華潤電力控股有限公司
China Resources Power Hldgs. Co. Ltd.

08

ANNUAL REPORT

Stock Code: 836

About CR Power

China Resources Power Holdings Company Limited (the "Company" or "CR Power") is a fast-growing independent power producer which invests, develops, operates and manages power plants in the more affluent regions and regions with high GDP growth rate in China.

As at 31 December 2008, CR Power has 28 power plants in commercial operation. The total attributable operational generation capacity of the Company is 12,981MW, with 34% located in Eastern China, 24% located in Southern China, 23% located in Central China, 12% located in Northeastern China, and 7% located in Northern China.

China Resources (Holdings) Co., Ltd

65.3%

China Resources Power Holdings Co., Ltd

Coal-fired ≥600MW

- • Changshu
- • Liyujiang B
- • Shouyangshan
- • Fuyang
- • Shajiao C
- • Yangzhou No. 2

Coal-fired 300MW

- • Puqi
- • Gucheng
- • Dengfeng
- • Huaxin
- • Liyujiang
- • Cangzhou
- • Wenzhou
- • Xuzhou
- • Hengfeng
- • Hengxing
- ▲ Lianyuan

Coal-fired ≤200MW

- • Jinzhou
- • Xingning
- • Tangshan
- • Jiaozuo
- • Yixing
- • Shenhai
- • Luoyang

Clean Energy

- • Shantou
- • Yunpeng
- • Guangzhou
- • Dannan
- • Beijing Thermal
- ▲ Weichang
- ▲ Penglai
- ▲ Yueliangshan
- ▲ Dongbaliang
- ▲ Shalong
- ▲ Bayinxile
- ▲ Huilaixian'an

• Plants in operation

▲ Plants under construction

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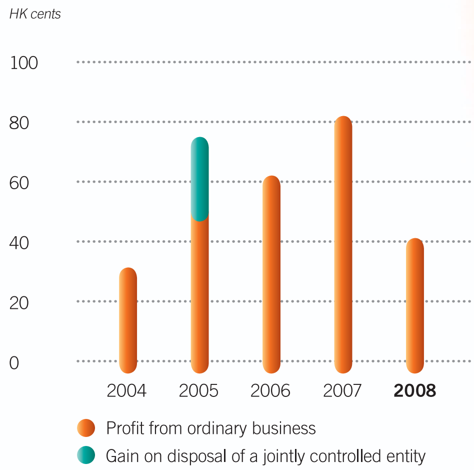
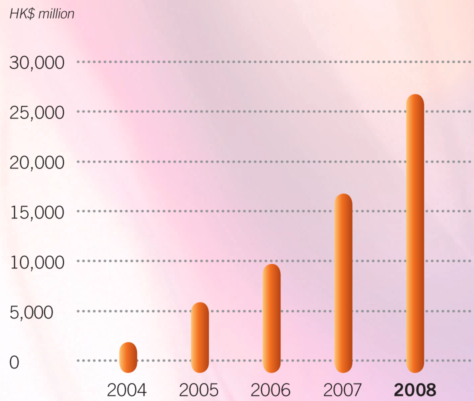
Changshu Power Plant

Five-year Financial Summary

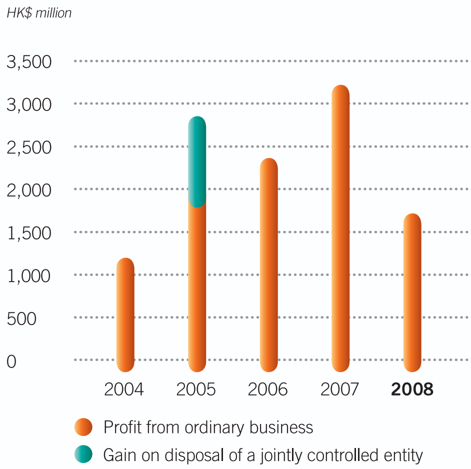
Basic earnings per share



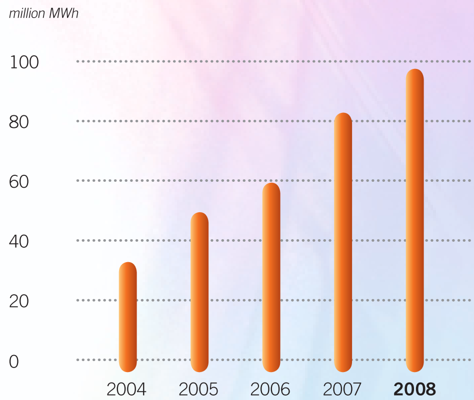
Turnover



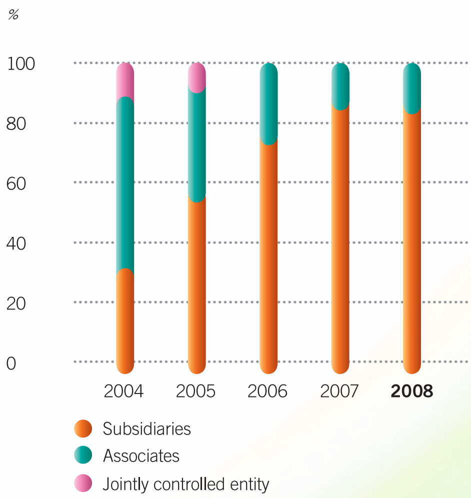
Profit attributable to equity holders of the Company



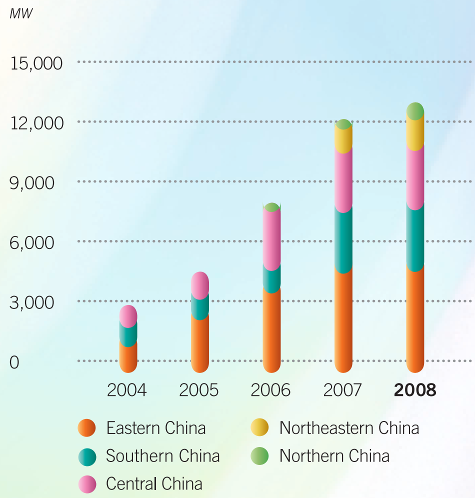
Net generation of operating power plants



Percentage of profit contribution



Attributable operational generation capacity

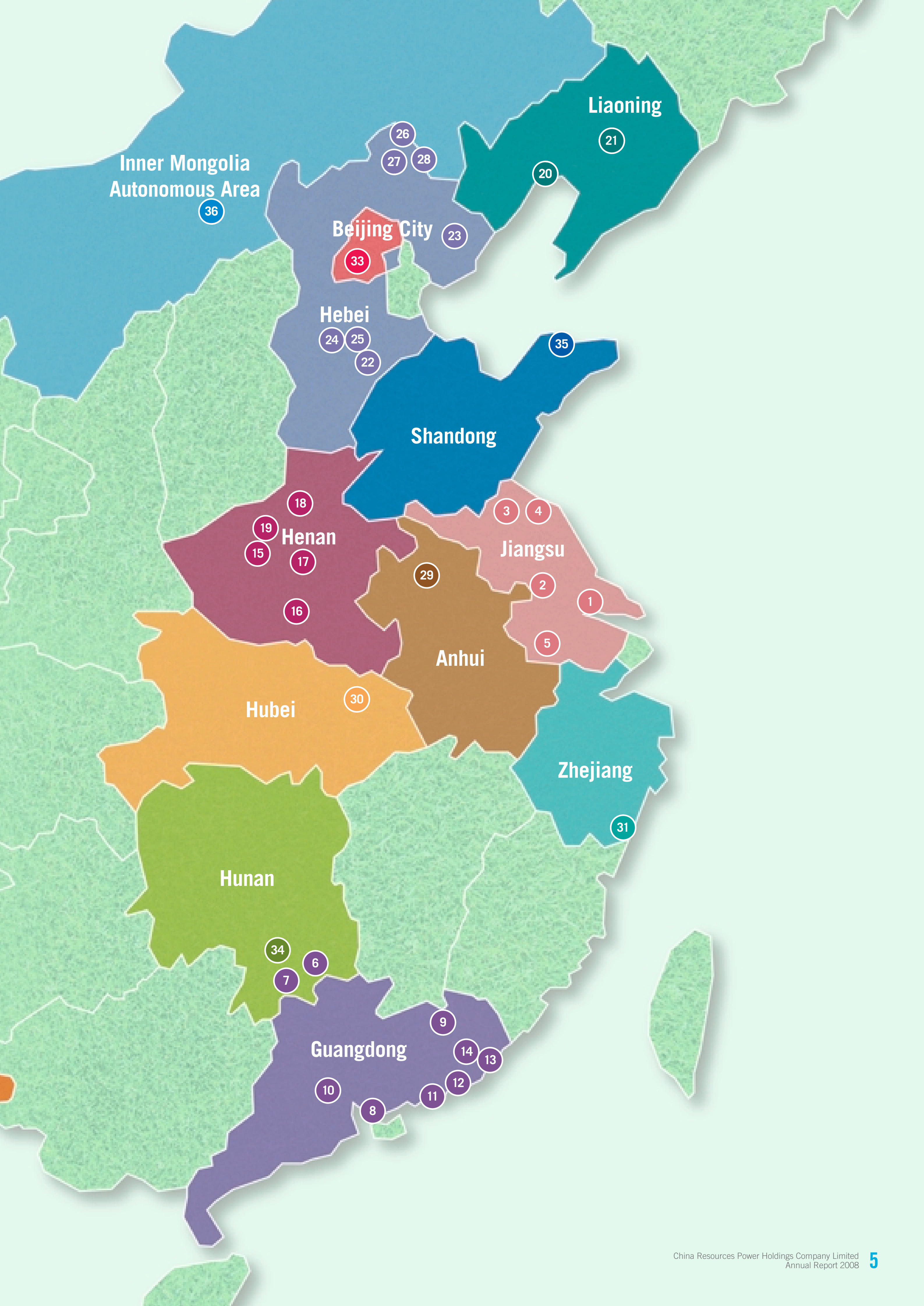


	2008	2007	2006	2005	2004
Earnings per share (HK cents)					
Basic	**41.30**	82.05	61.99	75.04	31.40
Diluted	**39.85**	77.89	60.10	74.37	31.25
Turnover (HK$'000)	**26,771,662**	16,830,488	9,740,371	5,927,328	1,898,317
Profit attributable to equity holders of the Company (HK$'000)					
Subsidiaries	**1,780,583**	2,897,533	1,703,439	1,023,339	327,694
Associates	**369,162**	553,738	649,591	706,832	799,711
Jointly controlled entity	**—**	—	—	194,815	249,916
Gain on disposal of a jointly controlled entity	**—**	—	—	1,071,081	—
Others	**(432,297)**	(230,674)	11,826	(137,842)	(181,586)
Total	**1,717,448**	3,220,597	2,364,856	2,858,225	1,195,735
Consolidated balance sheet (HK'000)					
Non-current assets	**65,800,978**	49,532,295	32,456,679	21,999,540	17,206,822
Current assets	**13,848,868**	14,282,223	5,581,802	6,456,631	4,198,988
Current liabilities	**(20,808,722)**	(17,995,582)	(8,285,656)	(5,466,802)	(3,639,865)
Non-current liabilities	**(28,680,261)**	(18,761,379)	(12,618,263)	(9,074,823)	(6,623,884)
Minority interests	**(2,945,758)**	(2,244,105)	(1,849,703)	(821,647)	(983,888)
Equity attributable to equity holders of the Company	**27,215,105**	24,813,452	15,284,859	13,092,899	10,158,173
Total assets	**79,649,846**	63,814,518	38,038,481	28,456,171	21,405,810
Bank balances and cash	**5,467,088**	7,887,134	2,747,242	4,411,484	3,246,554
Bank and other borrowings	**37,671,443**	26,672,332	16,590,998	11,045,267	9,059,549
Key financial ratios					
Current ratio (times)	**0.67**	0.79	0.67	1.18	1.15
Quick ratio (times)	**0.58**	0.74	0.61	1.13	1.11
Net debt to shareholders' equity (%)	**118.3**	75.7	90.6	50.7	57.2
EBITDA interest coverage (times)	**3.62**	5.56	5.48	6.98	5.47
Generation volume of operating power plants (MWh)					
Total gross generation	**104,548,012**	88,352,860	63,388,794	52,757,611	34,960,666
Total net generation	**97,579,013**	82,702,443	59,512,429	49,633,323	32,913,284
Attributable operational generation capacity (MW)					
Eastern China	**4,450**	4,362	3,380	2,026	693
Southern China	**3,102**	3,055	1,125	1,053	945
Central China	**2,977**	2,961	2,961	1,401	1,161
Northeastern China	**1,525**	1,200	—	—	—
Northern China	**927**	537	460	150	
Total	**12,981**	12,505	8,003	4,940	2,949

Delivering Great Value

Province		Power Plant	Scale	Installed Capacity	Equity	Attributable Capacity
Jiangsu	1	Changshu	3x650	1,950	100%	1,950
	2	Yangzhou No. 2	2x630	1,260	45%	567
	3	Huaxin	2x330	660	72%	475
	4	Xuzhou	4x320	1,280	35%	448
	5	Yixing	2x60	120	55%	66
Guangdong	6	Liyujiang B	2x650	1,300	100%	1,300
	7	Liyujiang	2x315	630	60%	378
	8	Shajiao C	3x660	1,980	36%	713
	9	Xingning	2x135	270	100%	270
	10	Guangzhou	2x180	360	70%	252
	11	Shantou	1x29.25	29	100%	29
	12	Dannan	1x24	24	55%	13
	13	Shalong*	1x49.5	50	100%	50
	14	Huilaixian'an*	1x49.5	50	100%	50
Henan	15	Shouyangshan	2x600	1,200	85%	1,020
	16	Gucheng	2x300	600	100%	600
	17	Dengfeng	2x320	640	85%	544
	18	Jiaozuo	2x135	270	60%	162
	19	Luoyang	2x50	100	51%	51
Liaoning	20	Jinzhou	6x200	1,200	100%	1,200
	21	Shenhai	3x200	600	54.115%	325
Hebei	22	Cangzhou	2x325	650	60%	390
	23	Tangshan	1x200	200	80%	160
	24	Hengfeng	2x300	600	25%	150
	25	Hengxing	2x300	600	25%	150
	26	Weichang*	1x48	48	100%	48
	27	Yueliangshan*	1x49.5	50	100%	50
	28	Dongbaliang*	1x49.5	50	100%	50
Anhui	29	Fuyang	2x640	1,280	55%	704
Hubei	30	Puqi	2x300	600	100%	600
Zhejiang	31	Wenzhou	2x300	600	40%	240
Yunnan	32	Yunpeng	3x70	210	70%	147
Beijing City	33	Beijing Thermal	2x75	150	51%	77
Hunan	34	Lianyuan*	2x300	600	100%	600
Shandong	35	Penglai*	1x42.2	42	95%	40
Inner Mongolia Autonomous Area	36	Bayinxile*	1x49.5	50	100%	50

* Under construction


Liaoning
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Inner Mongolia Autonomous Area
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Beijing City
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Hebei
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Shandong
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Henan
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Jiangsu
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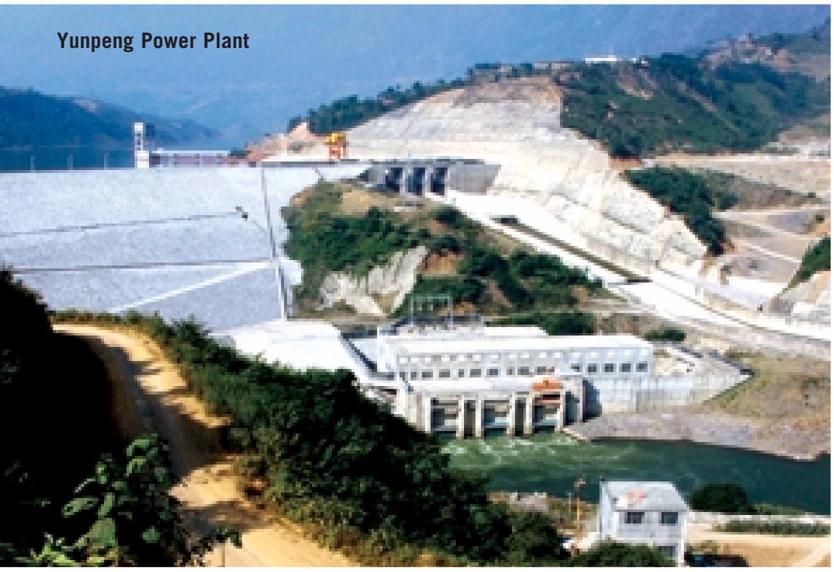
Jiangsu Nanre Power Plant


Changshu Power Plant


Yunpeng Power Plant


Shantou Wind Farm


Dengfeng Power Plant

Major Events 2008

Feb

Shantou Wind Farm commenced commercial operation on 14 February 2008 with a total installed capacity of 23.25MW.

Mar

CR Power obtained approval from the PRC government for the construction of Lianyuan Power Plant. CR Power owns 100% equity interest in Lianyuan Power Plant. Located in Lianyuan City of Hunan Province, Lianyuan Power Plant is a mine-mouth project. It plans to construct two 300MW coal-fired generation units simultaneously equipped with desulphurisation and denitration facilities.

The Group entered into agreements to acquire the 51.5% and 2.615% equity interest in Shenyang Shenhai Thermal Power Co., Ltd. ("Shenhai Thermal Power") from China Resources (Holdings) Co., Ltd. and Liaoning Electric Power Company Limited respectively. The acquisition was completed in April 2008. Shenhai Thermal Power consists of three 200MW coal-fired generation units.

May

The Group entered into two agreements to acquire 60% and 40% equity interest in China Resources Power (Jiangsu) Investment Co., Ltd. ("Jiangsu Investment") from China Resources Co., Ltd.("CRL") and Jiangsu Kunlun Investments Co., Ltd., respectively. Jiangsu Investment has five power plants in operation with a total attributable operational generation capacity of 1,965MW and one power plant under construction with an attributable generation capacity of 840MW. The acquisition of 60% equity interest in Jiangsu Investment from CRL was duly passed by independent shareholders at the Extraordinary General Meeting held on 2 July 2008.

Sep

The upgrade in capacity of Xuzhou Power Plant from 4x300MW to 4X320MW was approved by the PRC government.

The Group increased its equity interests in Huaxin Power Plant from 67% to 72%.

Oct

CR Power obtained approval from the PRC government for the constructions of Hebei Chengde Yueliangshan Wind Farm ("Yueliangshan Wind Farm"), Hebei Chengde Dongbaliang Wind Farm ("Dongbaliang Wind Farm") and Guangdong Shantou Shalong Wind Farm ("Shalong Wind Farm"). Located in Chengde City, Hebei Province, both of Yueliangshan Wind Farm and Dongbaliang Wind Farm have an installed capacity of 49.5MW. With an installed capacity of 49.5MW, Shalong Wind Farm is located in Chaonan District, Shantou City, Guangdong Province. The wind farms are 100% owned by CR Power and are expected to commence commercial operations by the end of 2009.

CR Power, was ranked by *Platts* as one of the top 250 global enterprises for a consecutive second year, ranked 14th (2007:18th) in the independent power generation and energy trading industry sector worldwide; CR Power ranked the 4th (2007:4th) fastest growing energy enterprise in the world and the fastest (2007:1st) growing energy enterprise in Asia.

The upgrade in capacity of Shantou Wind Farm from 1 X 23.25MW to 1 X 29.25MW was approved by the PRC government.

Nov

CR Power was awarded as one of the "Top Ten Green Enterprises" by the *2008 China High-level Forum on Green Development* held in Beijing.

Dec

The constructions of China Resources Power Bayinxile Wind Farm ("Bayinxile Wind Farm") and China Resources Power Huilaixian'an Wind Farm ("Huilaixian'an Wind Farm"), both with an installed capacity of 49.5MW, were approved by the PRC government. Both of the wind farms are 100% owned by CR Power and are expected to commence commercial operation by the end of 2009. Bayinxile Wind Farm is located in Chayouhouqi, Wulanchabu City, Inner Mongolia, while Huilaixian'an Wind Farm is located in Huilaixian'an County, Jieyang City, Guangdong Province.

CR Power increased its equity interests in Gucheng Power Plant from 90% to 100% after entered into an agreement with Zhumadian City Investment Company Limited to acquire its 10% equity interest in Gucheng Power Plant.

CR Power was awarded as "The Most Innovative Enterprise in China 2008" and President and Chief Executive officer of CR Power, Mr. Wang Shuai Ting, was awarded as "People of the Year for China Innovative Enterprise 2008" by the *China Enterprise Innovation Forum*.

CR Power was awarded by the *Institutional Investor* Magazine as "the Most Shareholder-Friendly Company" in the Asian energy sector.

