b) Share option schemes

Pursuant to the written resolutions passed by the shareholders of the Company on 24 August 2004, two share option schemes, namely, Share Option Scheme (the "Option Scheme"), and Pre-IPO Share Option Scheme (the "Pre-IPO Scheme") were approved and adopted by the Company.

(i) Option Scheme

Under the Option Scheme, the Board of the Company may at its absolute discretion, offer any employees, directors (including executive and non-executive directors other than independent non-executive directors), chief executive and members of the management of the Company and the Group (the "Eligible Person") options to subscribe for shares of the Company (the "Shares"). Options may be granted without initial payment except the payment of HK$1 as nominal consideration for the grant. The exercise price of the share option shall be not less than the greater of (a) the closing price of the Shares as stated in the Stock Exchange's daily quotation sheet on the date, which must be a business day, of the written offer of the option (the "Offer Date"); (b) 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 Offer Date; and (c) the nominal value of the Shares.

The maximum number of Shares which may be issued upon the exercise of all options under the Option Scheme which have been granted and have neither lapsed nor been cancelled or exercised in full and all outstanding options granted and yet to be exercised under any other schemes of the Company or any of its subsidiaries (including the Pre-IPO Scheme) shall not exceed such number of Shares as shall represent 30% of the Company's issued share capital from time to time. The maximum number of Shares in respect of which options may be granted to any Eligible Person in any 12-month period shall not exceed 1% of the Shares in issue.

27 SHARE CAPITAL *(CONTINUED)*

(b) Share option schemes *(Continued)*

(i) Option Scheme *(Continued)*

Details of the options granted under the Option Scheme outstanding as at 31 December 2007 are as follows:

	Date of grant	Expiry date	Exercise price	Number of shares subject to the options At 31 December 2007
Directors	4 April 2007	3 April 2017	HK$4.07	**4,870,000**
Senior management and other employees	4 April 2007	3 April 2017	HK$4.07	**15,759,000**
				20,629,000

During the year, the Company granted options under the Option Scheme to certain directors, senior management and other employees of the Group, which entitle them to subscribe for a total of 20,629,000 shares at HK$4.07 per share, upon payment of HK$1 per grant. Consideration in connection with all options granted were received.

Options granted are exercisable within a period of ten years within which there is a total vesting period of four years. Commencing from the first, second, third and fourth anniversaries of the offer date of an option, the relevant grantee may exercise up to 25%, 50%, 75% and 100% respectively of the Shares comprised in his or her option. The Group has no legal or constructive obligation to purchase or settle the options in cash.

The fair value of these options is to be expensed over the vesting period and the amount recognised for the year was RMB7,820,000.

27 SHARE CAPITAL *(CONTINUED)*

(b) Share option schemes *(Continued)*

(i) Option Scheme *(Continued)*

The fair value of options granted under the Option Scheme determined using the Black-Scholes Option Pricing Model were as follows:

	Date of grant of share options 4 April 2007
Option value	**HK$1.14**
Significant inputs into the valuation model:	
Exercise price	**HK$4.07**
Share price at grant date	**HK$4.07**
Expected volatility (Note)	**30.95%**
Risk-free interest rate	**4.16%**
Expected life of options	**6.25 years**
Expected dividend yield	**2.75%**

Note:

The volatility of the underlying stock during the life of the options is estimated based on the historical volatility of the Company since its listing on the Stock Exchange on 15 October 2004 up to the date of grant of the options.

(ii) Pre-IPO Share Option Scheme

The principal terms of the Pre-IPO Scheme are substantially the same as the terms of the Option Scheme except for the followings:

(a) the subscription price per Share shall be the offer price per Share on the initial public offering of the Company; and

(b) no options will be offered or granted upon the commencement of dealings in the Shares on the Stock Exchange.

27 SHARE CAPITAL *(CONTINUED)*

(b) Share option schemes *(Continued)*

(ii) Pre-IPO Share Option Scheme *(Continued)*

Details of the options granted under the Pre-IPO Scheme outstanding as at 31 December 2007 and 31 December 2006 are as follows:

	Date of grant	Expiry date	Exercise price	Number of shares subject to the options	
				31 December 2007	31 December 2006
Directors	18 September 2004	17 September 2014	HK$2.53	**4,361,500**	4,361,500
Senior management and other employees	18 September 2004	17 September 2014	HK$2.53	**3,696,900**	3,904,600
Senior management and other employees	11 October 2004	10 October 2014	HK$2.53	**2,473,000**	3,553,000
				10,531,400	11,819,100

Movements in the number of share options outstanding and their related weighted average exercise price are as follows:

	2007		2006	
	Average exercise price in HK$ per share	**Number of options**	Average exercise price in HK$ per share	Number of options
At 1 January	**2.53**	**11,819,100**	2.53	12,234,500
Exercised	**2.53**	**(507,000)**	2.53	(103,850)
Lapsed	**2.53**	**(780,700)**	2.53	(311,550)
At 31 December	**2.53**	**10,531,400**	2.53	11,819,100

Options granted are exercisable within a period of ten years within which there is a total vesting period of four years. Commencing from the first, second, third and fourth anniversaries of the offer date of an option, the relevant grantee may exercise up to 25%, 50%, 75% and 100% respectively of the Shares comprised in his or her option.