Dear Shareholders,

On behalf of the Board, I am pleased to present the annual results of the Group for the year ended 31 December 2008.

RESULTS HIGHLIGHTS

The Group reported a consolidated turnover of HK$26,772 million for the year, representing an increase of 59.1% compared to last year's HK$16,830 million. Profit attributable to Shareholders was HK$1,717 million, 46.7% down on the corresponding figure of HK$3,221 million in 2007. The decrease in underlying profit was mainly attributable to the substantial increase in fuel costs, mainly coal price, during the year. Basic earnings per share were HK41.30 cents against last year's HK82.05 cents.

In 2008, the number of our subsidiary power plants totalled at 22, up from last year's 20. Profit contributions from our subsidiaries for the year were 83% compared to last year's 84%.

The Board has recommended final dividend of HK8 cents per share, which together with interim dividend of HK5 cents paid in 6 October 2008, amount to full year dividend of HK13 cents per share, representing a dividend payout ratio of 31.5%.

STRATEGY REVIEW

2008 was a year filled with unprecedented challenges for the power sector in China; coal price soared to its historical high in the third quarter of the year and squeezed the profits and profit margins of many independent power producers. Against this backdrop, China Resources Power Group managed to maintain a solid performance for the year, and continued to implement our business strategies of fast yet prudent expansion.

As at 31 December 2008, our operational attributable capacity edged up by 476MW to 12,981MW, compared to last year's 12,505MW; a number of generation units were added in 2008, including the three 200MW heat and power co-generation units of Shenhai Thermal Power Plant, and wind power generation units of Shantou Wind Farm with an attributable operational capacity of 29.25MW. The acquisition of China Resources Power (Jiangsu) Investment Company Limited (華潤電力（江蘇）投資有限公司), with an approximate attributable capacity of 3GW, will be completed within 2009.

The construction of Wujianfang, the integrated coal supply chain development project, is in good progress and is scheduled to commence commercial operation in 2011. The coal mine is expected to have a total of 30 million ton production capacity in 2011. The two railways connecting the coal mine in Wujianfang with Jinzhou Port are now under construction and expected to commence operation in 2011.

With the upsurge in coal price in 2008, the average standard coal cost and average unit fuel cost of our consolidated operational power plants reported an increase of 37.7% and 39.8% respectively against last year. The net generation standard coal consumption rate of our operational power plants was 340.5g/kWh, compared to last year's 338.9g/kWh.

INVESTOR RELATIONS

The Board believes that maintaining effective communications with Shareholders is an important aspect of corporate governance and is also a building block to create value. In order to ensure that Shareholders are closely informed of our latest developments and Shareholders' feedback can reach the management in a timely manner, we have been actively maintaining effective communications with Shareholders. With a view to deepen Shareholders' understanding of our company, we have been actively participating in investment conferences and forums held by various investment banks and securities brokers, conducting road shows worldwide after the announcements of our interim and annual results. We also organize plant visits in order to provide opportunities for our Shareholders and analysts to understand more about our operations and our management team.

In 2008, we were awarded by the *Institutional Investor* Magazine as "the Most Shareholder-Friendly Company" in the Asian energy sector. CR Power, was ranked by *Platts* as one of the top 250 global enterprises for a consecutive second year, ranked 14th (2007:18th) in the independent power generation and energy trading industry sector worldwide; we were ranked the 4th (2007:4th) fastest growing energy enterprise in the world and the fastest (2007:1st) growing energy enterprise in Asia.

SOCIAL RESPONSIBILITIES

As a corporate citizen, our company always pays close attention to our social responsibility, including environmental protection, community development and participation in charities. All the power plants which were constructed and managed by CR Power have installed flue gas desulphurisation ("FGD") facilities. As for the power plants under construction, we have already started the installation of denitration facilities; such movement transcends the environmental protection requirements set by the PRC Government and puts us in a leading position in the PRC power sector. In 2008, we were awarded as one of the "Top Ten Green Enterprise" by the *2008 China High-level Forum on Green Development* held in Beijing. In addition, CR Power was awarded as "The Most Innovative Enterprise in China 2008" and Mr. Wang Shuai Ting, the Company's President and Chief Executive Officer, was awarded as "People of the Year for China Innovative Enterprise 2008" by *the China Enterprise Innovation Forum*.

Our Company and our subsidiary power plants have also been actively participating in social services, for example, natural disaster relief fund and tuition assistance for impoverished students in the forms of scholarships and grants. In May 2008, we sent a specialist medical team immediately after the "12 May" Earthquake to help save the injured and made donations to Sichuan for the people suffered from the earthquake.

OUTLOOK

The year of 2009 is expected to be a year of recovery for the China power sector as coal prices came down substantially from its peak in the third quarter of 2008 and is expected to continue to fall in the year, albeit utilization hours and power demand is under downward pressure due to the weak macro-economic environment. We trust that 2009 will be a year for us to better equip ourselves to gear for a bigger growth in the years to come.

We will continue to expand our capacity by adding approximately 3GW per year and to reach 21GW of our total attributable capacity by the end of 2010, and the attributable capacity targets to add are either under construction or waiting for the final approval from the government. While we maintain our strategy of expansion in the future, we will continue to keep our financial position healthy and maintain a stable capital structure.

Coal-fired power plant will remain as our major focus. As at the end of 31 December 2008, coal-fired power plants accounted for 96% of our portfolio and the remaining is alternative energy mainly hydro and wind farm, and we expect to increase our total attributable capacity of alternative energy to 1,260MW, i.e. 6% of our total attributable capacity by the end of 2010. Apart from power assets acquisitions, we will continue to identify and develop new coal projects in our target markets, so as to secure our coal supply for power plants and have better control over the operating cost in our operations.

APPRECIATION

I would like to take this opportunity to thank the Directors, management team and staff members for their contributions and dedications to growing the Group. My gratitude also goes to our Shareholders for their continuous support.

Yours sincerely,

Song Lin
Chairman

Hong Kong, 1 April 2009

Report from Chief Executive Officer

REVIEW FOR 2008

STEADY AND PRUDENT EXPANSION – ATTRIBUTABLE CAPACITY

In view of the tough operating environment, while fuel costs increased substantially because of the coal price and power demand declined in the country, we adjusted our capacity growth on time to enable a healthy development of the Group for the year, for example we postponed the completion of the acquisition of China Resources Power (Jiangsu) Investment Company Limited (華潤電力（江蘇）投資有限公司) to 2009 as a number of projects under the acquisition were still under construction during the year.

The operational attributable capacity of CR Power increased slightly by 476MW to 12,981MW as at 31 December 2008, compared to last year's 12,505MW. During the year, a number of generation units were added, including the three 200MW heat and power co-generation units of Shenhai Thermal Power Plant, and Shantou Wind Farm, wind power generation units with a total attributable operational capacity of 29.25MW.

BETTER THAN THE NATIONAL AVERAGE – NET GENERATION AND UTILIZATION HOURS

Impacted by the slow down of global economy, power consumption in China dropped 6.5% year-on-year in the fourth quarter of the year. While the power generation in the country increased slightly by 5.2% for the year, total net generation of our subsidiary power plants increased by 23.1% to 64,740,110MWh from 52,599,879MWh in 2008.

The utilization hours of our sixteen coal-fired power plants, which were in commercial operation for the full year of 2007 and 2008, dropped 4.9% from last year's 6,020 hours to 5,724 hours, yet we managed to outperform the national average utilization hours of 4,911 hours for the coal-fired generation units, even though the operations of Liyujiang Phase II and Liyujiang B Power Plant were suspended for two and half months in the first half of 2008 due to the severe weather conditions.

COST CONTROL – COAL AND FINANCE COSTS

Coal prices increased significantly in 2008 and negatively impacted our profits and margins for the year. Pertaining to this situation, we continued our policy of lowering our operating costs. During the year, we implemented a number of measures to lower our operating costs and improve our operational efficiency, including measures to lower administration costs and other fixed costs, enhance synergies among power plants, increase fulfillment rate of contract coal, and set performance appraisal benchmarks based on operational efficiency and cost control for each power plant.

For the year of 2008, the weighted average standard coal cost and average unit fuel cost of our consolidated operational power plants reported a year-on-year increase of 37.7% and 39.8% respectively. The net generation standard coal consumption rate of our operational power plants increased slightly from last year's 338.9g/kWh to 340.5g/kWh mainly attributable to the acquisition of 200MW class generation units of Jinzhou Power Plant and Shenhai Thermal Power Plants. Some of these generation units may be demolished in the near future and instead we will build large efficient generation units on the same site.

Total bank and other borrowings increased by 41.2% to HK$37.7 billion for the year compared to last year's HK$26.7 billion. Finance costs amounted to HK$1,712 million, representing an increase of 66.3% compared to last year. The increase in finance costs is mainly attributed to (1) the six rate hikes implemented by the People's Bank of China ("PBOC") for loans provided by PRC commercial banks since March 2007; average lending rates in 2008 were still higher than 2007 even though PBOC started to cut interest rates in the country since September 2008, (2) the commencement of commercial operations of a number of power plants, including Liyujiang B Power Plant, Cangzhou Power Plant and Shantou Wind Farm; and (3) interest expenses of HK$294.4 million incurred on loans obtained by holding company and provided to the subsidiaries for the construction of power and coal assets were charged to the income statement as expenses.

KEY MISSIONS IN 2009

With coal prices came down substantially (more than 45%) from its historical high in the third quarter of 2008, we believe the worst-ever operating environment for the China power sector was over, albeit electricity demand in 2009 is expected to be on a downward trend. At CR Power, we will continue to enhance our profitability by maximizing utilization hours of our power plants and continue to improve our cost control, management as well as operational efficiency in order to be ready for a high quality growth in the years to come.

ENHANCE PROFITABILITY BY EFFECTIVE COST CONTROL

At present, we place the construction of Wujianfang, the integrated coal supply chain development project, as our top priority in our coal investment. The coal mine at Wujianfang should enable us to increase our self-sufficiency rate of coal supply, mitigate the risk of increasing fuel costs and, the most important of all, further consolidate and enhance the competitiveness of our core business. The project is scheduled to commence commercial operation in 2011 with a total production capacity of 30 million ton. With a view to secure our coal supply for our power plants, have better control over the most important cost component in our operations and enhance our bargaining power over external coal suppliers, we will continue to identify and develop new coal projects in our target markets.

Looking forward, while we believe coal price is no longer a major concern for the China power sector in 2009, we will continue our strict cost control by bulk purchasing contract coal with guaranteed transportation capacity, entering into long-term supply agreements with coal suppliers, improving our operational efficiency by lowering consumption rate and plant power usage and improving our technology of blending coal of different grades. With the substantial drop in international coal prices and freight costs, importing coal will offer us a good channel to lower coal costs in 2009.

MAINTAIN PRUDENT FINANCIAL MANAGEMENT

With a prudent financial management policy adopted, we will continue to better our internal control system, monitor our capital structure and strengthen our balance sheet. While the interest rate is on a downward trend, we will keep on looking for low cost funding through various channels in both domestic and global markets to lower our overall financing costs and mitigate the risk of any potential interest rate hikes in the future. We believe that a stable capital structure should enable CR Power to maintain a fast yet healthy expansion.

MAINTAIN HIGH UTILIZATION RATE

According to the China Electricity Council ("CEC"), a total of 80GW new plants will be added in 2009, with peak commissioning of new hydro power plants; and the growth in nationwide electricity consumption is expected to be 5%, with low demand in the beginning of the year and a rapid pick-up from end of the second quarter of 2009.

Electricity demand as well as capacity utilization hours are expected to be under downward pressure. However, most of our power plants are still expected to maintain a high utilization level as demand for power in our service areas, i.e. Northern China, Coastal East and Southern China is expected to have faster recovery than the rest of China, according to the forecast of CEC. Besides, we will continue to take advantage of our large-capacity, high efficiency generation units to strive for a higher utilization rate under the energy saving priority dispatch system implemented by the government.

MAINTAIN EXPANSION IN CAPACITY

Our business development team continued to explore new investment opportunities in our target markets. A number of proposals for the construction of coal-fired power plants, hydro and wind farms are waiting for the approval from the government. We expect these projects to obtain formal approvals in the near future. Furthermore, we have a number of new projects pending government approvals for construction and expansion works.

At present, we have seven projects under construction, including six coal-fired power plants and one hydro project, which are expected to be commissioned in 2009 and 2011. By the end of 2009, our total attributable installed capacity is expected to reach 18 GW, representing an increase of 39% year-on-year. We will endeavor to ensure these generation units to be commissioned as planned in the context of construction schedule, quality and cost.

APPRECIATION

The continued prosperity of the Group could not have been achieved without the drive and the dedication of our management team and staff members; I would like to take this opportunity to express my gratitude to them. The Group is committed to and will continue to provide our staff members with a challenging yet promising and harmonious working environment.

Wang Shuai Ting
Chief Executive Officer

Hong Kong, 1 April 2009


“We Do Everything
at our Best Efforts!”

Shantou Wind Farm

Directors and Senior Management

From left to right: (top) Mr. Song Lin, Mr. Wang Shuai Ting, Mr. Tang Cheng
(below) Mr. Zhang Shen Wen, Ms. Wang Xiao Bin

Executive Directors

Mr. Song Lin

Mr. Song Lin, aged 46, was appointed Chairman of the Board and an executive director of the Company in August 2003. Mr. Song is the Chairman of China Resources (Holdings) Company Limited and China Resources National Corporation, the Chairman and an executive director of China Resources Enterprise, Limited (will resign on 30 April 2009), China Resources Land Limited, and China Resources Microelectronics Limited. Mr. Song is the Deputy Chairman of China Vanke Co.,Ltd., which is a listed company in China. He is also an independent non-executive director of Geely Automobile Holdings Limited. Mr. Song has extensive experience in the electricity industry in China. He was involved in the overall project development in various parts of the PRC, including specifically the development of Changshu Power Plant, Shouyangshan Power Plant and Liyujiang Phase II. Mr. Song also has extensive experience in corporate investment, development, merger and acquisitions. Mr. Song holds a Bachelor's degree in Solid Mechanics from the University of Tong Ji in Shanghai.

Mr. Wang Shuai Ting

Mr. Wang Shuai Ting was appointed Vice Chairman of the Board and an executive director of the Company in August 2003. Mr. Wang is the President and Chief Executive Officer of the Company. Mr. Wang is also a director and the Vice President of China Resources (Holdings) Company Limited and a non-executive director of China Resources Enterprise, Limited. Mr. Wang has extensive experience in the electricity industry in the PRC. He served as the General Manager of China Resources (Xuzhou) Electric Power Co., Ltd. ("CR Xuzhou") from 1994 to 2001 and was in charge of the construction and operation of Xuzhou Power Plant. Prior to his engagement in CR Xuzhou, Mr. Wang worked in the General Office of the Government of Jiangsu Province from June 1985 to March 1987 and was subsequently the Head of the Industrial Office of Xuzhou Municipal Government. He was also the Deputy Secretary-General of Xuzhou Municipal Government. Mr. Wang holds an Executive Master's degree in Business Administration ("EMBA") from China Europe International Business School.

From left to right: (top) Mr. Jiang Wei, Ms. Chen Xiao Ying, Mr. Anthony H. Adams
(below) Mr. Wu Jing Ru, Mr. Chen Ji Min, Mr. Ma Chiu-Cheung, Andrew

Mr. Tang Cheng

Mr. Tang Cheng was appointed an executive director of the Company in August 2003. Mr. Tang is also an Executive Vice President of the Company. From November 2002 to March 2006, Mr. Tang served as the General Manager of China Resources Power (Changshu) Co., Ltd. From July 2001 to October 2002, he was the General Manager of China Resources (Xuzhou) Electric Power Co., Ltd. Mr. Tang has considerable experience in the management and operation of power plants. Mr. Tang holds an EMBA from China Europe International Business School.

Mr. Zhang Shen Wen

Mr. Zhang Shen Wen was appointed an executive director and Executive Vice President of the Company in August 2003. Mr. Zhang has considerable experiences in the development of power plants. He was the General Manager of the Finance and Accounting Department of the Company between July 2001 and September 2003, and was involved in the development of Liyujiang Phase II and the acquisitions of Shajiao C Power Plant and Wenzhou Telluride Phase II. Mr. Zhang joined China Resources National Corporation in 1994 and worked at Hebei Hengfeng Power Generation Co., Ltd. between 1998 and 1999. Mr. Zhang holds a Bachelor of Science degree in Electrical Automation from the North China University of Technology in China and a Bachelor's degree of Economics from the University of International Business and Economics in China. He also holds a Master's degree in Business Administration from the University of San Francisco.

Ms. Wang Xiao Bin

Ms. Wang Xiao Bin was appointed an executive director of the Company in February 2006. She is Chief Financial Officer of the Company. Ms. Wang is also an independent non-executive director of Angang Steel Company Limited. Prior to joining the Company, Ms. Wang was a director of corporate finance of ING Investment Banking, responsible for execution of capital markets and merger and acquisition transactions in the Asia Pacific region. She worked for Pricewaterhouse in Australia in the audit and business advisory division for five years before joining ING Barings. Ms. Wang is a member of the Institute of Chartered Accountants in Australia, the Australian Society of Certified Practising Accountants and the Securities Institute of Australia. Ms. Wang holds a graduate diploma in Applied Finance and Investment from the Securities Institute of Australia and a Bachelor's degree in Commerce from Murdoch University in Australia.

Non-Executive Directors

Mr. Jiang Wei

Mr. Jiang Wei, was appointed a non-executive director of the Company in August 2003. Mr Jiang is currently the Director, Vice President and Chief Financial Officer of China Resources (Holdings) Company Limited and China Resources National Corporation. Mr. Jiang is a non-executive director of China Resources Enterprise, Limited, China Resources Land Limited, China Resources Logic Limited, China Resources Microelectronics Limited and China Assets (Holdings) Limited; an executive director of Cosmos Machinery Enterprises Limited; and an independent non-executive director of Greentown China Holdings Limited. He is also a director of China Vanke Co., Ltd., which is a listed company in China. Mr. Jiang obtained both his Bachelor's degree in International Trade and Master's degree in International Business and Finance from the University of International Business and Economics in Beijing, China.

Ms. Chen Xiao Ying

Ms. Chen Xiao Ying was appointed a non-executive director of the Company in August 2007. She is the Executive Vice Chairman of CITIC 21CN Company Limited and the Chairman of the Pollon Group. Ms. Chen has been developing and managing the Pollon Group's business, including investments in power plants, telecommunication and properties in the PRC, since its establishment in 1989. Ms. Chen has been a member of the Chinese National People's Political Consultative Committee since 1998 and the Permanent Honorary President of Friends of Hong Kong Association Limited since 1999.

Independent Non-Executive Directors

Mr. Anthony H. Adams

Mr. Anthony H. Adams was appointed an independent non-executive director of the Company in 2003. Mr. Adams is a managing director based in Hong Kong with JP Morgan Asset Management, where he focuses on direct investments in the Asian infrastructure and related resources sectors. Prior to joining JP Morgan in 2006, he was a managing director based in Hong Kong with Emerging Markets Partnership ("EMP"), which is the principal advisor to the AIG Infrastructure Funds, a set of private equity funds targeted at infrastructure and infrastructure-related opportunities in emerging Asia, Latin America, Europe and Africa. Prior to joining EMP, Mr. Adams was a project development manager at Bechtel Enterprises, the direct investment and development arm of the Bechtel Group, at which he participated in numerous energy and other infrastructure projects throughout Asia Pacific. Mr. Adams holds a Bachelor of Arts degree from the University of Vermont (Phi Beta Kappa) and a Master's degree in Business Administration from Harvard Business School.

Mr. Wu Jing Ru

Mr. Wu Jing Ru was appointed an independent non-executive director of the Company in August 2003. Mr. Wu is an independent non-executive director of China Yangtze Power Co., Ltd., and was formerly Deputy General Manager of the State Energy Investment Corporation in the PRC, the Head of the Loans Department at the State Development Bank of China as well as an expert member and senior counsel in its Loans Valuation Committee. He was also a member of the Three Gorges Project Inspection Committee under the State Council and Deputy Chief of Supervision team of the Three Gorges Transmission and Distribution project. Mr. Wu spent nearly 20 years of his professional career in the Hydro Power Ministry, where he served in various positions, including Deputy Section-in-chief, Deputy Director and Director of the Planning Department. Mr. Wu graduated from the Power Department at Shanghai Jiao Tong University.