27 SHARE CAPITAL *(CONTINUED)*

(b) Share option schemes *(Continued)*

(ii) Pre-IPO Share Option Scheme *(Continued)*

Consideration in connection with all options granted were received. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

The fair value of these options is to be expensed over the vesting periods and the amount recognised for the year was RMB551,000 (2006: RMB1,274,000).

The fair values of options granted under the Pre-IPO Share Option Scheme determined using the Dividend Adjusted Black-Scholes Option Pricing Model were as follows:

	Date of grant of share options	
	18 September 2004	**11 October 2004**
Option value	HK$1.14	HK$1.13
Significant inputs into the valuation model:		
Exercise price	HK$2.53	HK$2.53
Share price at grant date	HK$2.53	HK$2.53
Expected volatility (Note)	43.71%	43.28%
Risk-free interest rate	4.40%	4.41%
Expected life of options	6.3 years	6.3 years
Expected dividend yield	0.99%	0.99%

Note:

The volatility of the underlying stock during the life of the options is estimated based on the historical volatility of the comparable companies for the past four years as of the respective valuation date since there is no trading record of the Company's shares at the respective grant dates.

28 RESERVES

GROUP

	Merger reserve (note (i))	Capital reserve (note (ii))	Revaluation reserve	Available-for-sale investments	Statutory reserves (note (iii))	Share-based compensation reserve	Accumulated losses (note (iv))	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2007	350,395	2,293,848	536,248	—	137,972	12,826	(804,764)	2,526,525
Deferred tax on changes in tax rates for net revaluation surplus of property, plant and equipment								
– Group (Note 35)	—	—	(9,075)	—	—	—	—	(9,075)
– Associated company	—	—	(487)	—	—	—	—	(487)
Release of revaluation reserve upon disposal of property, plant and equipment								
– Group	—	—	(544)	—	—	—	544	—
– An associated company	—	—	(210)	—	—	—	210	—
Increase in fair value of available-for-sale financial assets (Note 22(b))	—	—	—	1,962,630	—	—	—	1,962,630
Deferred tax on increase in fair value of available-for-sale financial assets (Note 35)	—	—	—	(211,073)	—	—	—	(211,073)
Employee share option benefits	—	—	—	—	—	8,371	—	8,371
Lapse of share options	—	—	—	—	—	(747)	747	—
2006 final dividend (Note 14)	—	—	—	—	—	—	(288,408)	(288,408)
Disposal of subsidiaries	(43,847)	(31,000)	(14,492)	—	—	—	89,339	—
Profit for the year	—	—	—	—	—	—	592,435	592,435
At 31 December 2007	306,548	2,262,848	511,440	1,751,557	137,972	20,450	(409,897)	4,580,918

28 RESERVES *(CONTINUED)*

GROUP *(Continued)*

	Merger reserve (note (i)) RMB'000	Capital reserve (note (ii)) RMB'000	Revaluation reserve RMB'000	Statutory reserves (note (iii)) RMB'000	Share-based compensation reserve RMB'000	Accumulated losses (note (iv)) RMB'000	Total RMB'000
At 1 January 2006	350,395	2,293,848	443,762	137,972	11,675	(1,259,989)	1,977,663
Net revaluation surplus of property, plant and equipment							
– Group	—	—	95,260	—	—	—	95,260
– Associated company	—	—	13,545	—	—	—	13,545
Deferred tax on net revaluation surplus of property, plant and equipment							
– Group (Note 35)	—	—	(14,287)	—	—	—	(14,287)
– Associated company	—	—	(2,032)	—	—	—	(2,032)
Employee share option benefits	—	—	—	—	1,274	—	1,274
Lapse of share options	—	—	—	—	(123)	123	—
2005 final dividend	—	—	—	—	—	(247,665)	(247,665)
Profit for the year	—	—	—	—	—	702,767	702,767
At 31 December 2006	350,395	2,293,848	536,248	137,972	12,826	(804,764)	2,526,525

28 RESERVES *(CONTINUED)*

Note:

(i) Merger reserve

The merger reserve of the Group represents the difference between the nominal amount of the share capital issued by the Company and the nominal amount of the registered capital of the subsidiaries transferred to the Company pursuant to the reorganisation of the Group took place in 2004.

(ii) Capital reserve

Capital reserve represents the difference between the fair value of the net assets injected by the owner of the relevant companies of the Group and the registered capital of these companies upon their establishment.

(iii) Statutory reserves

Statutory reserves are non-distributable and the transfers to these funds are determined by the Board of the relevant PRC subsidiaries and associated company in accordance with the relevant laws and regulations in the PRC.

(iv) Accumulated losses

Accumulated losses retained by the Company and subsidiaries and the associated company mainly represent deficits from revaluation of certain property, plant and equipment of certain subsidiaries and the associated company which have been accounted for in the Group's consolidated profit and loss account in prior years. In the local statutory accounts of the relevant subsidiaries and associated company, revaluation deficits have been dealt with in the respective company's capital reserves in accordance with the relevant local accounting rules and regulations. Profit distributions made by these companies were based on the distributable reserves as reported in the statutory accounts of the respective companies.