Mr. Chen Ji Min

Mr. Chen Ji Min was appointed an independent non-executive director of the Company in February 2006. Mr. Chen was a member of the Standing Committee of the People's Congress of Zhejiang Province ("Standing Committee") and a Deputy Director of the Finance and Economy Commission of the Standing Commission. Mr. Chen had served as Director of the Bureau of Electricity of Ningbo City, Deputy Director of the Economic and Trading Committee of Ningbo City, Deputy Director and Director of the Bureau of Electricity of Zhejiang Province, General Manager of the Electricity Development Company of Zhejiang Province and Chairman of the Board of Directors of Zhejiang South-East Company Limited, a company with B shares listed on the Shanghai Stock Exchange. Mr. Chen graduated from the Electricity Engineering Department of Zhejiang University.

Mr. Ma Chiu-Cheung, Andrew

Mr. Ma Chiu-Cheung, Andrew, was appointed an independent non-executive director of the Company in December 2006. Mr. Ma is a Founder and former Director of Andrew Ma DFK (CPA) Limited. He is presently a director of Mayee Management Limited. He has more than 30 years' experience in the field of accounting and finance. He received his Bachelor's degree in Economics from the London School of Economics and Political Science (University of London) in England. Mr. Ma is a fellow member of the Institute of Chartered Accountants in England & Wales, the Hong Kong Institute of Certified Public Accountants, the Hong Kong Institute of Directors and the Taxation Institute of Hong Kong. He is currently also an independent non-executive director of several other listed companies in Hong Kong.

Senior Management

Mr. Bu Fan Sen

Mr. Bu Fan Sen was appointed an Executive Vice President of the Company in October 2007. Mr. Bu served as Assistant Vice President of the Company from December 2005 to October 2007. Prior to joining the Company, from September 2002 to September 2005, Mr. Bu served as Chairman of SDIC Huajing Power Holdings Co., Ltd, a company listed on the Shanghai Stock Exchange. From March 2001 to March 2004, Mr. Bu served as General Manager of SDIC Electric Power Co., Ltd. Prior to that, Mr. Bu was Chief of Business Department of State Development & Investment Corp. Mr. Bu holds a Bachelor of Science degree in Water Conservancy and Hydro Power Engineering from Hehai University.

Mr. Du Hua Dong

Mr. Du Hua Dong was appointed an Executive Vice President of the Company in October 2007. Mr. Du served as General Manager of China Resources Power Hubei Co., Ltd. from July 2002 to October 2007. Mr. Du has 15 years of experience in the electricity industry in China. He joined China Resources (Xuzhou) Electric Power Co., Ltd. as an Assistant General Manager in 1994, and later became General Manager of Huaibei Guo An Electricity Co., Ltd. Mr. Du holds a diploma from Xuzhou Economic and Technology Management Institute and a Master's degree in Management from Wuhan University.

Mr. Li She Tang

Mr. Li She Tang was appointed Chief Technical Officer of the Company in September 2003. Mr. Li has over 25 years of experience in the electricity industry in China. Mr. Li served as General Manager of China Resources Power Dengfeng Co., Ltd. from August 2002 to December 2003. Mr. Li was Deputy General Manager and General Manager of Puqi Sithe Power Generating Company Limited (which was renamed as China Resources Power Hubei Co., Ltd.) from 2000 to 2002 and Senior Advisor and Chief Engineer of Sithe China Holdings Limited from 1999 to 2002. Mr. Li started his career in the electricity industry in 1984 in the Power Planning and Engineering Institute of the then Ministry of Electricity. Mr. Li is a Senior Engineer and holds a Bachelor's degree in Engineering, majoring in Power Plant Thermal Engineering from Xi'an Jiaotong University in China.

Mr. Ding Qi

Mr. Ding Qi was appointed Chief Human Resources Officer in June 2007. He served as General Manager of the Human Resources and Administration Department of the Company from November 2001 to June 2007. Prior to joining the Company, he was a Departmental Manager of China Resources Development and Investment Co., Ltd. from 1998 to 1999. Mr. Ding holds a Bachelor's degree in Wireless Communications from the Nanjing Communications Engineering Institute.

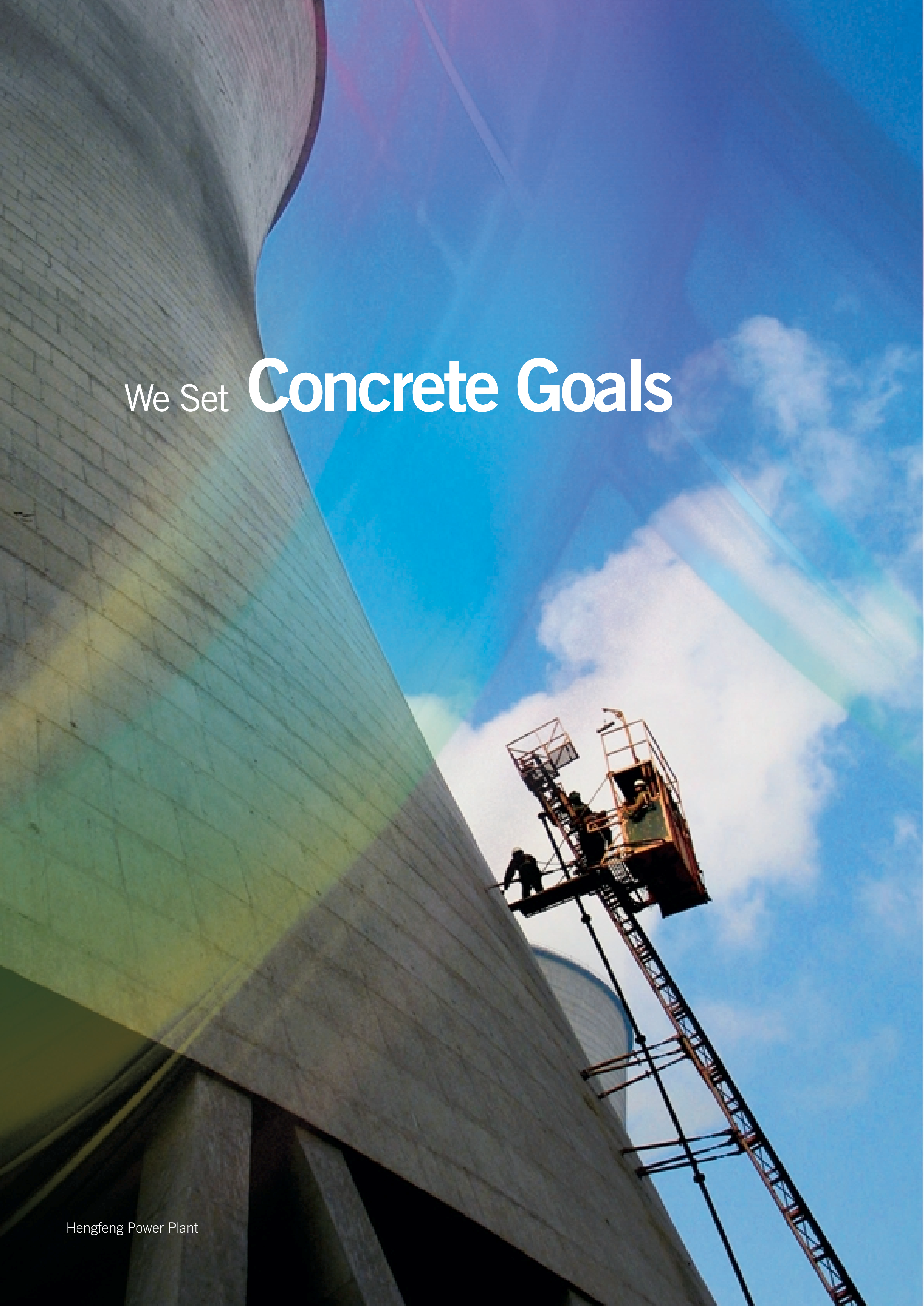
Mr. Jia Xi

Mr. Jia Xi was appointed Deputy Technical Director of the Company in March 2005. After joining the Company in 2002 and until March 2005, Mr. Jia served as General Manager of the Business Development Department of the Company. Mr. Jia has over 20 years of experience in the electricity industry in China. Prior to joining the Company, Mr. Jia was Deputy Manager of Marketing Department of Henan Provincial Power Company. Mr. Jia also held various managerial positions in power plants and Power Bureau in Henan Province. Mr. Jia holds a Master's degree in Business Administration from Xi'an Jiaotong University in China.

Mr. Liu Fan Shun

Mr. Liu Fan Shun is General Manager of China Resources Power Hunan Co., Ltd. He served as General Manager of China Resources Power Hunan Liyujiang Co., Ltd. ("CR Liyujiang") from September 2001 to December 2004. He commenced his career in the PRC electricity industry in 1982 and has over 20 years of experience in the electricity industry in China. Prior to joining CR Liyujiang, Mr. Liu held various managerial positions in several power plants in Hunan Province. Mr. Liu is a senior engineer and holds a Master's degree in Economics from Hunan University.

We Set Concrete Goals



Hengfeng Power Plant

Report of the Directors

The directors (the "Directors") of China Resources Power Holdings Company Limited (the "Company") have the pleasure in presenting to the shareholders their report together with the audited financial statements of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2008.

PRINCIPAL ACTIVITIES

The principal activity of the Group is to invest, develop, operate and manage power plants in the more affluent regions or regions with abundant resources in China. Particulars of the Company's principal subsidiaries and associates are set out in notes 17 and 18 to the financial statements, respectively.

GROUP PROFIT

The consolidated income statement is set out on page 84 and shows the Group's profit for the year ended 31 December 2008. A discussion and analysis of the Group's performance during the year and the material factors underlying its results and financial position are provided in the Management's Discussion and Analysis on pages 39 to 63 of this Annual Report.

DIVIDENDS

An interim dividend of HK5 cents per share was paid on 6 October 2008.

The Board of Directors resolved to recommend the payment of a final dividend of HK8 cents per share for the year ended 31 December 2008 to shareholders whose names appear on the Register of Members of the Company on 2 June 2009. The proposed dividend will be paid on or about 22 June 2009 following approval at the Annual General Meeting.

PROPERTY, PLANT AND EQUIPMENT

Details of the movement in property, plant and equipment of the Group and the Company during the year are set out in note 13 to the financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 37 to the financial statements.

RESERVES

Distributable reserves of the Company amounted to HK$7,998.5 million as at 31 December 2008 (2007: HK$7,870.4 million). Movement in the reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity on pages 88 to 90 of this Annual Report and note 39 to the financial statements, respectively.

BANK LOANS AND OTHER BORROWINGS

The total borrowings of the Group as at 31 December 2008 amounted to HK$37,671.4 million (2007: HK$26,672.3 million). Particulars of borrowings are set out in note 34 to the financial statements.

DIRECTORS

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

Executive Directors:

Mr. Song Lin	(Chairman)
Mr. Wang Shuai Ting	(Vice Chairman and Chief Executive Officer)
Mr. Tang Cheng	
Mr. Zhang Shen Wen	
Ms. Wang Xiao Bin	

Non-Executive Directors:

Mr. Jiang Wei
Ms. Chen Xiao Ying

Independent Non-Executive Directors:

Mr. Anthony H. Adams
Mr. Wu Jing Ru
Mr. Chen Ji Min
Mr. Ma Chiu-Cheung, Andrew

As at 31 December 2008, none of the Directors had a service contract with the Company or any subsidiaries which is not determinable by the employing company within one year without payment of compensation other than statutory compensation.

In accordance with Article 120 of the Company's Articles of Association, Mr. Wang Shuai Ting, Mr. Tang Cheng, Mr. Zhang Shen Wen and Mr. Jiang Wei retire by rotation and being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company.

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

Biographical details of the Directors as at the date of this report are set out on pages 18 to 20 of this Annual Report.

The executive directors are entitled to salaries and discretionary bonuses determined by the Board at its absolute discretion having regard to the Group's performance and the prevailing market situation. The non-executive directors and the independent non-executive directors are entitled to fees approved by the Board by reference to the prevailing market conditions. The Directors are granted options to subscribe for the Company's shares (the "Shares"). For details of the share option schemes, please refer to pages 25 to 28 of this Annual Report. Details of Directors' remuneration are provided under note 9 to the financial statements.

SHARE OPTIONS

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

(A) PRE-IPO SHARE OPTION SCHEME

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

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

As at 31 December 2008, a total of 46,098,000 Shares (representing approximately 1.1% of the existing issued share capital of the Company) may be issued by the Company upon exercise of all options which had been granted under the Pre-IPO Share Option Scheme.

Movement of the options under the Pre-IPO Share Option Scheme during the year ended 31 December 2008 is as follows:

Name of Director	Date of grant	Number of options outstanding as at 1 January 2008	Number of options lapsed or cancelled during the year	Number of options exercised during the year[1]	Number of options outstanding as at 31 December 2008	Date of expiry	Exercise price (HK$)
Song Lin	6 Oct 2003	800,000	—	—	800,000	5 Oct 2013	2.80
Wang Shuai Ting	6 Oct 2003	900,000	—	—	900,000	5 Oct 2013	2.80
Tang Cheng	6 Oct 2003	600,000	—	—	600,000	5 Oct 2013	2.80
Zhang Shen Wen	6 Oct 2003	600,000	—	(600,000)	—	5 Oct 2013	2.80
Wang Xiao Bin	6 Oct 2003	560,000	—	—	560,000	5 Oct 2013	2.80
Jiang Wei	6 Oct 2003	1,000,000	—	(800,000)	200,000	5 Oct 2013	2.80
Aggregate total of employees	6 Oct 2003	43,385,000	—	(21,705,000)	21,680,000	5 Oct 2013	2.80
Aggregate total of other participants	6 Oct 2003	28,014,000	(374,000)	(6,282,000)	21,358,000	5 Oct 2013	2.80
		75,859,000	(374,000)	(29,387,000)	46,098,000		

Note: 1. The weighted average closing prices of the Shares immediately before the dates on which the options were exercised was HK$16.72.

(B) SHARE OPTION SCHEME

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

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

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

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

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

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

As at 31 December 2008, a total of 131,176,000 Shares (representing approximately 3.1% of the existing issued share capital of the Company) may be issued by the Company upon exercise of all options which had been granted under the Share Option Scheme.

Movement of the options granted under the Share Option Scheme during the year ended 31 December 2008 is as follows:

Name of Director	Date of grant	Number of options outstanding as at 1 January 2008	Number of options lapsed or cancelled during the year	Number of options exercised during the year[1]	Number of options outstanding as at 31 December 2008	Date of expiry	Exercise price (HK$)
Song Lin	18 Mar 2005	540,000	—	—	540,000	17 Mar 2015	3.99
Wang Shuai Ting	18 Mar 2005	540,000	—	—	540,000	17 Mar 2015	3.99
Tang Cheng	18 Mar 2005	360,000	—	—	360,000	17 Mar 2015	3.99
Zhang Shen Wen	18 Mar 2005	600,000	—	(360,000)	240,000	17 Mar 2015	3.99
Wang Xiao Bin	18 Mar 2005	360,000	—	—	360,000	17 Mar 2015	3.99
Jiang Wei	18 Mar 2005	600,000	—	(240,000)	360,000	17 Mar 2015	3.99
Anthony H. Adams	18 Nov 2005	200,000	—	—	200,000	17 Nov 2015	4.725
Wu Jing Ru	18 Nov 2005	200,000	—	—	200,000	17 Nov 2015	4.725
Chen Ji Min	30 Mar 2007	200,000	—	—	200,000	29 Mar 2017	12.43
Ma Chiu-Cheung, Andrew	30 Mar 2007	200,000	—	—	200,000	29 Mar 2017	12.43
Aggregate total of employees	1 Sep 2004	16,810,000	(80,000)	(7,960,000)	8,770,000	31 Aug 2014	4.25
	18 Mar 2005	17,222,000	—	(3,422,000)	13,800,000	17 Mar 2015	3.99
	18 Nov 2005	48,930,000	—	(10,890,000)	38,040,000	17 Nov 2015	4.725
	5 Sep 2006	26,130,000	—	(3,010,000)	23,120,000	4 Sep 2016	7.05
	30 Mar 2007	24,800,000	—	(564,000)	24,236,000	29 Mar 2017	12.43
Aggregate total of other participants	1 Sep 2004	4,300,000	—	—	4,300,000	31 Aug 2014	4.25
	18 Mar 2005	6,600,000	—	(640,000)	5,960,000	17 Mar 2015	3.99
	18 Nov 2005	9,750,000	—	—	9,750,000	17 Nov 2015	4.725
		158,342,000	(80,000)	(27,086,000)	131,176,000		

Note: 1. The weighted average closing price of the Shares immediately before the date on which the options were exercised was HK$17.78.

2. No option was granted under the Share Option Scheme during the year.

RESTRICTED SHARE AWARD SCHEME

As an incentive to retain and encourage the employees for the continual operation and development of the Group, on 25 April 2008 (the "Adoption Date"), the Board resolved to adopt the Restricted Share Award Scheme (the "Scheme") and the Company appointed BOCI-Prudential Trustee Limited as trustee to this Scheme (the "Trustee"). Pursuant to the Scheme, Shares may be purchased by the Trustee from the market out of cash contributed by the Group and be held in trust for the selected employees until such Shares are vested with the selected employees in accordance with the provisions of the Scheme. The Scheme does not constitute a share option scheme pursuant to chapter 17 of the Listing Rules and is a discretionary scheme of the Company. The Board will implement the Scheme in accordance with the terms of the Scheme, including the provision of necessary funds to the Trustee for purchase of Shares up to 2% of issued share capital of the Company as at the Adoption Date. The Scheme shall be effective from the Adoption Date and shall continue in full force and effect for a term of 10 years unless terminated at the discretion of the Board at an earlier date.

Up to 31 December 2008, the Trustee purchased 10,580,000 Shares, representing 0.25% of the issued share capital of the Company as at the Adoption Date, from the market at an aggregate consideration of approximately HK$155,340,000 (including transaction costs). As at the date of this report, the purchased Shares have been held in trust by the Trustee on behalf of the Company for selected employees.