28 RESERVES *(CONTINUED)*

COMPANY

	Revaluation reserve RMB'000	Available-for-sale investments RMB'000	Share-based compensation reserve RMB'000	Retained earnings RMB'000	Total RMB'000
At 1 January 2007	**13**	**—**	**12,826**	**1,225,095**	**1,237,934**
Profit for the year	**—**	**—**	**—**	**570,491**	**570,491**
2006 final dividend (Note 14)	**—**	**—**	**—**	**(288,408)**	**(288,408)**
Employee share option benefits (Note 11)	**—**	**—**	**8,371**	**—**	**8,371**
Lapse of share options	**—**	**—**	**(747)**	**747**	**—**
Increase in fair value of available-for-sale financial assets (Note 22(b))	**—**	**2,163,313**	**—**	**—**	**2,163,313**
Deferred tax on changes in fair value of available -for-sale financial assets (Note 35)	**—**	**(211,073)**	**—**	**—**	**(211,073)**
At 31 December 2007	**13**	**1,952,240**	**20,450**	**1,507,925**	**3,480,628**
At 1 January 2006	—	—	11,675	751,907	763,582
Profit for the year	—	—	—	720,730	720,730
2005 final dividend	—	—	—	(247,665)	(247,665)
Employee share option benefits (Note 11)	—	—	1,274	—	1,274
Lapse of share options	—	—	(123)	123	—
Revaluation surplus on property, plant and equipment	13	—	—	—	13
At 31 December 2006	13	—	12,826	1,225,095	1,237,934

29 BORROWINGS

Bank and other borrowings are analysed as follows:

	Group 2007 RMB'000	Group 2006 RMB'000
Non-current		
Long-term bank borrowings		
– secured (Note (e))	**343,000**	493,000
– unsecured	**7,829,350**	4,315,000
	8,172,350	4,808,000
Less: current portion of long-term bank borrowings		
– secured	**(150,000)**	(150,000)
– unsecured	**(316,000)**	(846,000)
	7,706,350	3,812,000
Current		
Short-term bank borrowings, unsecured	**605,000**	1,330,000
Short-term other borrowings, unsecured (Note (d))	**—**	98,000
	605,000	1,428,000
Current portion of long-term bank borrowings	**466,000**	996,000
	1,071,000	2,424,000
Total borrowings	**8,777,350**	6,236,000

All the Group's bank and other borrowings are denominated in RMB and the carrying amounts of these borrowings approximate their fair values.

29 BORROWINGS *(CONTINUED)*

(a) The repayment terms of the non-current bank borrowings are analysed as follows:

	Group	
	2007	2006
	RMB'000	RMB'000
Wholly repayable within five years	**1,137,850**	1,740,000
Not wholly repayable within five years	**7,034,500**	3,068,000
	8,172,350	4,808,000

(b) The Group's non-current bank borrowings were repayable as follows:

	Group	
	2007	2006
	RMB'000	RMB'000
Within one year	**466,000**	996,000
In the second year	**571,850**	651,000
In the third to fifth year	**100,000**	93,000
After the fifth year	**7,034,500**	3,068,000
	8,172,350	4,808,000

(c) The effective interest rates of the Group's bank borrowings are as follows:

	Group	
	2007	2006
	RMB'000	RMB'000
Long-term bank borrowings, at floating rates	**6.2%**	5.8%
Short-term bank borrowings, at floating rates	**5.9%**	5.3%

(d) Other borrowings represented loan from 中國電力財務有限公司, a financial institution approved by the relevant PRC authorities, which was unsecured and carried interest at a fixed rate of 5.02% per annum. The loan was repaid in full during the year.

(e) The long-term bank borrowings of RMB343,000,000 (2006: RMB493,000,000) are secured by certain property, plant and equipment of the Group (Note 16).

29 BORROWINGS *(CONTINUED)*

(f) At 31 December 2007, the Group had the following undrawn committed borrowing facilities:

	Group	
	2007	2006
	RMB'000	RMB'000
Expiring after the fifth year, at floating rates	**4,355,500**	8,322,000

30 LONG-TERM PAYABLE TO AND SHORT-TERM LOAN FROM CPIF

	Group	
	2007	2006
	RMB'000	RMB'000
Non-current		
Long-term payable to CPIF (Note (a))	**398,158**	395,562
Less: current portion of long-term payable to CPIF	**(127,863)**	—
	270,295	395,562
Current		
Short-term loan from CPIF (Note (b))	**—**	140,000
Current portion of long-term payable to CPIF	**127,863**	—
	127,863	140,000
	398,158	535,562

30 LONG-TERM PAYABLE TO AND SHORT-TERM LOAN FROM CPIF *(CONTINUED)*

Note:

(a) Balance represents amounts payable to CPIF, which are unsecured and are repayable as follows:

	Group	
	2007	2006
	RMB'000	RMB'000
Repayable by 5 November 2008, bearing interest at 3.6% per annum	**127,863**	125,267
Repayable by 30 June 2010, bearing interest at 5.27% per annum	**270,295**	270,295
	398,158	395,562

The carrying amount of the long-term payables to CPIF approximates their fair values.

(b) The short-term loan from CPIF was unsecured, carried interest at a fixed rate of 5.5% per annum and was repaid in full during the year.

31 LONG-TERM PAYABLE TO SEPC

The long-term payable to SEPC (山西省電力公司) was unsecured, carried interest at a fixed rate of 5.52% per annum and was repaid in full during the year.

32 ACCOUNTS PAYABLE

	Group	
	2007	2006
	RMB'000	RMB'000
Accounts payable	**370,093**	226,535
Due to related parties (Note 38)	**58,537**	13,709
	428,630	240,244

Accounts payable are denominated in RMB and the carrying amount of accounts payable approximates their fair values due to their short maturity.