DIRECTORS' INTERESTS IN SECURITIES

Save as disclosed below, as at 31 December 2008, none of the Directors or chief executive of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 Laws of Hong Kong) ("SFO") which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or the Model Code for Securities Transactions by Directors of Listed Companies, or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein:

(A) THE COMPANY

Details of Shares and outstanding options granted under the Pre-IPO Share Option Scheme and Share Option Scheme in the Company held by the Directors as at 31 December 2008 are as follows:

Name of Director	Capacity	Number of issued ordinary shares held	Long/short position	Percentage of the issued share capital of the Company
Song Lin	Beneficial Owner	1,260,000	Long	0.030%
Wang Shuai Ting	Beneficial Owner	3,450,000	Long	0.082%
Tang Cheng	Beneficial Owner	1,248,000	Long	0.030%
Zhang Shen Wen	Beneficial Owner	2,388,000	Long	0.057%
Wang Xiao Bin	Beneficial Owner	2,480,000	Long	0.059%
Jiang Wei	Beneficial Owner	840,000	Long	0.020%
Chen Xiao Ying	Interest in controlled corporations	53,355,969	Long	1.267%
Anthony H. Adams	Beneficial Owner	18,000	Long	0.0004%

Name of Director	Capacity	Date of grant	Date of expiry	Exercise price (HK$)	Number of options and underlying shares as at 1 January 2008	Number of options exercised during the year	Number of options and underlying shares as at 31 December 2008	Percentage of the issued share capital of the Company
Song Lin	Beneficial Owner	6 Oct 2003	5 Oct 2013	2.80	800,000	—	800,000	0.019%
	Beneficial Owner	18 Mar 2005	17 Mar 2015	3.99	540,000	—	540,000	0.013%
Wang Shuai Ting	Beneficial Owner	6 Oct 2003	5 Oct 2013	2.80	900,000	—	900,000	0.021%
	Beneficial Owner	18 Mar 2005	17 Mar 2015	3.99	540,000	—	540,000	0.013%
Tang Cheng	Beneficial Owner	6 Oct 2003	5 Oct 2013	2.80	600,000	—	600,000	0.014%
	Beneficial Owner	18 Mar 2005	17 Mar 2015	3.99	360,000	—	360,000	0.009%
Zhang Shen Wen	Beneficial Owner	6 Oct 2003	5 Oct 2013	2.80	600,000	(600,000)	—	—
	Beneficial Owner	18 Mar 2005	17 Mar 2015	3.99	600,000	(360,000)	240,000	0.006%
Wang Xiao Bin	Beneficial Owner	6 Oct 2003	5 Oct 2013	2.80	560,000	—	560,000	0.013%
	Beneficial Owner	18 Mar 2005	17 Mar 2015	3.99	360,000	—	360,000	0.009%
Jiang Wei	Beneficial Owner	6 Oct 2003	5 Oct 2013	2.80	1,000,000	(800,000)	200,000	0.005%
	Beneficial Owner	18 Mar 2005	17 Mar 2015	3.99	600,000	(240,000)	360,000	0.009%
Anthony H. Adams	Beneficial Owner	18 Nov 2005	17 Nov 2015	4.725	200,000	—	200,000	0.005%
Wu Jing Ru	Beneficial Owner	18 Nov 2005	17 Nov 2015	4.725	200,000	—	200,000	0.005%
Chen Ji Min	Beneficial Owner	30 Mar 2007	29 Mar 2017	12.43	200,000	—	200,000	0.005%
Ma Chiu-Cheung, Andrew	Beneficial Owner	30 Mar 2007	29 Mar 2017	12.43	200,000	—	200,000	0.005%

(B) CHINA RESOURCES ENTERPRISE, LIMITED

China Resources Enterprise, Limited ("CRE"), a fellow subsidiary of the Company, has a share option scheme to subscribe for the shares in CRE. Details of shares and outstanding options in CRE held by the Directors as at 31 December 2008 are as follows:

Name of Director	Capacity	Number of issued ordinary shares held	Long/short position	Percentage of the issued share capital of CRE
Song Lin	Beneficial Owner	1,700,000	Long	0.071%
Jiang Wei	Beneficial Owner	240,000	Long	0.010%

Name of Director	Capacity	Date of grant	Date of expiry	Exercise price (HK$)	Number of options and underlying shares as at 1 January 2008	Number of options exercised during the year	Number of options and underlying shares as at 31 December 2008	Percentage of the issued share capital of CRE
Zhang Shen Wen	Beneficial Owner	5 Mar 2002	4 Mar 2012	7.35	20,000	—	20,000	0.001%

(C) CHINA RESOURCES GAS GROUP LIMITED

China Resources Gas Group Limited ("CR Gas") (formerly known as "China Resources Logic Limited"), a fellow subsidiary of the Company, has a share option scheme to subscribe for the shares in CR Gas. Details of shares and the outstanding options in CR Gas held by the Directors as at 31 December 2008 are as follows:

Name of Director	Capacity	Number of issued ordinary shares held	Long/short position	Percentage of the issued share capital of CR Gas
Wang Shuai Ting	Beneficial Owner	54,000	Long	0.004%
Tang Cheng	Beneficial Owner	9,000	Long	0.001%
Zhang Shen Wen	Beneficial Owner	6,000	Long	0.0004%

Name of Director	Capacity	Date of grant	Date of expiry	Exercise price (HK$)	Number of options and underlying shares as at 1 January 2008	Number of options exercised during the year	Number of options cancelled during the year	Number of options and underlying shares as at 31 December 2008	Percentage of the issued share capital of CR Gas
Song Lin	Beneficial Owner	13 Jan 2004	12 Jan 2014	0.906	2,000,000	—	(2,000,000)	—	—
Wang Shuai Ting	Beneficial Owner	9 Apr 2002	8 Apr 2012	0.82	540,000	(540,000)	—	—	—
Tang Cheng	Beneficial Owner	9 Apr 2002	8 Apr 2012	0.82	90,000	(90,000)	—	—	—
Zhang Shen Wen	Beneficial Owner	9 Apr 2002	8 Apr 2012	0.82	60,000	(60,000)	—	—	—
Jiang Wei	Beneficial Owner	9 Apr 2002	8 Apr 2012	0.82	720,000	—	(720,000)	—	—

(D) CHINA RESOURCES LAND LIMITED

China Resources Land Limited ("CR Land"), a fellow subsidiary of the Company, has a share option scheme to subscribe for the shares in CR Land. Details of shares and outstanding options in CR Land held by the Directors as at 31 December 2008 are as follows:

Name of Director	Capacity	Number of issued ordinary shares held	Long/short position	Percentage of the issued share capital of CR Land
Wang Shuai Ting	Beneficial Owner	200,000	Long	0.004%
Zhang Shen Wen	Beneficial Owner	60,000	Long	0.001%
Jiang Wei	Beneficial Owner	892,000	Long	0.019%

Name of Director	Capacity	Date of grant	Date of expiry	Exercise price (HK$)	Number of options and underlying shares as at 1 January 2008	Number of options exercised during the year	Number of options and underlying shares as at 31 December 2008	Percentage of the issued share capital of CR Land
Song Lin	Beneficial Owner	1 Jun 2005	31 May 2015	1.23	900,000	—	900,000	0.019%
Wang Shuai Ting	Beneficial Owner	4 Mar 2002	31 Jan 2012	1.59	540,000	—	540,000	0.011%
Zhang Shen Wen	Beneficial Owner	4 Mar 2002	31 Jan 2012	1.59	60,000	(60,000)	—	—

(E) CHINA RESOURCES MICROELECTRONICS LIMITED

China Resources Microelectronics Limited ("CRM") is a fellow subsidiary of the Company. Details of shares in CRM held by the Directors as at 31 December 2008 are as follows:

Name of Director	Capacity	Number of issued ordinary shares held	Long/short position	Percentage of the issued share capital of CRM
Song Lin	Beneficial Owner	1,245,533	Long	0.021%
Wang Shuai Ting	Beneficial Owner	972,000	Long	0.017%
Tang Cheng	Beneficial Owner	162,000	Long	0.003%
Zhang Shen Wen	Beneficial Owner	108,000	Long	0.002%
Jiang Wei	Beneficial Owner	537,614	Long	0.009%

ARRANGEMENT FOR DIRECTORS TO ACQUIRE SHARES

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

CONTRACTS OF SIGNIFICANCE

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

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

SUBSTANTIAL SHAREHOLDERS

Save as disclosed below, as at 31 December 2008, the Directors were not aware of any other persons (other than a Director or chief executive, whose interests are disclosed in the section headed "Directors' Interests in Securities" above) who had an interest or short position in the Shares or underlying shares of the Company as recorded in the register kept pursuant to Section 336 of the SFO:

Name of shareholders	Capacity	No. of Shares held	Long/short position	Approximate % of shareholding
CRH	Beneficial owner	2,750,000,000	Long	65.3%
CRC Bluesky Limited	Interest of a controlled corporation	2,750,000,000	Long	65.3%
China Resources Co., Limited ("CRL")	Interest of a controlled corporation	2,750,000,000	Long	65.3%
China Resources National Corporation ("CRNC")	Interest of a controlled corporation	2,750,000,000	Long	65.3%

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

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

(a) In October 2007, a rental agreement was entered into between China Resources Property Management Co., Ltd. ("CR Property"), a wholly-owned subsidiary of CRH and the Company in respect of Rooms 2001-2005, 20th Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong. The term of such rental agreement is 3 years commencing from 1 October 2007 to 30 September 2010 at a monthly rent of HK$305,030 exclusive of rates, management fee and air-conditioning fee. The total leasable area of the premises is 10,895 square feet. The total rent payable per annum is HK$3,660,360.

(b) In November 2007, a rental agreement was entered into between China Resources (Shenzhen) Co., Ltd. ("CR Shenzhen"), a wholly-owned subsidiary of CRH and China Resources Power Project Service Co., Ltd. ("CR Project Service"), a wholly-owned subsidiary of the Company in respect of 22nd Floor, China Resources Building, 5001 Shen Nan Dong Road, Shenzhen. The term of such rental agreement is 3 years commencing from 1 December 2007 to 30 November 2010 at a monthly rent of RMB328,610 exclusive of rates, management fee and air-conditioning fee. The total leasable area of the premises is 1,933 square meters. The total rent payable per annum is RMB3,943,320.

(c) In April 2008, a rental agreement was entered into between CR Property and the Company in respect of Room 2110, 21st Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong. The term of such agreement is 2 months commencing from 8 April 2008 to 7 June 2008 at a monthly rent of HK$43,890 exclusive of rates, management fee and air-conditioning fee. The total leasable area of the premises is 1,330 square feet.

(d) In May 2008, a rental agreement was entered into between CR Shenzhen and CR Project Service in respect of Rooms 2604-2606, 26th Floor, China Resources Building, 5001 Shen Nan Dong Road, Shenzhen. The term of such rental agreement is 30 months commencing from 1 June 2008 to 30 November 2010 at a monthly rent of RMB130,140 exclusive of rates, management fee and air-conditioning fee. The total leasable area of the premises is 723 square meters. The total rent payable per annum is RMB1,561,680.

(e) In August 2008, a rental agreement was entered into between CR Property and the Company in respect of Room 2106A, 21st Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong. The term of such agreement is 12 months commencing from 22 August 2008 to 21 August 2009 at a monthly rent of HK$29,271 exclusive of rates, management fee and air-conditioning fee. The total leasable area of the premises is 887 square feet.

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

(i) have been entered into in the ordinary course of the Company's business;

(ii) have been entered into either:

  (a) on normal commercial terms; or

  (b) where there was no available comparison to judge whether they are on normal commercial terms, on terms no less favourable than those available to or from independent third parties; and

(iii) have been entered into on terms that are fair and reasonable so far as the independent shareholders of the Company are concerned, and in accordance with the terms of the agreement governing such transactions.

The auditors have confirmed that the above continuing connected transactions:

(i) have received the approval of the Company's board of directors;

(ii) are in accordance with the pricing policies of the Company if the transactions involve provision of goods or services by the Company.

(iii) have been entered into in accordance with the relevant agreement governing the transactions; and

(iv) have not exceeded the cap disclosed in previous announcement(s).

MAJOR CUSTOMERS AND SUPPLIERS

Purchases from the Group's five largest suppliers together accounted for 21.7% of the Group's total purchases during the year. The five largest suppliers are 平頂山天安煤業股份有限公司 (Pingdingshan Tianan Coal Mining Company Limited) (6.4%), 義馬煤業（集團）有限責任公司(Yima Coal (Group) Company Limited) (4.1%), 淮南礦業（集團）有限責任公司(Huainan Coal Mine (Group) Company Limited) (3.9%), 上海中煤華東有限公司(Shanghai China Coal East China Company Limited) (3.8%), and 內蒙古伊泰煤炭股份有限公司 (Inner Mongolia Yitai Coal Company Limited) (3.5%).

Sales to the Group's five largest customers together accounted for 71.4% of the Group's total turnover during the year. The five largest customers are 江蘇省電力公司 (Jiangsu Electric Power Company) (19.2%), 廣東電網公司 (Guangdong Power Grid Company) (17.7%), 河南省電力公司 (Henan Provincial Power Company) (17.1%), 遼寧省電力有限公司 (Liaoning Provincial Power Company) (11.1%) and 安徽省電力公司 (Anhui Electric Power Corporation) (6.3%).

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

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

Saved as disclosed above under the section headed "Restricted Share Award Scheme", the Company and its subsidiaries did not purchase, sell or redeem any securities of the Company during the year ended 31 December 2008.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied, throughout the financial year, with the code provision set out in the Code on Corporate Governance Practices set out in Appendix 14 to the Listing Rules. For details, please refer to the Corporate Governance Report on pages 65 to 81 in this Annual Report.

MODEL CODE

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, the Company confirmed that all Directors have complied with the required standard set out in the Model Code throughout the year ended 31 December 2008.

PUBLIC FLOAT

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

AUDIT COMMITTEE

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

AUDITORS

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

On behalf of the Board

Song Lin
Chairman

Hong Kong, 1 April 2009


Nanjing Chemical Industry Park Power Plant
We Lead the
Development
of the Power Industry in China

BUSINESS REVIEW FOR 2008

Dengfeng Power Plant

2008 is an exceptionally challenging year for the Chinese power industry. Coal prices increased by an unprecedented magnitude during the year. Meanwhile, tariff only began to rise in the second half of the year in magnitudes that do not allow the power generation companies to offset the significant increase in fuel price. In addition, at the beginning of the year, Southern China and certain parts of Eastern and Central China suffered from severe weather conditions, resulting in a breakdown of certain transmission lines in these parts of the country. In May, earthquake in Sichuan also caused disruption to coal production and railway transportation capacities. Starting from the third quarter of the year, power demand started to slow down in line with the global and national economic conditions.

As a result, the vast majority of the power generation companies in China incurred significant losses in 2008.

The Group employed a number of measures to improve operational efficiency, lower operation costs and maximize generation volume. In addition to financial return targets, the Group also sets targets in terms of operational efficiency, operation costs and generation volume for each of our power plants. The actual performance of the power plants are measured against benchmarks we set up for each of the above aspects and performance of the power plants management teams and staff members are rewarded accordingly.

GROWTH OF GENERATION CAPACITY

As at 31 December 2008, we had 28 power plants in commercial operation with a total attributable operational generation capacity of 12,981MW. As a comparison, our attributable operational generation capacity was 12,505MW as at 31 December 2007.

In April 2008, we completed the acquisition of a total of 54.115% equity interest in Shenhai Thermal Power Plant. Shenhai Thermal Power Plant is located in Shenyang City of Liaoning Province. It comprises three 200MW coal-fired generating units. These generation units commenced commercial operation in December 1990, December 1991 and February 2007, respectively. Shenhai Thermal Power Plant sells its electricity to Liaoning Provincial Power Grid under Northeastern China Power Grid.

Shouyangshan Power Plant

DEVELOPMENT OF GREENFIELD POWER PLANTS

Our development strategy is to continue to identify suitable development opportunities in our target markets in order to maintain satisfactory growth in profitability and return on equity in the future.

In March 2008, we obtained approval from the PRC government for the construction of Lianyuan Power Plant. Lianyuan Power Plant is located in Lianyuan City of Hunan Province. It comprises two 300MW coal-fired generating units equipped with desulphurization and denitration facilities. The Company owns 100% equity interest in Lianyuan Power Plant.

In the second half of 2008, we obtained approval from the PRC government for the construction of a number of wind farms in Guangdong and Hebei Province and Inner Mongolia. Each of the wind farms has an installed capacity of 49.5MW. These wind farms are expected to commence commercial operation in 2009.

INCREASE IN GENERATION VOLUME

Total gross generation volume of our 28 operating power plants amounted to 104,548,012MWh in 2008, representing an increase of 18.3% from 88,352,860MWh in 2007. Total gross generation volume of our 22 consolidated operating power plants amounted to 69,360,711MWh in 2008, representing an increase of 23.6% from 56,105,849MWh in 2007.

Total net generation volume of our 28 operating power plants amounted to 97,579,013MWh in 2008, representing an increase of 18.0% from 82,702,443MWh in 2007. Total net generation volume of our 22 consolidated operating power plants amounted to 64,740,110MWh in 2008, representing an increase of 23.1% from 52,599,879MWh in 2007.

Cangzhou Power Plant

The increase in gross and net generation volumes was primarily due to the growth of attributable operational generation capacity from 12,505MW as at 31 December 2007 to 12,981MW as at 31 December 2008.

On a same plant basis (using 16 coal-fired power plants which were in commercial operation for the entire year of 2007 and 2008), gross and net generation volumes decreased by 5.0% and 5.2%, respectively. The average full-load equivalent utilisation hours for 2008 of the 16 coal-fired power plants amounted to 5,724 hours, representing a decrease of 4.9% from 6,020 hours for 2007.

RISE IN FUEL COSTS

Coal prices increased significantly in 2008 nationwide. Average unit fuel cost for our consolidated operating power plants in 2008 was RMB238.8/MWh, representing an increase of 39.8% compared to that in 2007. Average standard coal cost for our consolidated operating power plants in 2008 increased by 37.7% compared to that in 2007.

ENVIRONMENTAL FEES

For the year ended 31 December 2008, environmental fees paid by each of the operating power plants were in the range from RMB0.3 million to RMB39.1 million and the total amount of environmental fees paid by our subsidiary power plants was RMB147.7 million, increased by 45.7% compared to RMB101.4 million for 2007. The increase is mainly attributable to our acquisition of the 200MW class generation units of Shenhai Thermal Power Plant in April 2008, the acquisition of Huaxin Power Plant in December 2007 and commencement of operations of Cangzhou Power Plant and Liyujiang B Power Plant in the second half of 2007.

Guangzhou Power Plant

PROSPECTS FOR 2009

As Chinese economic growth slows down, coal prices and electricity demand started to decrease in the third quarter of 2008. Our major challenge in 2009 is to maximize our generation volume and power plant utilization.

We will also monitor our capital structure and balance sheet, in order to ensure that as the power industry in China goes through a difficult period, we will still have a stable capital structure to support the Company's operations and more importantly future development plans.

In our target markets, we continue to identify and develop new power projects in line with our business strategies and strictly comply with our investment disciplines. We have received a number of preliminary approvals from National Development and Reform Commission to construct new power plants in the country. Subject to final government approval, further internal examination of the technical and financial aspects of the projects, we may proceed with the construction of a number of new power projects in 2009.

In addition, we will continue to develop our coal mine projects in the country in order to secure our long-term fuel supply at competitive costs.

Construction of new power plants and coal mines will be funded through our operational cash flow and debt facilities provided by Chinese and international commercial banks and proceeds from other debt facilities.

OPERATING RESULTS

The audited results of operations for the years ended 31 December 2007 and 2008 are as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2008

	2008	2007
	HK$'000	HK$'000
Turnover	**26,771,662**	16,830,488
Operating expenses		
Fuel	**(17,482,818)**	(9,301,548)
Repairs and maintenance	**(304,745)**	(249,503)
Depreciation and amortisation	**(2,813,692)**	(1,706,495)
Others	**(3,247,453)**	(1,516,722)
Total operating expenses	**(23,848,708)**	(12,774,268)
Other income	**560,802**	243,202
Profit from operations	**3,483,756**	4,299,422
Finance costs	**(1,711,614)**	(1,029,315)
Share of results of associates	**396,901**	575,002
Fair value change on derivative financial instruments	**(17,531)**	—
Discount on acquisition of a subsidiary	**—**	30,817
Profit before taxation	**2,151,512**	3,875,926
Taxation	**(215,987)**	(69,523)
Profit for the year	**1,935,525**	3,806,403
Attributable to:		
Equity holders of the Company	**1,717,448**	3,220,597
Minority interests	**218,077**	585,806
	1,935,525	3,806,403
Dividends paid	**1,044,269**	734,463
Dividends proposed	**338,167**	829,295
Earnings per share		
- basic	**41.30 HK cents**	82.05 HK cents
- diluted	**39.85 HK cents**	77.89 HK cents

CONSOLIDATED BALANCE SHEET

As at 31 December 2008

	2008 HK$'000	2007 HK$'000
Non-current assets		
Property, plant and equipment	**50,318,595**	39,522,707
Prepaid lease payments	**1,021,098**	996,630
Mining rights	**197,061**	138,787
Exploration and resources rights	**239,989**	—
Interests in associates	**6,381,116**	5,847,422
Goodwill	**3,207,440**	2,319,555
Investments in investee companies	**128,416**	128,416
Deposit paid for acquisition of subsidiaries	**981,418**	—
Deposit paid for investment in an associate	**77,942**	77,942
Deposit paid for acquisition of property, plant and equipment	**406,311**	365,342
Deposit paid for acquisition of mining/exploration rights	**2,584,496**	—
Deposit paid for land use rights	**125,118**	—
Pledged bank deposits	**37,201**	37,433
Deferred taxation assets	**94,777**	98,061
	65,800,978	49,532,295
Current assets		
Inventories	**1,857,595**	957,510
Trade receivables, other receivables and prepayments	**4,796,957**	5,140,101
Amounts due from minority shareholders of subsidiaries	**150,379**	10,890
Amounts due from associates	**1,292,759**	270,346
Amounts due from group companies	**144,923**	95
Financial assets at fair value through profit or loss	**2,962**	1,057
Restricted bank balances	**91,564**	—
Pledged bank deposits	**44,641**	15,090
Bank balances and cash	**5,467,088**	7,887,134
	13,848,868	14,282,223

	2008 HK$'000	2007 HK$'000
Current liabilities		
Trade payables, other payables and accruals	**8,293,298**	8,375,842
Consideration payable for acquisition of subsidiaries	**—**	484,740
Amounts due to associates	**960,264**	100
Amounts due to group companies	**1,607,791**	284,769
Amounts due to minority shareholders of subsidiaries	**428,534**	734,712
Taxation payable	**34,099**	39,225
Bank and other borrowings - repayable within one year	**9,484,736**	8,076,194
	20,808,722	17,995,582
Net current liabilities	**(6,959,854)**	(3,713,359)
Total assets less current liabilities	**58,841,124**	45,818,936
Non-current liabilities		
Bank and other borrowings - repayable after one year	**28,186,707**	18,596,138
Derivative financial instruments	**387,265**	102,180
Deferred taxation liabilities	**106,289**	63,061
	28,680,261	18,761,379
	30,160,863	27,057,557
Capital and reserves		
Share capital	**4,212,797**	4,140,317
Share premium and reserves	**23,002,308**	20,673,135
	27,215,105	24,813,452
Minority interests	**2,945,758**	2,244,105
	30,160,863	27,057,557