32 ACCOUNTS PAYABLE *(CONTINUED)*

The normal credit period for accounts payable generally ranges from 60 to 180 days. Ageing analysis of accounts payable is as follows:

	Group	
	2007	2006
	RMB'000	RMB'000
1 to 6 months	**420,554**	228,266
7 to 12 months	**880**	1,703
Over 1 year	**7,196**	10,275
	428,630	240,244

Amounts due to other related companies mainly represent balances arising from transactions with those companies as detailed in Note 38 below.

33 OTHER PAYABLES AND ACCRUED CHARGES

	Group		Company	
	2007	2006	**2007**	2006
	RMB'000	RMB'000	**RMB'000**	RMB'000
Salaries and staff welfare payable	**52,295**	59,541	**712**	—
Value added tax payable	**53,193**	45,893	**—**	—
Other taxes payable	**32,548**	28,412	**—**	—
Repair and maintenance expense payable	**—**	19,478	**—**	—
Insurance expense payable	**17,650**	14,739	**—**	—
Discharge fees payable	**9,936**	2,612	**—**	—
Interest payable	**5,656**	728	**—**	—
Other accrued expenses	**147,535**	133,117	**20,318**	17,309
	318,813	304,520	**21,030**	17,309

34 AMOUNT DUE TO ULTIMATE HOLDING COMPANY

The amount due to ultimate holding company is unsecured, interest free and is repayable on demand.

35 DEFERRED INCOME TAX

Deferred income taxes are calculated in respect of temporary differences under the liability method using the tax rates enacted or substantively enacted by the balance sheet date.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority. The following amounts, determined after appropriate offsetting, are shown in the balance sheet:

	Group		Company	
	2007	2006	**2007**	2006
	RMB'000	RMB'000	**RMB'000**	RMB'000
Net deferred income tax liabilities recognised on the balance sheet	**227,362**	10,907	**211,073**	—

The gross movement on the deferred income tax liabilities is as follows:

	Group		Company	
	2007	2006	**2007**	2006
	RMB'000	RMB'000	**RMB'000**	RMB'000
At 1 January	**10,907**	(12,893)	**—**	—
Charged directly to equity (Note 28)	**211,073**	14,287	**211,073**	—
Disposal of subsidiaries (Note 36(b))	**(343)**	—	**—**	—
(Credited)/charged to consolidated profit and loss account (Note 10)	**(1,650)**	9,513	**—**	—
Changes in tax rates				
– credited to consolidated profit and loss account (Note 10)	**(1,700)**	—	**—**	—
– charged directly to equity (Note 28)	**9,075**	—	**—**	—
At 31 December	**227,362**	10,907	**211,073**	—

35 DEFERRED INCOME TAX *(CONTINUED)*

The movement in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred tax liabilities:

	Group						Company	
	Revaluation surplus on property, plant and equipment		Changes in fair value of available-for-sale financial assets		Total		Changes in fair value of available-for-sale financial assets	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
At 1 January	**45,495**	—	**—**	—	**45,495**	—	**—**	—
Charged directly to equity	**—**	18,138	**211,073**	—	**211,073**	18,138	**211,073**	—
Disposal of subsidiaries (Note 36(b))	**(2,841)**	—	**—**	—	**(2,841)**	—	**—**	—
(Credited)/charged to consolidated profit and loss account	**(8,848)**	27,357	**—**	—	**(8,848)**	27,357	**—**	—
Changes in tax rates								
– charged to consolidated profit and loss account	**11,847**	—	**—**	—	**11,847**	—	**—**	—
– charged directly to equity	**11,138**	—	**—**	—	**11,138**	—	**—**	—
At 31 December	**56,791**	**45,495**	**211,073**	**—**	**267,864**	**45,495**	**211,073**	**—**

35 DEFERRED INCOME TAX *(CONTINUED)*

Deferred tax assets:

	Group							
	Revaluation deficit on property, plant and equipment		Provision for receivables		Provision for inventories obsolescence		Total	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
At 1 January	**(21,967)**	—	**(8,150)**	(8,422)	**(4,471)**	(4,471)	**(34,588)**	(12,893)
Credited directly to equity	**—**	(3,851)	**—**	—	**—**	—	**—**	(3,851)
Disposal of subsidiaries (Note 36(b))	**2,498**	—	**—**	—	**—**	—	**2,498**	—
Charged/(credited) to consolidated profit and loss account	**7,480**	(18,116)	**(282)**	272	**—**	—	**7,198**	(17,844)
Changes in tax rates								
– credited to consolidated profit and loss account	**(5,811)**	—	**(4,755)**	—	**(2,981)**	—	**(13,547)**	—
– credited directly to equity	**(2,063)**	—	**—**	—	**—**	—	**(2,063)**	—
At 31 December	**(19,863)**	**(21,967)**	**(13,187)**	**(8,150)**	**(7,452)**	**(4,471)**	**(40,502)**	**(34,588)**

The deferred income tax charged to equity during the year is as follows:

	Group		Company	
	2007	2006	**2007**	2006
	RMB'000	RMB'000	**RMB'000**	RMB'000
Revaluation reserve in shareholders' equity:- property, plant and equipment (Note 28)	**9,075**	14,287	**—**	—
Available-for-sale financial assets (Note 28)	**211,073**	—	**211,073**	—
	220,148	14,287	**211,073**	—

36 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of profit before taxation to cash generated from operations