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2008

	2008 **HK$'000**	2007 HK$'000
OPERATING ACTIVITIES		
Profit before taxation	**2,151,512**	3,875,926
Adjustments for:		
Amortisation of prepaid lease payments	**47,434**	25,262
Amortisation of mining rights	**9,352**	—
Depreciation for property, plant and equipment	**2,756,906**	1,681,233
Recognition of share-based payments	**91,337**	155,685
Interest expense	**1,711,614**	1,029,315
Interest income	**(91,704)**	(101,012)
Fair value change on financial assets at fair value through profit and loss	**(1,833)**	—
Fair value change on derivative financial instruments	**17,531**	—
Discount on acquisition of a subsidiary	**—**	(30,817)
Share of results of associates	**(396,901)**	(575,002)
Net loss (gain) on disposal and write-off of property, plant and equipment	**74,188**	(148)
Operating cash flows before movements in working capital	**6,369,436**	6,060,442
Increase in inventories	**(839,018)**	(240,966)
Decrease (increase) in trade receivables, other receivables and prepayments	**1,090,220**	(1,107,073)
Increase in amounts due from group companies	**—**	(22)
(Decrease) increase in trade payables, other payables and accruals	**(338,852)**	855,438
Increase in amount due to an associate	**—**	100
PRC Enterprise Income Tax paid	**(175,102)**	(14,384)
NET CASH FROM OPERATING ACTIVITIES	**6,106,684**	5,553,535

	2008 HK$'000	2007 HK$'000
INVESTING ACTIVITIES		
Dividends received from associates	**411,238**	1,044,299
Interest received	**91,704**	99,776
Increase in pledged bank deposits	**(25,742)**	(13,520)
Increase in restricted bank balances	**(91,564)**	—
Purchase and deposit paid for acquisition of property, plant and equipment and land use rights	**(11,060,363)**	(6,895,325)
Purchase and deposit paid for acquisition of mining rights and exploration and resources rights	**(2,681,056)**	—
Loan advanced to a minority shareholder of a subsidiary	**(138,748)**	(8,639)
Loan advanced to associates	**(1,114,699)**	(341,318)
Capital contribution for investments in associates	**(122,847)**	(592,198)
Acquisition of an associate	**—**	(1,879,242)
Deposit paid for acquisition of subsidiaries	**(981,418)**	—
Loan repayment from a minority shareholder of a subsidiary	**—**	864
Investments in investee companies	**—**	(20,230)
Acquisition of additional interest in a subsidiary	**—**	(577,105)
Acquisitions of subsidiaries	**(999,866)**	(1,836,086)
Proceeds from disposal of property, plant and equipment and insurance claims received on damaged plant and equipment	**184,480**	2,028
Advances to group companies	**(144,828)**	—
Payment of deferred consideration	**(155,000)**	—
NET CASH USED IN INVESTING ACTIVITIES	**(16,828,709)**	(11,016,696)
FINANCING ACTIVITIES		
New bank and other borrowings raised	**25,621,214**	17,741,040
Capital contribution from minority shareholders	**80,602**	362,898
Proceeds on issue of shares	**214,148**	5,079,186
Purchase of shares held by share award scheme	**(155,340)**	—
Advances from associates	**960,164**	—
Advances from group companies	**1,307,717**	—
Repayment of advances from minority shareholders of subsidiaries	**—**	(32,314)
Repayment of bank loans	**(16,657,515)**	(10,497,550)
Interest paid	**(1,843,717)**	(1,124,255)
Dividends paid	**(1,044,269)**	(734,463)
Dividends paid to minority shareholders of subsidiaries	**(526,941)**	(373,798)
Expenses paid in connection with issue of shares	**—**	(42,898)
NET CASH FROM FINANCING ACTIVITIES	**7,956,063**	10,377,846
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(2,765,962)**	4,914,685
CASH AND CASH EQUIVALENTS AT 1 JANUARY	**7,887,134**	2,747,242
EFFECT ON FOREIGN EXCHANGE RATE CHANGE	**345,916**	225,207
CASH AND CASH EQUIVALENTS AT 31 DECEMBER, REPRESENTING BANK BALANCES AND CASH	**5,467,088**	7,887,134

Overview

Net profit for the year ended 31 December 2008 amounted to HK$1,717.4 million, representing a decrease of 46.7% from HK$3,220.6 million for 2007.

The decrease in net profit is mainly attributable to the following factors:

- significant increase in fuel costs — total fuel costs for 2008 amounted to HK$17,482.8 million, representing an increase of 88.0% from HK$9,301.5 million for 2007. In the meantime, turnover increased by 59.1% as compared with 2007. Average unit fuel cost for our consolidated operating power plants in 2008 was RMB238.8/MWh, representing an increase of 39.8% year on year. Average standard coal cost for our consolidated operating power plants in 2008 increased by 37.7%;

- significant increase in finance costs and balance of borrowings — From March 2007 to December 2007, the People's Bank of China ("PBOC") announced six interest rate hikes for loans provided by PRC commercial banks, while from September 2008 to December 2008, PBOC announced five interest rate reductions. Total bank and other borrowings as at 31 December 2008 amounted to HK$37,671.4 million, representing an increase of HK$10,999.1 million or 41.2% as compared with HK$26,672.3 million as at 31 December 2007. Total borrowings incurred by the Company at holding company level increased by HK$4,302.0 million in 2008 and were injected into the PRC for the construction of power plants and coal mine projects. However, interest expenses totaling HK$294.4 million were charged to the income statement. In addition, as power plants commenced commercial operations, interest expenses incurred in the current period on loans obtained during the construction period are charged as expenses, instead of being capitalized as part of construction costs. As a result, finance costs charged to income statement for 2008 was HK$1,711.6 million, increased by HK$682.3 million or 66.3% as compared with HK$1,029.3 million for 2007. Average interest rate for the Group increased to 5.74% in 2008 from 5.50% in 2007; and

- transmission lines damages and suspension of operation suffered by Liyujiang Phase II and Liyujiang B Power Plant — Due to the extreme weather conditions in certain parts of China in early 2008, the dual transmission lines for power transmission to Guangdong Province of Liyujiang Phase II and Liyujiang B Power Plant were seriously damaged by the formation of thick ice blocks which led to the collapse of transmission towers. The net losses on transmission lines amounted to HK$88.1 million and were charged as expenses in 2008. In addition, the operations of Liyujiang Phase II and Liyujiang B Power Plant were suspended for two and half months in the first half of 2008.

Principal accounting policies

The financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values.

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by Hong Kong Institute of Certified Public Accountants ("HKICPA"). In addition, the financial statements include applicable disclosure required by the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

In the current year, the Group has applied a number of new amendments and interpretations ("new HKFRSs") issued by the HKICPA, which are effective for the Group's financial year beginning on 1 January 2008. The adoption of the new HKFRSs has no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior adjustment has been required.

Turnover and segment information

Turnover represents the net amount received and receivable for sale of electricity, heat generated by thermal power plants and sales of coal, net of value-added tax, during the year.

	2008	2007
	HK$´000	HK$´000
Sales of electricity	**25,102,876**	16,764,615
Heat supply	**323,051**	65,873
Sales of coal	**1,345,735**	—
	26,771,662	16,830,488

Turnover for the year ended 31 December 2008 was HK$26,771.7 million, representing a 59.1% increase from HK$16,830.5 million for the year ended 31 December 2007. The increase in turnover was mainly due to the acquisition of Jinzhou Power Plant, Huaxin Power Plant and Tianneng Group and commencement of commercial operation of Liyujiang B Power Plant and Cangzhou Power Plant in the second half of 2007 and the acquisition of Shenhai Thermal Power Plant in the first half of 2008.

BUSINESS SEGMENTS

The Group is currently engaged in two operating divisions - sales of electricity (inclusive of supply of heat that generated by thermal power plant) and coal mining.

Segment information about these businesses is presented below.

2008

	Sales of electricity HK$'000	Coal mining HK$'000	Eliminations HK$'000	Total HK$'000
Revenue				
External sales	25,425,927	1,345,735	—	26,771,662
Inter-segment sales	—	675,424	(675,424)	—
Total	25,425,927	2,021,159	(675,424)	26,771,662

Inter-segment sales are charged at prevailing market rates.

Result				
Segment result	2,957,949	628,681	—	3,586,630
Unallocated corporate expenses				(204,332)
Other income				101,458
Share of results of associates				396,901
Finance costs				(1,711,614)
Fair value change on derivative financial instruments				(17,531)
Profit before taxation				2,151,512
Taxation				(215,987)
Profit for the year				1,935,525

BALANCE SHEET

	Sales of electricity HK$'000	Coal mining HK$'000	Consolidated HK$'000
Assets			
Segment assets	62,304,541	5,160,873	67,465,414
Interests in associates	5,384,021	997,095	6,381,116
Unallocated corporate assets	—	—	5,803,316
Consolidated total assets	67,688,562	6,157,968	79,649,846
Liabilities			
Segment liabilities	(9,241,486)	(1,731,950)	(10,973,436)
Unallocated corporate liabilities	—	—	(38,515,547)
Consolidated total liabilities	(9,241,486)	(1,731,950)	(49,488,983)

OTHER INFORMATION

	Sales of electricity HK$'000	Coal mining HK$'000	Unallocated HK$'000	Total HK$'000
Capital additions	10,240,085	329,334	6,613	10,576,032
Depreciation and amortisation	2,718,092	94,399	1,201	2,813,692
Net loss on disposal and write-off of property, plant and equipment	74,188	—	—	74,188

2007

	Sales of electricity HK$'000	Coal mining HK$'000	Eliminations HK$'000	Total HK$'000
Revenue				
External sales	16,830,488	—	—	16,830,488
Inter-segment sales	—	—	—	—
Total	16,830,488	—	—	16,830,488

Inter-segment sales are charged at prevailing market rates.

	Sales of electricity HK$'000	Coal mining HK$'000	Eliminations HK$'000	Total HK$'000
Result				
Segment result	4,383,124	—	—	4,383,124
Unallocated corporate expenses				(217,246)
Other income				133,544
Share of results of associates				575,002
Finance costs				(1,029,315)
Discount on acquisition of a subsidiary				30,817
Profit before taxation				3,875,926
Taxation				(69,523)
Profit for the year				3,806,403

BALANCE SHEET

	Sales of electricity HK$'000	Coal mining HK$'000	Consolidated HK$'000
Assets			
Segment assets	47,044,720	2,854,221	49,898,941
Interests in associates	5,089,789	757,633	5,847,422
Unallocated corporate assets	—	—	8,068,155
Consolidated total assets	52,134,509	3,611,854	63,814,518
Liabilities			
Segment liabilities	(7,677,784)	(1,887,665)	(9,565,449)
Unallocated corporate liabilities	—	—	(27,191,512)
Consolidated total liabilities	(7,677,784)	(1,887,665)	(36,756,961)

OTHER INFORMATION

	Sales of electricity HK$'000	Coal mining HK$'000	Unallocated HK$'000	Total HK$'000
Capital additions	7,270,741	—	—	7,270,741
Depreciation and amortisation	1,705,570	—	925	1,706,495

GEOGRAPHICAL SEGMENTS

Substantially all of the Group´s assets and liabilities are located in the PRC, and operations for the year were substantially carried out in the PRC. Accordingly, no geographical segment information for the year is presented.

Operating expenses

Operating expenses mainly comprise fuel costs, repair and maintenance, depreciation and amortisation, and other administrative costs such as staff costs, environmental fee, entertainment expense, office rent, travelling expense and professional fee.

Operating expenses amounted to HK$23,848.7 million for the year ended 31 December 2008, representing an 86.7% increase from HK$12,774.3 million for the year ended 31 December 2007. The increase in operating expenses was mainly due to commencement of commercial operation and acquisition of new subsidiary power plants in 2007 and 2008 and significant increase in fuel costs.

Fuel costs for the year ended 31 December 2008 amounted to approximately HK$17,482.8 million, representing an increase of 88.0% from HK$9,301.5 million for the year ended 31 December 2007. The significant increase in fuel costs was due to the significant increase in coal prices as well as consolidation of the fuel costs of new subsidiary power plants which were acquired or had commenced commercial operations during 2007 and 2008. Fuel costs accounted for approximately 73.3% of the total operating expenses for the year ended 31 December 2008, compared to 72.8% for the year ended 31 December 2007.

Other income

Other income amounted to HK$560.8 million for 2008, representing a 130.6% increase from HK$243.2 million for 2007. Other income in 2008 mainly comprises net service income from heat connection contracts, income from sales of scrap materials and interest income from bank balances.

Profit from operations

Profit from operations represents profit from subsidiaries before deduction of finance costs and minority interests. Profit from operations amounted to HK$3,483.8 million for the year ended 31 December 2008, representing a 19.0% decrease from HK$4,299.4 million for the year ended 31 December 2007. The decrease was mainly due to the significant increase in fuel costs.

Finance costs

Finance costs amounted to HK$1,711.6 million for the year ended 31 December 2008, representing a 66.3% increase from HK$1,029.3 million for the year ended 31 December 2007. The significant increase in finance costs is mainly due to the commencement of commercial operation and acquisition of new subsidiary power plants in 2007 and 2008. The increase is also attributable to increases in lending rates for commercial loans provided by PRC commercial banks as the PBOC announced six interest rate hikes in 2007. Interest expenses incurred at the subsidiary companies level during the construction of the power plants are capitalised and included as part of the construction costs of power plants. Interest expenses incurred at the holding company level of HK$294.4 million on loans which were provided to the subsidiaries for the construction of power plants and coal mine assets are charged to the income statement.

	2008	2007
	HK$'000	HK$'000
Interest on bank and other borrowings:		
- repayable within five years	**780,872**	363,247
- not repayable within five years	**1,064,882**	826,649
	1,845,754	1,189,896
Less: Interest on specific loans capitalised in property, plant and equipment	**(134,140)**	(160,581)
	1,711,614	1,029,315

Share of results of associates

Share of results of associates mainly represents our share of post-tax results of Shajiao C Power Plant, Xuzhou Power Plant, Hengfeng Power Plant, Yangzhou No. 2 Power Plant, Hengfeng Phase II, Wenzhou Telluride Phase II and Henan Yonghua Energy, a joint venture which invests in coal mines in Henan Province, of which 49% is held by Shouyangshan Power Plant.

Share of results of associates for the year ended 31 December 2008 amounted to HK$396.9 million, representing a 31.0% decrease or a decrease of HK$178.1 million from HK$575.0 million for the year ended 31 December 2007. The decrease is mainly due to decrease in net profit of associates as a result of significant increase in fuel costs.

Fair value change on derivative financial instruments

The Group uses derivative financial instruments (primarily interest rate swap) to hedge its exposure against changes in interest rate on bank borrowings. At the inception of the hedging relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in cash flows of the hedged item.

Derivatives are initially recognized at fair value at the date when a derivative contract is entered into and are subsequently remeasured to their fair values at each balance sheet date. The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are deferred in equity. The gain or loss relating to the ineffective portion and changes in fair value of some swaps that do not qualify for hedge accounting are recognized immediately in profit and loss as other gain or losses. Fair value loss on derivative financial instruments for the year ended 31 December 2008 amounted to HK$17.5 million and represented the loss relating to the ineffective portion of cash flow hedge.

Taxation

Taxation charge for the year ended 31 December 2008 was HK$216.0 million, representing a 210.8% increase from HK$69.5 million for the year ended 31 December 2007. The increase in PRC Enterprise Income Tax mainly related to tax paid by Tianneng Group, Jinzhou Power Plant, Huaxin Power Plant and Shenhai Thermal Power Plant which were acquired by the Group in the second half of 2007 or the first half of 2008. In 2008, Tianneng Group and Huaxin Power Plant paid PRC Enterprise Income Tax at the standard rate of 25%, while Jinzhou Power Plant and Shenhai Thermal Power Plant paid PRC Enterprise Income Tax at the rate of 18%.

Details of the taxation charge for the year ended 31 December 2007 and 2008 are set out below:

	2008	2007
	HK$'000	HK$'000
The charge comprises:		
The Company and its subsidiaries		
PRC Enterprise Income Tax		
- current	**150,106**	32,870
- underprovision in prior years	**12,081**	—
	162,187	32,870
Deferred taxation		
- current year	**53,800**	9,460
- attributable to a change in tax rate	**—**	27,193
	53,800	36,653
	215,987	69,523

No provision for Hong Kong Profits Tax has been made as the Group had no taxable profit in Hong Kong for both years.

PRC Enterprise Income Tax has been calculated based on the estimated assessable profits with the relevant tax rates applicable to certain subsidiaries in the PRC.

Profit for the year

	2008 HK$'000	2007 HK$'000
Profit for the year has been arrived at after charging:		
Directors´ remuneration		
- Fees	**894**	690
- Other emoluments	**9,939**	10,522
- Pension costs	**204**	199
- Share option benefits expenses	**1,282**	2,646
	12,319	14,057
Other staff costs	**1,113,913**	359,553
Pension costs, excluding directors	**197,936**	49,454
Share option benefits expenses, excluding directors	**90,055**	153,039
Total staff costs	**1,414,223**	576,103
Less: Staff costs included in pre-operating expenses of subsidiaries	**(9,398)**	(7,038)
	1,404,825	569,065
Amortisation of prepaid lease payments	**47,434**	25,262
Amortisation of mining rights	**9,352**	—
Auditor's remuneration	**5,867**	4,734
Depreciation of property, plant and equipment	**2,756,906**	1,681,233
Net loss on disposal and write-off of property, plant and equipment	**74,188**	—
Minimum lease payments under operating leases in respect of:		
- land and buildings	**64,705**	56,869
- other assets	**5,729**	654
Pre-operating expenses of subsidiaries (included in other operating expenses)	**116,867**	29,154
and after crediting:		
Net service income from heat connection contracts	**174,326**	—
Net exchange gain	**9,754**	27,099
Interest income	**91,704**	101,012
Government grant	**49,326**	15,404
Fair value change on financial assets at fair value through profit and loss	**1,833**	—
Gain on disposal of property, plant and equipment	**—**	148
Sales of scrap materials	**108,620**	59,949
Expenses capitalised in construction in progress:		
Other staff costs	**142,353**	17,075
Pension costs	**5,400**	223
Depreciation	**6,867**	1,278

Profit for the year attributable to equity holders of the Company

As a result of the above, the Group's net profit decreased from HK$3,220.6 million for 2007 to HK$1,717.4 million for the year ended 31 December 2008, representing a 46.7% decrease year on year.

Earnings per share

The calculation of the basic and diluted earnings per share attributable to the ordinary equity holders of the Company is based on the following data:

	2008	2007
	HK$'000	HK$'000
Profit attributable to equity holders of the Company	**1,717,448**	3,220,597

	Number of ordinary shares	
	2008	2007
Weighted average number of ordinary shares excluding own shares for the purposes of basic earnings per share	**4,158,563,522**	3,924,997,504
Effect of dilutive potential ordinary shares:		
- share options	**150,765,599**	202,857,131
- issuable consideration shares for acquisition of a subsidiary	**—**	6,772,104
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**4,309,329,121**	4,134,626,739

	2008	2007
	HK cents	HK cents
Basic earnings per share	**41.30**	82.05
Diluted earnings per share	**39.85**	77.89

Final dividend and closure of register of members

The Board resolved to recommend a final dividend of HK8 cents per share for the year ended 31 December 2008 (2007: HK20 cents per share).

Subject to approval of shareholders at the forthcoming annual general meeting of the Company, the final dividend will be distributed to shareholders of the Company whose names appear on the register of members of the Company at the close of business on Monday, 8 June 2009. The register of members of the Company will be closed from Tuesday, 2 June 2009 to Monday, 8 June 2009 (both days inclusive), during which no share transfer will be registered. To qualify for the final dividend, all transfer of shares accompanied by the relevant share certificates must be lodged with the Company's Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Monday, 1 June 2009. The dividend will be payable on or about 22 June 2009.

Capital structure management

The Group and the Company manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance. The Group's and the Company's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debt, which includes long-term bank borrowings, short-term bank borrowings and loan from our ultimate holding company, cash and cash equivalents and equity attributable to equity holders of the Company, comprising issued share capital, reserves and accumulated profits.

The directors of the Company (the "Directors") review the capital structure on a periodic basis. As part of this review, the Directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations from the Directors, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debts or the repayment of existing debts.

Liquidity and financial resources and borrowings

The Group had net current liabilities as at 31 December 2008 with short-term bank borrowings which can be renewed on an annual basis at the discretion of the Company within limits approved by banks. The Directors are of the opinion that, taking into account the presently available banking facilities and internal financial resources of the Group, the Group has sufficient working capital for its present requirements for at least the next 12 months commencing from 31 December 2008.

The bank balances and cash as at 31 December 2008 denominated in local currency and foreign currencies amounted to HK$411.9 million, RMB4,171.9 million and US$40.8 million.

The bank and other borrowings of the Group as at 31 December 2007 and 2008 were as follows:

	2008 **HK$'000**	2007 HK$'000
Secured bank loans	**3,933,775**	5,281,536
Unsecured bank loans	**28,203,663**	16,201,990
Other loans	**5,534,005**	5,188,806
	37,671,443	26,672,332

The maturity profile of the above loans is as follows:

	2008 **HK$'000**	2007 HK$'000
Within 1 year	**9,484,736**	8,076,194
More than 1 year, but not exceeding 2 years	**3,753,912**	899,198
More than 2 years, but not exceeding 5 years	**12,063,789**	7,262,804
More than 5 years	**12,369,006**	10,434,136
	37,671,443	26,672,332

The bank and other borrowings as at 31 December 2008 denominated in local currency and foreign currencies amounted to HK$6,948.7 million, RMB25,177.1 million and US$273.6 million, respectively.

As at 31 December 2008, included in bank borrowings amounts of HK$9,037,019,000 which bear interest at a range from HIBOR plus 0.30% to HIBOR plus 1.20% per annum and the remaining bank borrowings carried interest rates at a range from 3.09% to 7.83% per annum.

In order to cap borrowings at fixed rates, the Group uses floating-to-fixed interest rate swaps to manage the cash flow interest rate risk exposure associated with the borrowings provided by international commercial banks. As at 31 December 2008, loans of HK$4,935,000,000 which were provided using floating rates were swapped to fixed interest rates at a range from 3.36% to 4.52% per annum.

Included in other loans are loans of HK$3,382,837,000 (2007: HK$3,177,020,000) and HK$2,144,490,000 (2007: HK$2,006,143,000) lent by our ultimate holding company, China Resources National Corporation ("CRNC") through banks in the PRC ("On-lent Loans"). The On-lent Loans bear interests at 5.09% and 4.05% per annum, respectively, and are repayable in 2015 and 2021, respectively.

As at 31 December 2008, the ratio of net debt to shareholders' equity stood at 118.3%. In the opinion of the Directors, the Group has a healthy capital structure, which can support its future development plan and operations.

For the year ended 31 December 2008, the Group's primary sources of funding included bank borrowings raised and net cash inflow from operating activities, which amounted to HK$25,621.2 million and HK$6,106.7 million, respectively. The Group's funds were primarily used in repayment of short-term bank loans, purchase of property, plant and equipment and land use rights, purchase of mining rights and exploration and resources rights, acquisition of and deposit paid for acquisition of subsidiaries, payment of interest, and payment of dividend to shareholders, which amounted to HK$16,657.5 million, HK$11,060.4 million, HK$2,681.1 million, HK$1,981.3 million, HK$1,843.7 million, and HK$1,044.3 million, respectively.

Key financial ratios of the Group

	2008	2007
Current ratio *(times)*	**0.67**	0.79
Quick ratio *(times)*	**0.58**	0.74
Net debt to shareholders' equity *(%)*	**118.3**	75.7
EBITDA interest coverage *(times)*	**3.62**	5.56

Current ratio	=	balance of current assets at the end of the year / balance of current liabilities at the end of the year
Quick ratio	=	(balance of current assets at the end of the year - balance of inventories at the end of the year) / balance of current liabilities at the end of the year
Net debt to shareholders' equity	=	(balance of total bank and other borrowings at the end of the year - balance of bank balances and cash at the end of the year) / balance of equity attributable to equity holders of the Company at the end of the year
EBITDA interest coverage	=	(profit before taxation + interest expense + depreciation and amortisation) / interest expenditure (including capitalised interests)

Foreign exchange rate risk

We collect all of our revenue in Renminbi ("RMB") and most of our expenditures including expenditures incurred in the operation of power plants as well as capital expenditures are also denominated in RMB. Dividends receivable from the Company's subsidiaries and associates can be collected in either RMB, US Dollar ("USD") or Hong Kong Dollar ("HKD").

RMB is not a freely convertible currency. Future exchange rates of RMB could vary significantly from the current or historical exchange rates as a result of controls that could be imposed by the PRC government. The exchange rates may also be affected by economic developments and political changes and supply and demand of RMB. The appreciation or devaluation of RMB against HKD and USD may have positive or negative impact on the results of operations of the Group.

As the functional currency of the Company and the Group is RMB and most of our revenue and expenditures are denominated in RMB, the Group does not use derivative financial instruments to hedge its exposure against changes in exchange rates of RMB against HKD and USD.

As at 31 December 2008, the Group had HK$411.9 million and US$40.8 million cash at bank, and HK$6,948.7 million and US$273.6 million bank borrowings on its balance sheet, the remaining assets and liabilities of the Group were mainly denominated in RMB.

Contingent liabilities

The Group did not have any material contingent liabilities as at 31 December 2008.

Contingent liabilities of the Company are set out below:

	2008 **HK$'000**	2007 HK$'000
Guarantees given to banks for credit facilities granted to subsidiaries (to the extent of facilities utilized)	**19,641**	762,973

Charge of assets

As at 31 December 2008, Telluride International Energy Limited Partnership, a wholly owned subsidiary of the Company, pledged its equity interest in Zhejiang Wenzhou Telluride Power Generating Company Limited ("Zhejiang Wenzhou") and a bank deposit amounting to HK$37,201,000 (2007: HK$37,433,000) to a bank as securities for the bank loans granted to Zhejiang Wenzhou of approximately HK$78,100,000 (2007: HK$247,666,000).

The bank deposits carried an annual average floating interest rate of 4.5%. The pledged bank deposits will be released upon the repayment of relevant bank borrowings. The fair values of bank deposits as at 31 December 2008 approximated to the corresponding carrying amounts.

As at 31 December 2008, bank loans were secured by the Group's land use rights, buildings with a carrying value of HK$93,400,000 (2007: HK$94,757,000) and HK$740,950,000 (2007: HK$1,148,681,000) respectively. In addition, bank loans were secured by the Group's power generating plant and equipment with a carrying value of HK$4,637,812,000 (2007: HK$3,754,996,000).

Employees

As at 31 December 2008, the Group employed approximately 23,400 employees.

The Company and its subsidiaries have employment contracts with all of its respective employees. The compensation of employees mainly includes salaries and performance-based bonuses. The Company has also implemented share option schemes and restricted share award scheme in order to attract and retain the best available personnel and to provide additional incentives to employees.

Restricted share award scheme

As an incentive to retain and encourage the employees for the continual operation and development of the Group, on 25 April 2008 (the "Adoption Date"), the Board resolved to adopt the Restricted Share Award Scheme (the "Scheme") and the Company appointed BOCI-Prudential Trustee Limited as trustee to this Scheme (the "Trustee"). Pursuant to the Scheme, existing shares of the Company ("Shares") may be purchased by the Trustee from the market out of cash contributed by the Group and be held in trust for the selected employees until such Shares are vested with the selected employees in accordance with the provisions of the Scheme. The Board will implement the Scheme in accordance with the terms of the Scheme, including the provision of necessary funds to the Trustee for purchase of Shares up to 2% of issued share capital of the Company as at the Adoption Date. The Scheme shall be effective from the Adoption Date and shall continue in full force and effect for a term of 10 years unless terminated at the discretion of the Board at an earlier date.

Up to 31 December 2008, the Trustee purchased 10,580,000 Shares, representing 0.25% of the issued share capital of the Company as at the Adoption Date, from the market at an aggregate consideration of approximately HK$155,340,000 (including transaction costs). As at the date of this announcement, the purchased Shares have been held in trust by the Trustee on behalf of the Company.

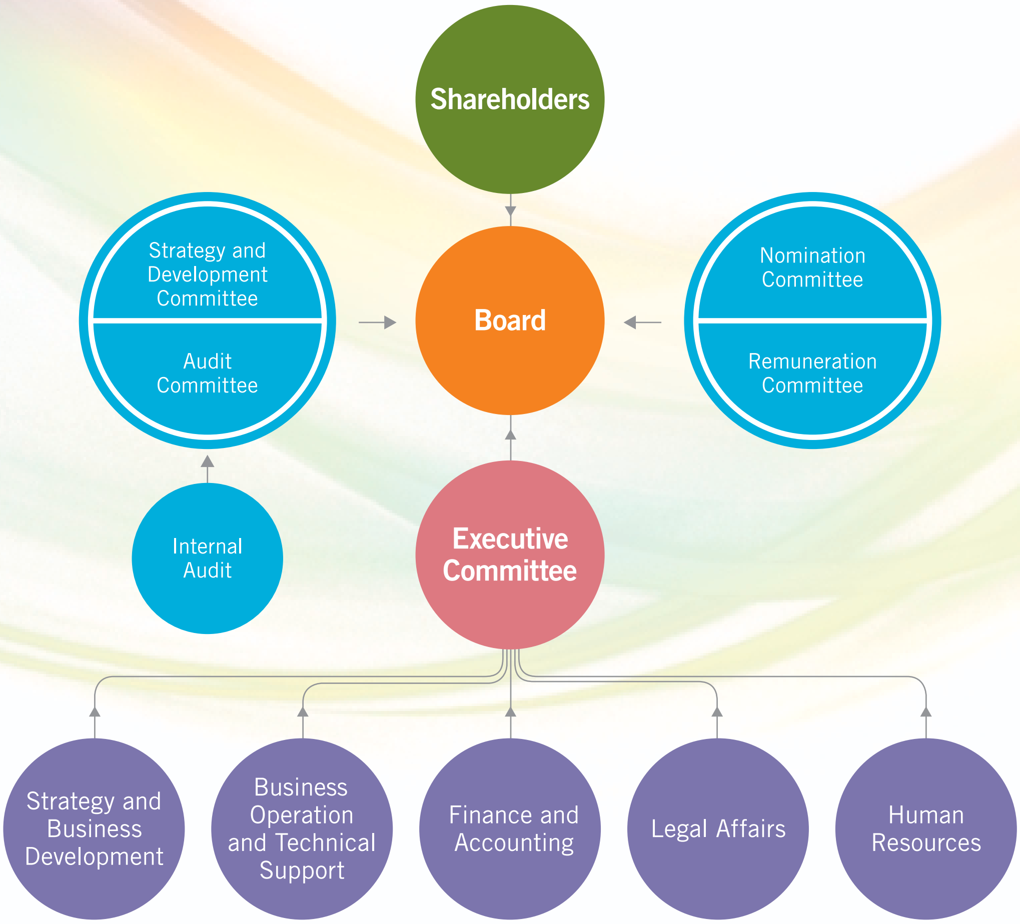

Liyujiang B Power Plant

We Expand our Powerful Network

Corporate Governance Report

China Resources Power Holdings Company Limited (the "Company" or "CR Power") and the directors of the Company (the "Directors") regards corporate governance as a part of value creation, and is committed to improving the overall standard of corporate governance with reference to international corporate governance practices. The Board of Directors of the Company (the "Board") acknowledges its responsibilities in establishing and maintaining a good corporate governance structure and complying with the best corporate governance practices in order to continuously improve its accountability and transparency, to be fair to each shareholder and to create value for all shareholders.

Corporate governance structure



In 2008, CR Power applied the principles and complied with all of the provisions as well as most of the recommended best practices of the Code on Corporate Governance Practices (the "Code") set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") promulgated by The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The following summarizes CR Power's corporate governance practices and explains deviations, if any, from the recommended best practices set out in the Code.

A. Directors

A.1 THE BOARD

Principle in Essence

The Board should assume responsibility for leadership and control of the Company and be collectively responsible for promoting its success by directing and supervising the Company's affairs. Directors should make decisions objectively in the interests of the Company.

The Board is responsible for the Company's corporate governance, and is ultimately accountable for the Company's activities, strategies and financial performance.

The responsibilities of the Board include the following:

(1) determine the strategies, objectives, policies, and business plans of the Company and supervise the execution of the Company's strategies;

(2) supervise and control the operating and financial performance of the Company, and set appropriate risk control policies and procedures to ensure that the strategic objectives of the Company are fully implemented;

(3) monitor the performance of the senior management and set appropriate remuneration of senior members of management; and

(4) perfect the corporate governance structure in order to enhance communication with Shareholders.

The Company has in place internal guidelines setting forth matters that require the Board's approval. Under the guidelines, investment in new power plants, expansion of existing power plants, acquisition of power plants and related business and assets, and borrowings (such as commitment to syndicated loans) require the approval of the Board.

The Board is supported by four committees ("Board Committees"). Each committee has its own responsibilities, power and functions. The Chairmen of respective committees report to the Board regularly and make recommendations on matters discussed when appropriate.

The Directors' attendances at the meetings of the Board and Board Committees held in the period under review are as shown below:

Number of meetings attended / Director	Board	Board Committees			
		Strategy and Development	Audit	Remuneration	Nomination
Song Lin	2			1	
Wang Shuai Ting	6	1			1
Tang Cheng	6	1			
Zhang Shen Wen	5	1	3		
Wang Xiao Bin	7	1	3		
Jiang Wei	1				
Chen Xiao Ying	0				
Anthony H. Adams	5	1	2	1	1
Wu Jing Ru	4		2		
Chen Ji Min	6	1	3		
Ma Chiu-Cheung, Andrew	7	1	3	1	
Total number of meetings held	7	1	3	1	1

In accordance with the recommended best practices, the Company has arranged insurance cover in respect of legal action against the Directors.

The Company has complied with the above principle in essence, code provisions A.1.1 to A.1.8 and all recommended best practices.

A.2 CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Principle in Essence

The operation and management of the Board and the day-to-day management of the Company's business should be clearly divided at the Board level to ensure that there is a balance of power and authority and that power will not be concentrated in any one individual.

The roles of Chairman and Chief Executive Officer of the Company are separate and performed by different individuals and the division of responsibilities between the Chairman and the Chief Executive Officer has been clearly established and set out in writing.

The Chairman of the Board is Mr. Song Lin, who is responsible for providing leadership for the Board. His duties are mainly to ensure the effective operation of the Board, and also to ensure the establishment of and compliance with the corporate governance practices and procedures. The Chairman is also responsible for ensuring that appropriate procedures are adopted to guarantee effective communications with shareholders, and that the shareholders' opinions are circulated among all Board members.

The Chief Executive Officer of the Company is Mr. Wang Shuai Ting, who is responsible for managing the Company's business and coordinating overall business operations, implementing major strategies approved by the Board and making day-to-day operation decisions.

None of the members of the Board has any connections (including financial, business, family relationship and other material/related relationships) with each other (including between the Chairman and the Chief Executive Officer).

The Company has complied with the above principles, code provisions A.2.1 to A.2.3 and all recommended best practices except A.2.7.

A.3 COMPOSITION OF THE BOARD

Principle in Essence

The Board should have a balance of skills and experience appropriate for the requirements of the business of the Company. A balanced composition of executive directors and non-executive directors helps ensure the independence of the Board and enables it to make independent judgments effectively.

The Board currently consists of 11 Directors, 5 of whom are executive directors, 2 are non-executive directors and 4 are independent non-executive directors. The number of independent non-executive directors has met the requirement of Rule 3.10 of the Listing Rules.

Set out below are details of the composition of the Board and the Board Committees:

	Board Designation	**Board Committee Membership**			
Director		**Strategy and Development**	**Audit**	**Remuneration**	**Nomination**
Song Lin	E, Chairman			Chairman	
Wang Shuai Ting	E	Chairman			Chairman
Tang Cheng	E	√			
Zhang Shen Wen	E	√			
Wang Xiao Bin	E	√			
Jiang Wei	NE				
Chen Xiao Ying	NE				
Ma Chiu-Cheung, Andrew	INED		Chairman	√	
Anthony H. Adams	INED		√	√	√
Wu Jing Ru	INED	√	√		√
Chen Ji Min	INED	√	√		

Note:

E: Executive Director
NE: Non-executive Director
INED: Independent Non-executive Director

The Company posts the names and biographical details of the Board members on its website (www.cr-power.com), with their designations in the Board clearly stated.

Each member of the Board has different background and professional specializations, and is well-experienced in his/her respective specialized area such as development, construction, operation as well as management of power plants, capital markets and financial management. Mr. Ma Chiu-Cheung, Andrew, is the independent non-executive director with appropriate professional qualifications as required under the Listing Rules and is appointed as the Chairman of the audit committee of the Board (the "Audit Committee"), which comprises only independent non-executive directors. Brief biographies of Board members are disclosed on page 18 to page 20 of this Annual Report.

The Company has complied with the above principles, code provision A.3.1 and all recommended best practices.

A.4 APPOINTMENTS, RE-ELECTION AND DEPOSITION OF BOARD MEMBERS

Principle in Essence

There should be a formal, considered and transparent procedure for the appointment of new directors to the Board. There should be plans in place for orderly succession for appointments to the Board. All Directors should be subject to re-election at regular intervals.

The Company has established a nomination committee (the "Nomination Committee") with specific written terms of reference. The Nomination Committee is mainly composed of independent non-executive directors. Currently, the Nomination Committee comprises three Directors, namely Mr. Wang Shuai Ting as the Chairman, and Mr. Anthony H. Adams and Mr. Wu Jing Ru as members.

The main role of the Nomination Committee is to assure the process of appointments and re-election of the Board members are transparent and to assess effectiveness of the Board as a whole and the contribution of individual Directors to the effectiveness of the Board.

The responsibilities of the Nomination Committee (as set out in the Company's website: www.cr-power.com) are as follows:

(1) to regularly review the structure, size and composition (including skills, knowledge and experience) of the Board and make recommendations to the Board in relation to any proposed changes;

(2) to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;

(3) to evaluate the independence of independent non-executive directors; and

(4) to evaluate the performance of Directors and make recommendations to the Board in respect of the appointment or re-appointment of Directors and succession planning for Directors particularly the Chairman and the Chief Executive Officer.

The Chairman of the Nomination Committee reports the findings and recommendations of the Nomination Committee to the Board after each meeting.

In accordance with Article 120 of the Company's Articles of Association, one-third of the Directors, including executive directors, non-executive directors as well as independent non-executive directors, retire by rotation and being eligible, offer themselves for re-election in the forthcoming annual general meeting of the Company, provided that every Director of the Company shall be subject to retirement by rotation at least every three years.

The Company has complied with the above principles, code provisions A.4.1 to A.4.2 and all recommended best practices.

A.5 RESPONSIBILITIES OF DIRECTORS

Principle in Essence

Every Director is required to keep abreast of his/her responsibilities as a director of the Company and of the conduct, business activities and development of the Company. Non-executive directors have the same duties of care and skill, and fiduciary duties as executive directors.

Every newly appointed director of the Company receives a comprehensive, formal and tailored induction on the first occasion of his/her appointment in order to ensure that he/she has a proper understanding of the operations and business of the Company and that he/she is fully aware of his/her responsibilities under statute and common law, the Listing Rules, applicable legal requirements and other regulatory requirements.

Having made specific enquiry about all Directors, the Company confirmed that all Directors have complied with their obligations regarding dealings in securities of the Company under the Model Code set out in Appendix 10 of the Listing Rules.

The Company has also established written guidelines for senior management in respect of their dealings in the securities of the Company for their strict compliance. The Company issued notices to all Directors, and senior management and relevant employees reminding them to comply with such period, as specified in the Listing Rules, prior to the results announcement.

The Company encourages Directors to participate in continuous professional development seminars and courses and funds the Directors' participation in such programmes. The independent non-executive directors are invited to attend plant visits and attend general meetings and are encouraged to develop a good understanding of our business and a balanced understanding of the views of our Shareholders.

The Company has complied with the above principles, code provisions A.5.1 to A.5.4 and all recommended best practices.

A.6 SUPPLY OF AND ACCESS TO INFORMATION

Principle in Essence

Directors should be provided in a timely manner with appropriate information in such form and of such quality as will enable them to make an informed decision and to discharge their duties and responsibilities.

In respect of regular Board meetings and committee meetings, the Company's policy is to provide a 14-day notice prior to the meeting setting out the intended agenda. As much as practicable, an agenda and accompanying board papers are delivered in full to all Directors at least three days before the intended date of a Board or Board Committee meeting.

All Directors are entitled to have access to board papers and related materials. To enable Directors to make decisions based upon the related data on hand, the Company's team is required to provide complete and reliable information and provide briefing to the Board in respect of the matters and issues under consideration.

The Company keeps the Board members informed of the latest developments of the Company in a timely manner. In addition to regular Board meetings, the Company also provides the Board members with reports in relation to news releases, investor relations activities and share price performance on a monthly basis.

The Company has set out an internal guideline to enable Directors to seek independent professional advice in appropriate circumstances at the Company's expense.