	2007 RMB'000	2006 RMB'000
Profit before taxation	660,906	806,153
Share of loss/(profit) of associated companies	47,909	(102,053)
Interest expense	159,493	88,762
Depreciation of property, plant and equipment	460,084	376,206
Amortisation of land use rights	641	386
Amortisation of deferred income	(9,541)	(4,898)
(Gain)/loss on disposal of property, plant and equipment	(382)	4,628
Share-based compensation expense	8,371	1,274
Revaluation deficits on property, plant and equipment	—	18,143
Write-back of previous revaluation deficits on property, plant and equipment	—	(79,674)
Gain on deemed disposal of interest in an associated company	(311,398)	—
Interest income	(23,794)	(56,469)
Gain on disposal of subsidiaries	(16)	—
Operating profit before working capital changes	992,273	1,052,458
Increase in accounts receivable	(461,923)	(57,025)
(Increase)/decrease in prepayments, deposits and other receivables	(90,528)	30,983
Decrease/(increase) in inventories	7,909	(21,271)
(Increase)/decrease in amount due from an intermediate holding company	(24,873)	6,670
Increase in balances with fellow subsidiaries	(34,720)	(8,162)
Increase/(decrease) in accounts payable	190,700	(46,400)
Increase in other payables and accrued charges	37,552	43,183
Increase/(decrease) in amount due to ultimate holding company	12,582	(22,776)
Increase in deferred income	14,900	130,548
Increase in long-term payable to CPIF	2,596	2,452
Cash generated from operations	646,468	1,110,660

36 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(CONTINUED)*

(b) Disposal of subsidiaries

	2007 RMB'000
Net assets disposed of:	
Cash and cash equivalents	26,122
Property, plant and equipment	167,144
Land use rights	4,048
Inventories	1,390
Amount due from an intermediate holding company	22,690
Amounts due from fellow subsidiaries	28,193
Accounts receivable	39,653
Prepayments, deposits and other receivables	27,375
Deferred income tax assets	2,498
Tax recoverable	284
Accounts payable	(2,314)
Other payables and accrued charges	(28,674)
Amounts due to fellow subsidiaries	(489)
Deferred income tax liabilities	(2,841)
Tax payable	(8)
	285,071
Consideration	285,087
Gain on disposal of subsidiaries	16
Satisfied by:	
Consideration settled in cash	285,087
Cash and cash equivalents disposed	(26,122)
Cash inflow on disposal of subsidiaries	258,965

There were no disposals of subsidiaries in the year ended 31 December 2006.

37 COMMITMENTS

(a) Capital commitments

	Group		Company	
	2007	2006	**2007**	2006
	RMB'000	RMB'000	**RMB'000**	RMB'000
Authorised but not contracted				
for in respect of				
- property, plant and equipment	**67,770**	1,373,804	**—**	—
- other investments	**111,003**	—	**111,003**	—
Contracted but not provided				
for in respect of				
- property, plant and equipment	**1,877,952**	3,133,943	**—**	—
- capital contribution to subsidiaries	**—**	—	**844,914**	1,754,916
- investment in a new subsidiary	**944,628**	—	**944,628**	—
- investment in an associated company (Note 39)	**749,500**	—	**749,500**	—
- investment in a jointly controlled entity	**—**	30,000	**—**	30,000
	3,750,853	4,537,747	**2,650,045**	1,784,916

(b) Commitments under operating leases

Future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	Group		Company	
	2007	2006	**2007**	2006
	RMB'000	RMB'000	**RMB'000**	RMB'000
Land and buildings				
Not later than one year	**31,796**	30,454	**17,173**	13,197
Later than one year and not later than five years	**41,645**	46,200	**17,403**	19,110
	73,441	76,654	**34,576**	32,307

Generally, the Group's operating leases are for terms of 1 to 3 years.

37 COMMITMENTS *(CONTINUED)*

(c) Future operating lease arrangements

Future aggregate minimum lease receipts under non-cancellable operating leases are as follows:

	Group		Company	
	2007	2006	**2007**	2006
	RMB'000	RMB'000	**RMB'000**	RMB'000
Other equipment				
Not later than one year	**4,481**	4,481	**—**	—
Later than one year and not later than five years	**2,240**	6,721	**—**	—
	6,721	11,202	**—**	—

38 RELATED PARTY TRANSACTIONS

The Group is controlled by China Power Development Limited ("CPDL"), a company incorporated in the British Virgin Islands, which owns approximately 55.38% of the Company's shares. The remaining interests are widely held. The directors regard CPI Group, a company incorporated in the PRC, as being the ultimate holding company.

Related parties refer to entities in which CPI Group has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions, or directors or officers of the Company. They include enterprises directly or indirectly owned or controlled by the PRC government ("state-owned enterprises") as defined under HKAS 24, "Related Party Disclosures" ("HKAS 24"). Neither CPI Group nor the PRC government has published accounts.

38 RELATED PARTY TRANSACTIONS

Major related parties that had transactions with the Group were as follows:

Related parties	Relationship with the Company
CPI Group	Ultimate holding company
China Power International Holding Limited (“CPIH”)	An intermediate holding company
CPIF	A company controlled by CPI Group
Shanxi Shentou Industrial Company Limited （山西神頭電力實業有限責任公司）	A fellow subsidiary of the Company
Shanxi Shentou Engineering Company Limited （山西神頭電力檢修有限責任公司）	A fellow subsidiary of the Company
Huainan Pingwei Electric Power Industry Company Limited （淮南平圩電力實業有限責任公司）	A fellow subsidiary of the Company
Anhui Huainan Pingwei Power Engineering Maintenance Company Limited （安徽淮南平圩電力檢修工程有限責任公司）	A fellow subsidiary of the Company
Pingdingshan Yaomeng Power Engineering Co., Ltd. （平頂山姚孟電力工程有限責任公司）	A fellow subsidiary of the Company
Pingdingshan Yaomeng Power Industrial Co., Ltd. （平頂山姚孟電力實業有限責任公司）	A fellow subsidiary of the Company
SEPC	Related party of the Company as defined under HKAS 24
Other related companies	Companies owned by certain individuals who are also employees or operational managers of certain subsidiaries of the Group
Other state-owned enterprises	Related parties of the Company as defined under HKAS 24

The following is a summary of significant related party transactions which, in the opinion of the directors, are entered into in the ordinary course of the Group’s business in addition to the related party information shown elsewhere in these accounts. Management of the Group are of the opinion that meaningful information relating to related party transactions has been adequately disclosed.

38 RELATED PARTY TRANSACTIONS

(i) Income

	Note	**2007**	2006
		RMB'000	RMB'000
Sales of electricity to regional and provincial power grid companies	(a)	**5,569,226**	5,202,934
Income from generation of electricity on behalf of fellow subsidiaries	(b)	**13,136**	—
Management fee from CPIH	(c)	**11,322**	14,196

(a) Pursuant to the power purchase agreements entered into between the Group and the respective regional and provincial power grid companies, which are regarded as state-owned enterprises, the Group is required to sell its generated electric power to those power grid companies at approved tariff rates. Whilst these companies are related parties of the Group as defined under HKAS 24, the directors are of the opinion that each party is operating independently; and the tariff rates are to be agreed with the respective power grid companies, subject to the approval of the relevant government authorities.

(b) Income from generation of electricity on behalf of fellow subsidiaries are calculated on mutually agreed prices.

(c) Management fee from CPIH in connection with the Group's services rendered for management of certain power plants on behalf of CPIH was charged in accordance with the terms of the relevant agreements.

38 RELATED PARTY TRANSACTIONS *(CONTINUED)*

(ii) Expenses

	Note	**2007** **RMB'000**	2006 RMB'000
Operating lease rental in respect of land to CPI Group	(a)	**17,061**	17,245
Operating lease rental in respect of building to CPIH	(a)	**11,098**	3,822
Purchases of fuel, raw materials and spare parts from	(b)		
- other related companies		**475**	30,191
- fellow subsidiaries		**20,443**	22,204
Service fees to	(c)		
- other related companies		**—**	85,700
- fellow subsidiaries		**38,253**	30,770
Construction costs to	(d)		
- other related companies		**—**	16,636
- fellow subsidiaries		**65,462**	75,806
Labor costs charged by	(e)		
- other related companies		**—**	9,087
- fellow subsidiaries		**756**	5,860
Purchases of coal from other state-owned enterprises	(f)	**3,216,751**	2,492,745
Interest expense to CPIF	(g)	**21,380**	19,543
Interest expense to SEPC	(g)	**444**	982

(a) Rental expense in respect of certain land and building leased from CPI Group and CPIH was charged in accordance with the terms of the relevant agreements.

(b) Purchases of goods were charged in accordance with the terms of the relevant agreements.

(c) Service fees mainly related to repair and maintenance services and transportation services which were carried out at mutually agreed prices.

(d) Construction costs were payable in accordance with the terms of contracts.

(e) Labor costs were charged on a cost reimbursements basis.

(f) Purchases of coal from other state-owned enterprises were charged in accordance with the terms of the relevant agreements.

(g) Interest expense was charged based on terms as disclosed in Notes 30 and 31.

38 RELATED PARTY TRANSACTIONS *(CONTINUED)*

(iii) Key management compensation

	2007	2006
	RMB'000	RMB'000
Basic salaries, housing allowance, other allowances, discretionary bonus and benefits in kind	**5,691**	6,316
Employer's contributions to pension scheme	**7**	78
Share-based compensation	**5,899**	815
	11,597	7,209

(iv) Year-end balances with related parties

	Note	**As at 31 December 2007**	31 December 2006
		RMB'000	RMB'000
Accounts receivable from regional and provincial power grid companies (Note 24)	(a)	**1,184,607**	860,804
Amount due from CPIH (Note 25)	(a)	**3,821**	1,638
Amounts due from fellow subsidiaries (Note 25)	(a)	**41,341**	11,441
Amounts due to fellow subsidiaries (Note 25)	(a)	**26,163**	3,279
Long-term payables to CPIF (Note 30)	(a)	**398,158**	395,562
Short-term loan from CPIF (Note 30)	(a)	**—**	140,000
Long-term payable to SEPC (Note 31)	(a)	**—**	19,437
Amount due to CPI Group (Note 34)	(a)	**81,471**	68,889
Prepayments to other state-owned enterprises	(b)	**143,532**	55,675
Accounts payable to other state-owned enterprises (Note 32)	(c)	**58,537**	13,709

(a) The terms of balances with related parties are disclosed in Notes 24, 25, 30, 31 and 34 respectively.