The Company has complied with the above principle and code provisions A.6.1 to A.6.3.

B. Remuneration of Directors and Senior Management

Principle in Essence

The Issuer should disclose its Directors' remuneration policy and information on other remuneration related matters. There should be a formal and transparent procedure for setting policy on executive directors' remuneration and for fixing the remuneration packages for all Directors. No Director should be involved in deciding his/her own remuneration.

The Board has established a remuneration committee (the "Remuneration Committee"), comprising Mr. Song Lin, the Chairman of the Board and two independent non-executive directors, namely Mr. Ma Chiu- Cheung, Andrew and Mr. Anthony H. Adams. Mr. Song Lin is the Chairman of the Remuneration Committee.

The terms of reference of the Remuneration Committee (as set out in the Company's website: www.cr-power.com) are as follows:

(1) to make recommendations to the Board on the Company's policy and structure for remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing the policy on such remuneration;

(2) to determine the specific remuneration packages of all executive directors and senior management, including benefits in kind, pension rights and compensation payments, which in turn includes any compensation payable for loss or termination of their office or appointment, and make recommendations to the Board of the remuneration of non-executive directors;

(3) to review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time;

(4) to review and approve the compensation payable to executive directors and senior management in connection with any loss or termination of their office or appointment to ensure that such compensation is determined in accordance with relevant contractual terms and that such compensation is otherwise fair and not excessive for the Company; and

(5) to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that such arrangements are determined in accordance with relevant contractual terms and that any compensation payment is otherwise reasonable and appropriate.

The Remuneration Committee held one meeting in 2008.

The total remuneration of executive directors and senior management comprises three key components, namely basic salary, annual bonus and share options. The Company's policy is to determine executive directors' and senior management's bonus based on the Company's and individual's performance for the year. The Company has also set up share option schemes to retain the best available personnel, to provide long-term incentive to employees and to ensure the interests of the executive directors, senior management and staff are aligned with those of the Shareholders. Please refer to note 9 under the section "Notes to the Financial Statements" in this Annual Report on page 120 for details on Directors' remuneration.

The Company has complied with the above principle, code provisions B.1.1 to B.1.5 and all recommended best practices.

Hengfeng Power Plant

C. Accountability and Audit

C.1 FINANCIAL REPORTING

Principle in Essence

The Board should present a balanced, clear and comprehensible assessment of the Company's performance, position and prospects.

The Directors acknowledge that they are responsible for overseeing the preparation of financial statements of each financial period, which gives a true and fair view of the operating results and financial conditions of the Company.

In preparing the accounts for the year ended 31 December 2008, the Directors have selected appropriate accounting policies and applied them consistently; made judgments and estimates that are prudent and reasonable, and prepared accounts on a going concern basis.

The Company has complied with the above principle and code provisions C.1.1 to C.1.3. Currently, the Company has not decided to announce and publish results on a quarterly basis and has not complied with all recommended best practices.

C.2 INTERNAL CONTROLS

Principle in Essence

The Board should ensure that the Company maintains sound and effective internal controls to safeguard the Shareholders' investment and the Company's assets.

The Company's target is to establish an efficient and effective internal control system which comprises the following five components: control environment, risk assessment, control activities, information and communication, and monitoring.

The Company believes that the control environment sets the tone of an organization and provides a foundation of all other components of internal control. It includes integrity, business ethics, management's philosophy and operating style, the way management assigns authority and responsibility, and attention and direction provided by the Board, all of which form and create a control environment.

The Company emphasizes on professional integrity and high business ethics. It creates handbooks and manuals for management and staff, explaining our fundamental value and corporate culture, which is based on honesty and integrity and focuses on value creation.

The Company and its subsidiaries provide regular training to its management and staff. The training sessions not only cover the technical and operational aspects of our businesses, but also on business ethics and corporate value.

The Company has created a Code for Managers that sets out the respective responsibilities and rights and reporting procedures of the management team, mainly for the general managers, deputy general managers and chief financial officers of our power plants.

The Company has also laid out an evaluation and remuneration policy which encourages our management team to focus on return and value creation for Shareholders.

The Company has an internal audit department that is independent of the activities it audits. The internal auditors report to the Chairman of the Audit Committee and administratively to the Chief Executive Officer. The internal auditors have unrestricted access and authority to review the information on the business and internal control matters of the Company. The internal auditors can employ outside resources when necessary.

The responsibilities of the internal auditors include but not limited to the following:

(1) to review adequacy and effectiveness of internal systems and controls;

(2) to check compliance with the Company's policies and procedures, appropriate laws and good business practices; and

(3) to ensure economical and efficient use of the Company's resources.

The Directors have annually reviewed the effectiveness of the system of internal controls (including financial, operational and compliance controls and risk management functions) of the Company and its subsidiaries. The Directors believe that in order to manage the risk of failure in achieving the Company's goals and objectives to an ultimate extent, the Company should improve continuously its internal control system.

During 2008, the internal audit department completed the internal audit and the follow-up audits on a number of power plants, representative offices of the Company and some newly acquired power projects, and presented their findings and recommendations to the Audit Committee and the Board.

The Company has complied with the above principles, code provision C.2.1 and all recommended best practices.

C.3 AUDIT COMMITTEE

Principle in Essence

The Board should establish formal and transparent arrangements for considering how it applies the financial reporting and internal control principles and for maintaining an appropriate relationship with the Company's auditors. Audit Committee established by the Company pursuant to the Listing Rules should have clear terms of reference.

The Company's Audit Committee only comprises independent non-executive directors, namely Mr. Ma Chiu-Cheung, Andrew, Mr. Anthony H. Adams, Mr. Wu Jing Ru and Mr. Chen Ji Min as members. Mr. Ma Chiu-Cheung is the Chairman of the Committee. Mr. Ma Chiu-Cheung is a Certified Public Accountant in Hong Kong, and a fellow member of the Institute of Chartered Accountants in England & Wales, Hong Kong Institute of Certified Public Accountants, The Taxation Institute of Hong Kong and The Hong Kong Institute of Directors.

The terms of reference of the Audit Committee (as set out in the Company's website: www.cr-power.com) are as follows:

(1) primarily responsible for making recommendations to the Board on the appointment, re-appointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of resignation or dismissal of that auditor;

(2) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standard. The Audit Committee should discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences;

(3) to develop and implement policies on the engagement of an external auditor to supply non-audit services. The Audit Committee should report to the Board, identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps may be taken;

(4) to monitor integrity of financial statements, accounts, annual reports and interim reports of the Company and to review significant financial reporting judgments contained in them, including:

a. any changes in accounting policies and practices;

b. major judgment areas;

c. significant adjustments resulting from audit;

d. the going concern assumptions and any qualifications;

e. compliance with accounting standards; and

f. compliance with the Listing Rules and other legal requirements in relation to financial reporting.

(5) to review the Company's financial controls, internal control and risk management systems;

(6) to discuss with the management the system of internal control and ensure that the management has discharged its duty to have an effective internal control system;

(7) to consider any findings of major investigations of internal control matters as delegated by the Board or on its own initiative and management's response;

(8) to ensure co-ordination between the internal and external auditors, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company; and

(9) to review and monitor the effectiveness of the internal audit function.

The Audit Committee held three meetings in 2008. External and internal auditors, representatives of the executive directors as well as senior management were invited to attend the Audit Committee meetings. There was no disagreement between the Board and Audit Committee on the selection and appointment of the internal and external auditors.

During 2008, the fees paid to the Company's external auditor amounted to HK$6,984,700, of which fees paid for non-audit related services amounted to HK$1,117,700. Non-audit related services mainly include financial due diligence work carried out in connection with acquisitions of certain business and assets, and review of interim report.

The Company has complied with the above principles, code provisions C.3.1 to C.3.6 and all recommended best practices.

D. Delegation by the Board

Principle in Essence

The Company should have a formal schedule of matters specifically reserved to the Board for its decision. The Board should give clear directions to management as to the matters that must be approved by the Board before decisions are made on behalf of the Company. There should be specified written terms of reference for the Board Committees and the authority and duties of the Board Committees should be expressly stated.

The Board is mainly responsible for formulating and approving the business strategies, objectives, policies and plans of the Company, and monitoring the execution of the Company's strategies. It is also responsible for overseeing the operating and financial performance of the Company and establishing appropriate risk control policies and procedures in order to ensure that the strategic objectives of the Company are materialized. In addition, the Board is also responsible for improving the corporate governance structure and enhancing communications with Shareholders.

The Board has delegated the responsibilities of the execution of strategies and decision making for day-to-day operation of the Company to the management team headed by the Chief Executive Officer.

The management reports regularly to the Board on the operating and financial performance of the Company. Development, expansion and acquisition of power plants and other major capital expenditure and commitment, as well as major financing decisions are all to be reviewed and approved by the Board.

The Company has also established written terms of reference for the four committees (namely, audit, nomination, remuneration and strategy and development) of the Board. Details on the duties of the Board Committees have been set out in the Company's website (www.cr-power.com).

The Company has complied with the above principles, code provisions D.1.1 to D.1.2 and code provisions D.2.1 to D.2.2.

E. Communication with Shareholders

Principle in Essence

The Board should endeavor to maintain an on-going dialogue with Shareholders and in particular, use annual general meetings to communicate with Shareholders and encourage their participation. The Company should regularly inform Shareholders of the poll voting procedures and ensure compliance with the poll voting requirements of the Listing Rules and the Articles of Association of the Company.

The Company and its Board and management highly value the opinions and requirements of our Shareholders. The Company communicates with Shareholders through various channels including publication of interim and annual reports, press releases and announcements of the latest developments of the Company on its corporate website in a timely manner.

Shareholders may choose to receive the latest information released by the Company electronically. The Company regards the annual general meeting as an important opportunity for communication with Shareholders. The Chairman of the Board and the Chairmen of different committees attended the annual general meeting as far as possible and respond to the enquiry of Shareholders.

The executive director and the Chief Financial Officer Ms. Wang Xiao Bin, and independent non-executive director Mr. Ma Chiu-Cheng, Andrew attended the annual general meeting held on 30 May 2008. The Vice Chairman of the Board and the Chief Executive Officer Mr. Wang Shuai Ting, Ms. Wang Xiao Bin and the Chairman of Audit Committee Mr. Ma Chiu-Cheng, Andrew joined the extraordinary general meetings held on 23 April and 2 July 2008.

Details of the poll voting procedures and the rights of shareholders to demand a poll are included in the circular to Shareholders dispatched together with the annual report. Details of the proposed resolutions are also set out in the circular.

The Company also enhances communication with Shareholders through various investor relations activities. The Company has complied with the above principles, code provisions E.1.1 to E.1.2 and code provisions E.2.1 to E.2.3.

MAJOR INVESTOR RELATIONS ACTIVITIES

We pay close attention to investor relations activities and believe that maintaining effective communications with our Shareholders in a timely manner will enable us to create value. During the meetings with investors, we explain not only the situation and development trend of the Chinese power industry, development strategies and business prospects of our Company, we also place great emphasis on listening to investors' feedback so as to improve our management and create greater value.

In 2008, our management team actively participated in a number of major investment forums and participated in a series of investor conferences organised by the major international securities brokers. In addition, we also conducted road shows in Hong Kong, Singapore, and main financial centres in the US and Europe after the announcements of our interim and final results. These investor relations activities have received favourable feedback from institutional investors and we aim to continue to expand our shareholders base.

In order to enhance the understandings of investors towards our power plant operations and our front-line plant managers, we arrange visits to power plants for fund managers upon request. These direct communication opportunities enabled our investors to better understand the operations of our power plants whilst our plant managers were able to get a better understanding of capital markets' expectations, which helped to improve our internal management and thus enhance profitability.

During the year, there were more than 100 requests for company visits and teleconferences from different investors, together with the investor conferences and road shows organised by various securities brokers, we had met more than 300 fund managers and analysts. The level of investor relations activities during the year reflected the level of interests from capital markets in obtaining more information and knowing more about CR Power.

In 2008, CR Power, ranked by *Platts* as one of the top 250 global enterprises for a consecutive second year, ranked 14th (2007:18th) in the independent power generation and energy trading industry sector worldwide; CR Power was also ranked the 4th fastest (2007:4th) growing energy enterprise in the world and the fastest (2007:1st) growing energy company in Asia.

We also provide shareholders and potential investors with a channel to obtain the latest information of the Company and have their queries answered in a timely manner. We announce our net generation volume to analysts and media on a monthly basis; we also issue press releases to inform the markets of the commencement of new generation units and our latest investments and acquisitions in a timely manner; all of the information was also available on our website simultaneously. There is a question and answer (Q&A) session established for Shareholders and members of the communities on the website and we aim to provide replies as soon as possible.

Changshu Power Plant

We Establish a Strong Foundation

Deloitte.
德勤

TO THE SHAREHOLDERS OF
CHINA RESOURCES POWER HOLDINGS COMPANY LIMITED
華潤電力控股有限公司
(incorporated in Hong Kong with limited liability)

We have audited the financial statements of China Resources Power Holdings Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 84 to 185, which comprise the consolidated and Company balance sheets as at 31 December 2008, and the consolidated income statement, 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 FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements 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 the financial statements 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 financial statements 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, 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 financial statements 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 financial statements.

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 financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2008 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.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
1 April 2009

Consolidated Income Statement

For the year ended 31 December 2008

	NOTES	2008 HK$'000	2007 HK$'000
Turnover	5	**26,771,662**	16,830,488
Operating expenses			
Fuel		**(17,482,818)**	(9,301,548)
Repairs and maintenance		**(304,745)**	(249,503)
Depreciation and amortisation		**(2,813,692)**	(1,706,495)
Others		**(3,247,453)**	(1,516,722)
Total operating expenses		**(23,848,708)**	(12,774,268)
Other income		**560,802**	243,202
Profit from operations		**3,483,756**	4,299,422
Finance costs	6	**(1,711,614)**	(1,029,315)
Share of results of associates		**396,901**	575,002
Fair value change on derivative financial instruments		**(17,531)**	—
Discount on acquisition of a subsidiary		**—**	30,817
Profit before taxation		**2,151,512**	3,875,926
Taxation	7	**(215,987)**	(69,523)
Profit for the year	8	**1,935,525**	3,806,403
Attributable to:			
Equity holders of the Company		**1,717,448**	3,220,597
Minority interests		**218,077**	585,806
		1,935,525	3,806,403
Dividends paid	11	**1,044,269**	734,463
Dividends proposed	11	**338,167**	829,295
Earnings per share	12		
- basic		**41.30 HK cents**	82.05 HK cents
- diluted		**39.85 HK cents**	77.89 HK cents

Consolidated Balance Sheet

At 31 December 2008

	NOTES	2008 HK$'000	2007 HK$'000
Non-current assets			
Property, plant and equipment	13	**50,318,595**	39,522,707
Prepaid lease payments	14	**1,021,098**	996,630
Mining rights	15	**197,061**	138,787
Exploration and resources rights	16	**239,989**	—
Interests in associates	18	**6,381,116**	5,847,422
Goodwill	19	**3,207,440**	2,319,555
Investments in investee companies	20	**128,416**	128,416
Deposit paid for acquisition of subsidiaries	45	**981,418**	—
Deposit paid for investment in an associate		**77,942**	77,942
Deposit paid for acquisition of property, plant and equipment		**406,311**	365,342
Deposit paid for acquisition of mining/exploration rights	21	**2,584,496**	—
Deposit paid for land use rights		**125,118**	—
Pledged bank deposits	22	**37,201**	37,433
Deferred taxation assets	36	**94,777**	98,061
		65,800,978	49,532,295
Current assets			
Inventories	23	**1,857,595**	957,510
Trade receivables, other receivables and prepayments	24	**4,796,957**	5,140,101
Amounts due from minority shareholders of subsidiaries	25	**150,379**	10,890
Amounts due from associates	26	**1,292,759**	270,346
Amounts due from group companies	27	**144,923**	95
Financial assets at fair value through profit or loss	28	**2,962**	1,057
Restricted bank balances	22	**91,564**	—
Pledged bank deposits	22	**44,641**	15,090
Bank balances and cash	22	**5,467,088**	7,887,134
		13,848,868	14,282,223

Consolidated Balance Sheet

At 31 December 2008

	NOTES	2008 HK$'000	2007 HK$'000
Current liabilities			
Trade payables, other payables and accruals	29	**8,293,298**	8,375,842
Consideration payable for acquisition of subsidiaries	30	**—**	484,740
Amounts due to associates	31	**960,264**	100
Amounts due to group companies	32	**1,607,791**	284,769
Amounts due to minority shareholders of subsidiaries	33	**428,534**	734,712
Taxation payable		**34,099**	39,225
Bank and other borrowings - repayable within one year	34	**9,484,736**	8,076,194
		20,808,722	17,995,582
Net current liabilities		**(6,959,854)**	(3,713,359)
Total assets less current liabilities		**58,841,124**	45,818,936
Non-current liabilities			
Bank and other borrowings - repayable after one year	34	**28,186,707**	18,596,138
Derivative financial instruments	35	**387,265**	102,180
Deferred taxation liabilities	36	**106,289**	63,061
		28,680,261	18,761,379
		30,160,863	27,057,557
Capital and reserves			
Share capital	37	**4,212,797**	4,140,317
Share premium and reserves		**23,002,308**	20,673,135
		27,215,105	24,813,452
Minority interests		**2,945,758**	2,244,105
		30,160,863	27,057,557

The financial statements on pages 84 to 185 were approved by the Board of Directors and authorised for issue on 1 April 2009 and are signed on its behalf by:

SONG LIN
DIRECTOR

WANG SHUAI TING
DIRECTOR

Balance Sheet

At 31 December 2008

	NOTES	2008 HK$'000	2007 HK$'000
Non-current assets			
Property, plant and equipment	13	**9,548**	1,476
Investments in subsidiaries	17	**9,439,686**	7,398,725
Loans to subsidiaries	17	**2,246,069**	1,561,068
Interests in associates	18	**2,418,416**	2,352,031
Deposit paid for investment in an associate		**29,892**	29,892
Investment in an investee company		**28,776**	28,776
		14,172,387	11,371,968
Current assets			
Other receivables and prepayments	24	**50,779**	27,903
Amount due from an associate	26	**592,755**	238,565
Amounts due from group companies	27	**16,546,644**	11,699,930
Bank balances and cash		**947,832**	4,055,755
		18,138,010	16,022,153
Current liabilities			
Other payables and accruals	29	**27,613**	40,097
Amounts due to associates	31	**1,324**	100
Amounts due to group companies	32	**1,665**	1,714
Bank borrowing repayable within one year	34	**200,000**	—
		230,602	41,911
Net current assets		**17,907,408**	15,980,242
Total assets less current liabilities		**32,079,795**	27,352,210
Non-current liabilities			
Bank borrowings repayable after one year	34	**8,837,019**	4,735,000
Derivative financial instruments	35	**387,265**	102,180
		9,224,284	4,837,180
		22,855,511	22,515,030
Capital and reserves			
Share capital	37	**4,212,797**	4,140,317
Share preminum and reserves	39	**18,642,714**	18,374,713
		22,855,511	22,515,030

SONG LIN
DIRECTOR

WANG SHUAI TING
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2008

	Attributable to the equity holders of the Company												
	Share capital HK$'000	Share premium HK$'000	General reserve HK$'000 (note 39)	Special reserve HK$'000 (note 39)	Capital reserve HK$'000	Shares held for share award scheme HK$'000 (note 40)	Translation reserve HK$'000	Share option reserve HK$'000	Hedging reserve HK$'000	Retained profits HK$'000	Total HK$'000	Minority interests HK$'000	Total HK$'000
At 1 January 2007	3,831,162	4,547,073	157,794	40,782	—	—	613,886	324,933	87	5,769,142	15,284,859	1,849,703	17,134,562
Exchange differences from translation recognised directly in equity	—	—	—	—	—	—	903,525	—	—	—	903,525	114,484	1,018,009
Share of changes in reserves of associates	—	—	—	—	—	—	279,835	—	—	—	279,835	—	279,835
Fair value change on cash flow hedges	—	—	—	—	—	—	—	—	(102,267)	—	(102,267)	—	(102,267)
Net income (loss) recognised directly in equity	—	—	—	—	—	—	1,183,360	—	(102,267)	—	1,081,093	114,484	1,195,577
Profit for the year	—	—	—	—	—	—	—	—	—	3,220,597	3,220,597	585,806	3,806,403
Total recognised income and expenses for the year	—	—	—	—	—	—	1,183,360	—	(102,267)	3,220,597	4,301,690	700,290	5,001,980
Shares issued upon exercise of options	71,806	147,380	—	—	—	—	—	—	—	—	219,186	—	219,186
Recognition of equity settled share based payments	—	—	—	—	—	—	—	155,685	—	—	155,685	—	155,685
Issue of shares in placing and subscription arrangement	200,000	4,660,000	—	—	—	—	—	—	—	—	4,860,000	—	4,860,000
Expenses incurred in connection with issue of shares	—	(42,898)	—	—	—	—	—	—	—	—	(42,898)	—	(42,898)
Issue of shares in consideration of acquisition of a subsidiary	37,349	732,044	—	—	—	—	—	—	—	—	769,393	—	769,393
Transfer of share option reserve on exercise of share options	—	113,560	—	—	—	—	—	(113,560)	—	—	—	—	—
Capital contribution by minority shareholders	—	—	—	—	—	—	—	—	—	—	—	362,898	362,898
Dividends paid to minority shareholders	—	—	—	—	—	—	—	—	—	—	—	(895,406)	(895,406)
Acquisition of additional interests in subsidiaries	—	—	—	—	—	—	—	—	—	—	—	(365,477)	(365,477)
Acquired on acquisition of subsidiaries	—	—	—	—	—	—	—	—	—	—	—	592,097	592,097
Dividends paid	—	—	—	—	—	—	—	—	—	(734,463)	(734,463)	—	(734,463)
Transfer of reserves	—	—	301,228	—	—	—	—	—	—	(301,228)	—	—	—
At 31 December 2007	4,140,317	10,157,159	459,022	40,782	—	—	1,797,246	367,058	(102,180)	7,954,048	24,813,452	2,244,105	27,057,557