(b) Prepayments to other state-owned enterprises mainly relate to purchase prepayments made by the Group and are included under prepayments, deposits and other receivables. Balances are unsecured, interest free and shall be utilised in accordance with the respective trading terms.

(c) Accounts payable to other state-owned enterprises mainly relate to purchase accruals made by the Group and are included under accounts payable. Balances are unsecured, interest free and shall be settled in accordance with the respective trading terms.

38 RELATED PARTY TRANSACTIONS *(CONTINUED)*

(v) Others

	2007	2006
	RMB'000	RMB'000
Prepayment for investment (Note 22)	**—**	1,665,133

39 EVENTS AFTER THE BALANCE SHEET DATE

Pursuant to a framework agreement entered into between the Company and 廣州發展集團有限公司 ("Guangzhou Development Group Limited Company" or "Guangzhou Development"), a state-owned enterprise established in the PRC, on 30 December 2007, the Company proposed to acquire 25% interests in 廣州電力企業集團有限公司 ("Guangzhou Power Enterprise (Group) Limited Company" or "Guangzhou Power") from Guangzhou Development at a consideration of RMB749.5 million (the "Proposed Acquisition") subject to the approval from the relevant authorities in the PRC. Guangzhou Power is principally engaged in the generation and sale of electricity and the Proposed Acquisition has not been completed up to the date of this report.

40 APPROVAL OF ACCOUNTS

The accounts were approved by the Board on 14 April 2008.

	2007	2006	2005	2004	2003
	RMB million	RMB million	RMB million	RMB million	RMB million
Turnover	**5,907.3**	5,202.9	4,361.7	3,352.0	2,915.4
Profit before taxation	**660.9**	806.2	743.6	681.6	655.0
Taxation	**(69.5)**	(104.5)	(82.4)	(46.4)	(49.8)
Profit for the year	**591.4**	701.7	661.2	635.2	605.2
Attributable to:					
Equity holders of the Company	**592.4**	702.8	661.9	635.8	605.2
Minority interests	**(1.0)**	(1.1)	(0.7)	(0.6)	—
Profit for the year	**591.4**	701.7	661.2	635.2	605.2
Total non-current assets	**20,368.5**	14,311.1	8,223.4	5,003.6	4,361.5
Total current assets	**2,581.2**	2,818.9	3,485.1	4,046.0	889.0
Total assets	**22,949.7**	17,130.0	11,708.5	9,049.6	5,250.5
Total current liabilities	**3,403.4**	3,628.9	1,719.4	1,668.6	754.3
Total non-current liabilities	**8,367.0**	4,396.1	3,169.7	1,153.0	1,093.0
Net assets	**11,179.3**	9,105.0	6,819.4	6,228.0	3,403.2
Equity attributable to equity holders of the Company	**11,134.9**	9,079.2	6,808.4	6,225.3	3,403.2
Minority interests	**44.4**	25.8	11.0	2.7	—
Total equity	**11,179.3**	9,105.0	6,819.4	6,228.0	3,403.2
Attributable installed capacity (MW)	**7,883**	5,348	4,255	3,010	3,010
Gross generation (MWh)	**26,701,707**	24,065,245	20,143,783	15,703,628	14,850,874
Net generation (MWh)	**24,813,254**	22,262,463	18,700,995	14,736,981	13,928,806
Average utilisation hours (hour)	**6,191**	6,611	6,529	6,516	6,162
Net coal consumption rate (grams/kWh)	**343.4**	348.6	345.3	342.3	342.2

Note: The Company was incorporated and registered in Hong Kong on 24 March 2004 and became the holding company of the Group as a result of a group reorganisation on 1 September 2004. The summary has been presented on the basis that the company had been the holding company of the Group from the beginning of the earliest period presented.

"auxiliary power"	electricity consumed by a power plant in the course of generation
"average utilisation hours"	for a specified period, the amount of electricity produced in such period (in MWh) divided by the average capacity in such period
"Board"	the Board of Directors of the Company
"Changshu Power Plant"	江蘇常熟發電有限公司 (Jiangsu Changsu Electric Power Generating Company Limited*)
"China Power" or "Company"	China Power International Development Limited
"China Power Qinghe Company"	遼寧中電清河發電有限公司 (Liaoning China Power Qinghe Electric Power Generating Company Limited*)
"CPCE"	中國電能成套設備有限公司 (China Power Complete Equipment Co., Ltd.*)
"CPDL"	China Power Development Limited (中國電力發展有限公司*)
"CPI Engineering Company"	中電投電力工程有限公司 (CPI Engineering Company Limited*)
"CPI Group"	中國電力投資集團公司 (China Power Investment Corporation*)
"CPI Wuhu Power Plant"	中電國際（蕪湖）發電有限公司（CPI Wuhu Power Generating Comany Limited）
"CPIF"	中電投財務有限公司 (CPI Financial Company*)
"CPI Holding"	中國電力國際有限公司 (China Power International Holding Limited)
"Director(s)"	director(s) of the Company
"Fujian Electricity Company"	中電(福建)電力開發有限公司 (China Power (Fujian) Electricity Generation Company Limited*) which owns 福建沙溪口水力發電廠 (Fujian Shaxikou Hydro-Power Plant*)
"gross generation"	for a specific period, the total amount for electrical power produced by a power plant in that period including auxiliary power
"Guixi Power Plant"	江西貴溪火力發電廠 (Jiangxi Guixi Coal-Fired Power Plant*)
"GW"	gigawatt, one million kilowatts
"Hongze Power Plant"	中電洪澤熱電有限公司 (Zhongdian Hongze Thermal Company Limited*)
"Hongxiang Power Plant"	平頂山鴻翔熱電有限責任公司 (Pingdingshan Hongxiang Thermoelectricity Company Limited*)
"Huanggang Dabieshan Power Plant"	黃岡大別山發電有限責任公司 (Huanggang Dabieshan Power Company Limited*)

"installed capacity"	the manufacturers' rated power output of a generating unit or a power plant, usually denominated in MW
"interested installed capacity"	the aggregate proportionate installed capacities attributable to a company based on the percentage of equity interest held by such company in its controlled or invested company or companies
"KWh"	kilowatt-hour, a standard unit of energy used in the electric power industry. One kilowatt-hour is the amount of energy that would be produced by a generator producing one thousand watts for one hour
"MW"	megawatt, one million watts. The installed capacity of a power plant is generally expressed in MW
"MWh"	megawatt-hour, one thousand kWh
"Net coal consumption rate"	average consumption of standard coal for supplying 1 kWh power (deducting self-used power)
"Nanyang Xinguang Power Plant"	南陽新光熱電有限公司 (Nanyang Xinguang Thermoelectricity Company Limited*)
"Pingwei Industry Company"	淮南平圩電力實業有限責任公司(Huainan Pingwei Electric Power Industry Company Limited*)
"Pingwei Maintenance Company"	安徽淮南平圩電力檢修工程有限責任公司 (Anhui Huainan Pingwei Power Engineering Company Limited*)
"Pingwei Power Plant"	安徽淮南平圩發電有限責任公司 (Anhui Huainan Pingwei Electric Power Generating Company Limited*)
"Pingwei Power Plant II"	淮南平圩第二發電有限責任公司 (Huainan Pingwei No.2 Electric Power Generating Co., Ltd.*)
"net generation"	the actual amount of electricity sold by a power plant in a particular period of time, which equals gross generation less auxiliary power and losses incurred during the transmission from the power plant to the power grid
"Qinghe Power Plant"	遼寧清河發電有限責任公司 (Liaoning Qinghe Electric Power Generating Company Limited*)
"Shanghai Power"	上海電力股份有限公司 (Shanghai Electric Power Co., Ltd.*)
"Shentou I Power Plant"	山西神頭發電有限責任公司 (Shanxi Shentou Power Generating Company Limited*)

"Shentou Industrial Company"	山西神頭電力實業有限責任公司 (Shanxi Shentou Industrial Company Limited*)
"Shentou Engineering Company"	山西神頭電力檢修有限責任公司 (Shanxi Shentou Engineering Company Limited*)
"standard coal"	coal with an energy content of 7,000 kilocalories per kilogram
"super-critical"	a thermodynamic expression describing the state of a substance where there is no clear distinction between the liquid and the gaseous phase. Water reaches this state at a pressure above 22.1 megapascals (MPa)
"Wuhu Shaoda Power Plant"	蕪湖兆達電力開發有限公司 (Wuhu Shaoda Power Development Company Limited*)
"Yaomeng Engineering Company"	平頂山姚孟電力工程有限責任公司 (Pingdingshan Yaomeng Power Engineering Co., Ltd.*)
"Yaomeng Industrial Company"	平頂山姚孟電力實業有限責任公司 (Pingdingshan Yaomeng Power Industrial Co., Ltd.*)
"Yaomeng Power Plant"	平頂山姚孟發電有限責任公司 (Pingdingshan Yaomeng Power Generating Company Limited*)
"Yaomeng Power Plant II"	平頂山姚孟第二發電有限公司 (Pingdingshan Yaomeng No.2 Power Co., Ltd.*)

* *For identification purposes only*

RESULTS

The financial results of the Company for the year ended 31 December 2007 was published on Monday, 14 April 2008.

ANNUAL REPORTS

The 2007 Annual Report of the Company will be made available on our website http://www.chinapower.hk or http://www.irasia.com/listcp/hk/chinapower/index.htm and will be despatched to our shareholders by the end of April.

ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held on Wednesday, 28 May 2008 at 10:00 a.m. For details of the Annual General Meeting, please refer to the Notice of Annual General Meeting which is expected to be published by the end of April.

The register of members will be closed from Thursday, 22 May 2008 to Wednesday, 28 May 2008 (both dates inclusive) during which no transfer of shares will be registered. In order to qualify for the proposed final dividend to be approved at the annual general meeting, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Share Registrar of the Company, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Wednesday, 21 May 2008.

LISTING

The Company's shares are listed on the Main Board of the Hong Kong Stock Exchange. The stock code is 2380.

SHAREHOLDERS' ENQUIRIES

For enquiries about share transfer and registration, please contact the share registrar of the Company:

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17/F
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong
Tel.: (852) 2862 8628
Fax: (852) 2865 0990

For enquiries from investors and analysts, please contact:

Mr. Shou Rufeng	or	Ms. Zhao Huan
Investor relations Manager		*Investor relations Assistant*

China Power International Development Limited
Suite 6301, 63/F, Central Plaza,
18 Harbour Road,
Wanchai,
Hong Kong
Tel.: (852) 2802 3861
Fax: (852) 2802 3922
e-mail: ir@chinapower.hk

China Power International Development Limited
中國電力國際發展有限公司

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Fax: (86-10) 6260 1777