Consolidated Statement of Changes in Equity

For the year ended 31 December 2008

	Attributable to the equity holders of the Company												
	Share capital HK$'000	Share premium HK$'000	General reserve HK$'000 (note 39)	Special reserve HK$'000 (note 39)	Capital reserve HK$'000	Shares held for share award scheme HK$'000 (note 40)	Translation reserve HK$'000	Share option reserve HK$'000	Hedging reserve HK$'000	Retained profits HK$'000	Total HK$'000	Minority interests HK$'000	Total HK$'000
At 31 December 2007	4,140,317	10,157,159	459,022	40,782	—	—	1,797,246	367,058	(102,180)	7,954,048	24,813,452	2,244,105	27,057,557
Exchange differences from translation recognised directly in equity	—	—	—	—	—	—	1,178,904	—	—	—	1,178,904	169,466	1,348,370
Share of changes in reserves of associates	—	—	—	—	—	—	337,239	—	—	—	337,239	—	337,239
Fair value change on cash flow hedges	—	—	—	—	—	—	—	—	(267,554)	—	(267,554)	—	(267,554)
Net income (loss) recognised directly in equity	—	—	—	—	—	—	1,516,143	—	(267,554)	—	1,248,589	169,466	1,418,055
Profit for the year	—	—	—	—	—	—	—	—	—	1,717,448	1,717,448	218,077	1,935,525
Total recognised income and expenses for the year	—	—	—	—	—	—	1,516,143	—	(267,554)	1,717,448	2,966,037	387,543	3,353,580

Consolidated Statement of Changes in Equity

For the year ended 31 December 2008

	Attributable to the equity holders of the Company												
	Share capital HK$'000	Share premium HK$'000	General reserve HK$'000 (note 39)	Special reserve HK$'000 (note 39)	Capital reserve HK$'000	Shares held for share award scheme HK$'000 (note 40)	Translation reserve HK$'000	Share option reserve HK$'000	Hedging reserve HK$'000	Retained profits HK$'000	Total HK$'000	Minority interests HK$'000	Total HK$'000
Shares issued upon exercise of options	56,473	157,675	—	—	—	—	—	—	—	—	214,148	—	214,148
Recognition of equity settled share based payments	—	—	—	—	—	—	—	91,337	—	—	91,337	—	91,337
Issue of shares in consideration of acquisition of a subsidiary	16,007	313,733	—	—	—	—	—	—	—	—	329,740	—	329,740
Transfer of share option reserve on exercise of share options	—	103,182	—	—	—	—	—	(103,182)	—	—	—	—	—
Purchase of shares under share award scheme	—	—	—	—	—	(155,340)	—	—	—	—	(155,340)	—	(155,340)
Capital contribution by minority shareholders	—	—	—	—	—	—	—	—	—	—	—	80,602	80,602
Dividends paid to minority shareholders	—	—	—	—	—	—	—	—	—	—	—	(115,932)	(115,932)
Acquisition of additional interests in subsidiaries	—	—	—	—	—	—	—	—	—	—	—	(111,778)	(111,778)
Acquired on acquisition of subsidiaries	—	—	—	—	—	—	—	—	—	—	—	461,218	461,218
Dividends paid	—	—	—	—	—	—	—	—	—	(1,044,269)	(1,044,269)	—	(1,044,269)
Transfer of reserves	—	—	77,543	—	—	—	—	—	—	(77,543)	—	—	—
Transfer (Note a)	—	—	—	—	27,315	—	—	—	—	(27,315)	—	—	—
Transfer upon utilisation (Note b)	—	—	—	—	(1,721)	—	—	—	—	1,721	—	—	—
At 31 December 2008	4,212,797	10,731,749	536,565	40,782	25,594	(155,340)	3,313,389	355,213	(369,734)	8,524,090	27,215,105	2,945,758	30,160,863

Notes:

(a) Pursuant to regulations in the People's Republic of China (the "PRC") relating to the mining industry, the Group is required to transfer an amount to the capital reserve account, and such amount is calculated based on the volume of coal ore extracted each year and at the applicable rate per tonne of coal ore. The utilisation of the amount in the capital reserve account will be subjected to the rules in the PRC Companies Law and is not available for distribution to shareholders.

(b) During the year ended 31 December 2008, amount totalling HK$1,721,000 (2007: Nil) has been spent on the relevant assets and expenditure as approved by the PRC government, the corresponding amount was then transferred to retained profits.

Consolidated Cash Flow Statement

For the year ended 31 December 2008

	2008 HK$'000	2007 HK$'000
OPERATING ACTIVITIES		
Profit before taxation	**2,151,512**	3,875,926
Adjustments for:		
Amortisation of prepaid lease payments	**47,434**	25,262
Amortisation of mining rights	**9,352**	—
Depreciation for property, plant and equipment	**2,756,906**	1,681,233
Recognition of share-based payments	**91,337**	155,685
Interest expense	**1,711,614**	1,029,315
Interest income	**(91,704)**	(101,012)
Fair value change on financial assets at fair value through profit and loss	**(1,833)**	—
Fair value change on derivative financial instruments	**17,531**	—
Discount on acquisition of a subsidiary	**—**	(30,817)
Share of results of associates	**(396,901)**	(575,002)
Net loss (gain) on disposal and write-off of property, plant and equipment	**74,188**	(148)
Operating cash flows before movements in working capital	**6,369,436**	6,060,442
Increase in inventories	**(839,018)**	(240,966)
Decrease (increase) in trade receivables, other receivables and prepayments	**1,090,220**	(1,107,073)
Increase in amounts due from group companies	**—**	(22)
(Decrease) increase in trade payables, other payables and accruals	**(338,852)**	855,438
Increase in amount due to an associate	**—**	100
PRC Enterprise Income Tax paid	**(175,102)**	(14,384)
NET CASH FROM OPERATING ACTIVITIES	**6,106,684**	5,553,535

Consolidated Cash Flow Statement

For the year ended 31 December 2008

	Note	2008 HK$'000	2007 HK$'000
INVESTING ACTIVITIES			
Dividends received from associates		**411,238**	1,044,299
Interest received		**91,704**	99,776
Increase in pledged bank deposits		**(25,742)**	(13,520)
Increase in restricted bank balances		**(91,564)**	—
Purchase and deposit paid for acquisition of property, plant and equipment and land use rights		**(11,060,363)**	(6,895,325)
Purchase and deposit paid for acquisition of mining rights and exploration and resources rights		**(2,681,056)**	—
Loan advanced to a minority shareholder of a subsidiary		**(138,748)**	(8,639)
Loan advanced to associates		**(1,114,699)**	(341,318)
Capital contribution for investments in associates		**(122,847)**	(592,198)
Acquisition of an associate		**—**	(1,879,242)
Deposit paid for acquisition of subsidiaries		**(981,418)**	—
Loan repayment from a minority shareholder of a subsidiary		**—**	864
Investments in investee companies		**—**	(20,230)
Acquisition of additional interest in a subsidiary		**—**	(577,105)
Acquisitions of subsidiaries	43	**(999,866)**	(1,836,086)
Proceeds from disposal of property, plant and equipment and insurance claims received on damaged plant and equipment		**184,480**	2,028
Advances to group companies		**(144,828)**	—
Payment of deferred consideration		**(155,000)**	—
NET CASH USED IN INVESTING ACTIVITIES		**(16,828,709)**	(11,016,696)
FINANCING ACTIVITIES			
New bank and other borrowings raised		**25,621,214**	17,741,040
Capital contribution from minority shareholders		**80,602**	362,898
Proceeds on issue of shares		**214,148**	5,079,186
Purchase of shares held by share awards scheme		**(155,340)**	—
Advances from associates		**960,164**	—
Advances from group companies		**1,307,717**	—
Repayment of advances from minority shareholders of subsidiaries		**—**	(32,314)
Repayment of bank loans		**(16,657,515)**	(10,497,550)
Interest paid		**(1,843,717)**	(1,124,255)
Dividends paid		**(1,044,269)**	(734,463)
Dividends paid to minority shareholders of subsidiaries		**(526,941)**	(373,798)
Expenses paid in connection with issue of shares		**—**	(42,898)
NET CASH FROM FINANCING ACTIVITIES		**7,956,063**	10,377,846
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(2,765,962)**	4,914,685
CASH AND CASH EQUIVALENTS AT 1 JANUARY		**7,887,134**	2,747,242
EFFECT ON FOREIGN EXCHANGE RATE CHANGE		**345,916**	225,207
CASH AND CASH EQUIVALENTS AT 31 DECEMBER, REPRESENTING BANK BALANCES AND CASH		**5,467,088**	7,887,134

Notes to the Financial Statements

For the year ended 31 December 2008

1. GENERAL AND BASIS OF PREPARATION

The Company is a public company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The immediate holding company as at 31 December 2008 is China Resources (Holdings) Company Limited ("CRH"), a company incorporated in Hong Kong. The directors regard the ultimate holding company to be China Resources National Corporation ("CRNC"), a company established in the People's Republic of China (the "PRC"). The address of the registered office and principal place of business of the Company is Rooms 2001-2002, 20th Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong.

The financial statements are presented in Hong Kong dollars and the functional currency of the Company is Renminbi. The Company uses Hong Kong dollars as its presentation currency because the Company is a public company incorporated in Hong Kong with its shares listed on the Stock Exchange.

The Company is an investment holding company. The principal activities of its subsidiaries and associates are set out in notes 17 and 18, respectively.

The Group had net current liabilities as at 31 December 2008 with short-term bank borrowings which could be renewed on an annual basis at the discretion of the Company within limit approved by banks. The directors are of the opinion that, taking into account the presently available banking facilities and internal financial resources of the Group, the Group has sufficient working capital for its present requirements, that is for at least the next 12 months commencing from the date of the financial statements. Hence, the financial statements have been prepared on a going concern basis.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS"s)

In the current year, the Group has applied the following amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the Group's financial year beginning 1 January 2008.

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of financial assets
HK(IFRIC)* - INT 11	HKFRS 2: Group and treasury share transactions
HK(IFRIC) - INT 12	Service concession arrangements
HK(IFRIC) - INT 14	HKAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction

The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS"s)

(continued)

The Group has not early applied the following new and revised standards or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standards or interpretations will have no material impact on the results and the financial position of the Group.

HKFRSs (Amendments)	Improvements to HKFRSs [1]
HKAS 1 (Revised)	Presentation of financial statements [2]
HKAS 23 (Revised)	Borrowing costs [2]
HKAS 27 (Revised)	Consolidated and separate financial statements [3]
HKAS 32 & 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation [2]
HKAS 39 (Amendment)	Eligible hedged items [3]
HKFRS 1 & HKAS 27 (Amendments)	Cost of an investment in a subsidiary, jointly controlled entity or associate [2]
HKFRS 2	Vesting conditions and cancellations [2]
HKFRS 3 (Revised)	Business combinations [3]
HKFRS 7 (Amendment)	Improving disclosures about financial instruments [2]
HKFRS 8	Operating segments [2]
HK(IFRIC) - INT 9 & HKAS 39 (Amendments)	Embedded derivatives [4]
HK(IFRIC) - INT 13	Customer loyalty programmes [5]
HK(IFRIC) - INT 15	Agreements for the construction of real estate [2]
HK(IFRIC) - INT 16	Hedges of a net investment in a foreign operation [6]
HK(IFRIC) - INT 17	Distributions of non-cash assets to owners [3]
HK(IFRIC) - INT 18	Transfers of assets from customers [7]

1 Effective for annual periods beginning on or after 1 January 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009.

2 Effective for annual periods beginning on or after 1 January 2009.

3 Effective for annual periods beginning on or after 1 July 2009.

4 Effective for annual periods ending on or after 30 June 2009.

5 Effective for annual periods beginning on or after 1 July 2008.

6 Effective for annual periods beginning on or after 1 October 2008.

7 Effective for transfers of assets from customers received on or after 1 July 2009.

* IFRIC represents the International Financial Reporting Interpretations Committee.

The adoption of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual report period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions. The directors of the Company anticipate that the application of the other new or revised standards or interpretations will have no material impact on the results and the financial position of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below.

The financial statements have been prepared in accordance with HKFRS issued by the HKICPA. In addition, the financial statements include applicable disclosure required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective dates of acquisition or up to the effective dates of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Acquisition of additional interests in subsidiaries is recorded at historical cost and the excess of the cost of acquisition over the carrying amounts of net assets acquired is recognised as goodwill.

BUSINESS COMBINATIONS

The acquisition of businesses is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The fair value of the shares issued in consideration of acquisition of equity interest in a subsidiary is determined by reference to the fair value of shares alloted at date of issue is recognised as share capital and share premium. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 Business combinations are recognised at their fair values at the acquisition date.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

BUSINESS COMBINATIONS *(continued)*

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Business combination agreements with adjustments to the cost of combination based on contingent events are included in the cost of combination at the acquisition date if the adjustment is probable and can be measured reliably.

Share issued or to be issued subsequent to balance sheet date for acquisition of business are measured at the fair values of the business received, unless that fair value cannot be reliably measured, in which case the business acquired are measured by reference to the fair value of the shares issued at the completion date. The adjustment arising from the business acquired has been made to share capital and equity (share premium).

GOODWILL

Goodwill arising on acquisitions prior to 1 January 2005

Goodwill arising on an acquisition of net assets and operations of another entity represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of the relevant acquiree at the date of acquisition.

For previously capitalised goodwill arising on acquisitions prior to 1 January 2005, the Group has discontinued amortisation from 1 January 2005 onwards, and such goodwill is tested for impairment annually, and whether there is an indication that the cash generating unit to which the goodwill relates may be impaired (see the accounting policy below).

Goodwill arising on acquisitions on or after 1 January 2005

Goodwill arising on an acquisition of a business for which the agreement date is on or after 1 January 2005 represents the excess of the cost of acquisition over the Group's interest in fair value of the identifiable assets, liabilities and contingent liabilities of the relevant business at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment loss.

Capitalised goodwill arising on an acquisition of a business is presented separately in the consolidated balance sheet. Capitalised goodwill arising on acquisition of associates is included in the cost of the investment of the relevant associates.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

GOODWILL *(continued)*

Goodwill arising on acquisitions on or after 1 January 2005 (continued)

For the purposes of impairment testing, goodwill arising from an acquisition of a business is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the income statement. An impairment loss for goodwill is not reversed in subsequent periods.

On subsequent disposal of the relevant cash-generating unit, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

INVESTMENTS IN ASSOCIATES

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture.

The results and assets and liabilities of associates are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of net assets of the associate, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Goodwill arising on acquisitions prior to 1 January 2005

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets and liabilities of the associate recognised at the date of acquisition is recognised as goodwill. From 1 January 2005 onwards, the Group has discontinued amortisation of goodwill and such goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment.

Goodwill arising on acquisitions on or after 1 January 2005

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

EXCESS OF AN ACQUIRER'S INTEREST IN THE NET FAIR VALUE OF AN ACQUIREE'S IDENTIFIABLE ASSETS, LIABILITIES AND CONTINGENT LIABILITIES OVER COST ("DISCOUNT ON ACQUISITIONS")

A discount on acquisition arising on an acquisition of associate for which an agreement date is on or after 1 January 2005 represents the excess of the net fair value of an acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the acquisition of the associate.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is included as income in the determination of the investor's share of results of the associate in the year in which the investment is acquired.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

REVENUE RECOGNITION

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of sales related taxes.

Revenue from sales of electricity and heat are recognised when electricity and heat has been delivered.

Revenue from sales of coal is recognised when coal is delivered and title has passed.

Service income is recognised when services are rendered.

Interest income from a financial asset including financial assets at fair value through profit or loss is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Dividend income from investments including financial assets at fair value through profit or loss is recognised when the shareholders' rights to receive payment have been established.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment including building held for use in the production or supply of electricity, or for administrative purposes other than construction in progress are stated at cost less subsequent accumulated depreciation and accumulated impairment loss.

Subsequent costs, including repair and maintenance, 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 Company and its subsidiaries and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repair and maintenance are charged to the income statement during the financial period in which they are incurred.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

PROPERTY, PLANT AND EQUIPMENT *(continued)*

Depreciation is provided to write off the cost of items of property, plant and equipment other than construction in progress, over their estimated useful lives from the date on which they are in the manner of intended use and after taking into account of their estimated residual values, using the straight-line method.

Construction in progress including property, plant and equipment in the course of construction for production or for its own use purpose. They are carried at cost, less any identified impairment loss. Cost includes all construction expenditure and other direct costs, including borrowing costs, attributable to such projects. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the year in which the item is derecognised.

INVENTORIES

Inventories which consist of coal, fuel, spare parts and consumables are stated at the lower of cost and net realisable value. Cost is determined on the weighted average cost method. Net realisable value is determined as the estimated net selling price less all further costs of production and the related costs of marketing, selling and distribution.

LEASING

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Leasehold land and building

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification, unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is generally treated as a finance lease and accounted for as property, plant and equipment. To the extent the allocation of the lease payments can be made reliably, leasehold interests in land are accounted for as operating leases.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

FOREIGN CURRENCIES

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's entities are translated into the presentation currency of the Company (i.e. Hong Kong dollars) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the translation reserve). Such exchange differences are recognised in profit or loss in the period in which a foreign operation is disposed of.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of an entity on or after 1 January 2005 are treated as assets and liabilities of that entity and translated at the rate of exchange prevailing at the balance sheet date. Exchange differences arising are recognised in the translation reserve.

Goodwill and fair value adjustments arising on acquisitions of entities prior to 1 January 2005 are treated as non-monetary foreign currency items of the acquirer and reported using the historical exchange rate prevailing at the date of the acquisition.

EXPLORATION AND RESOURCES RIGHTS

Exploration and resources rights are recognised at cost on initial recognition. Subsequent to initial recognition, exploration and resources rights are stated at cost less any accumulated impairment losses. Exploration and resources rights include the cost of exploration rights and the expenditures incurred in the search for mineral resources as well as the determination of the technical feasibility and commercial viability of extracting those resources. When the technical feasibility and commercial viability of extracting mineral resources become demonstrable, previously recognised exploration and resources rights are reclassified as either intangible assets or other fixed assets. These assets are assessed for impairment before reclassifications.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

EXPLORATION AND RESOURCES RIGHTS *(continued)*

Impairment of exploration and resources rights

The carrying amount of the exploration and resources rights is reviewed annually and adjusted for impairment in accordance with HKAS 36 Impairment of assets whenever one of the following events or changes in circumstances indicate that the carrying amount may not be recoverable (the list is not exhaustive).

- The period for which the entity has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed.
- Substantive expenditure on future exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned.
- Exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area.
- Sufficient data exist to indicate that, though a development in the specific area is likely to proceed, the carrying amount of the exploration and resources rights is unlikely to be recovered in full from successful development or by sale.

An impairment loss is recognised in the consolidated income statement whenever the carrying amount of an asset exceeds its recoverable amount.

BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

TAXATION

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

TAXATION *(continued)*

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised base on the tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

INVESTMENT TAX CREDITS

Tax benefit arising from the purchase of PRC produced plant and equipment for production in the PRC is recognised in the consolidated income statement when government approval is obtained and conditions for utilisation have been fulfilled.

INTANGIBLE ASSETS ACQUIRED IN A BUSINESS COMBINATION

Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably. The cost of such intangible assets is their fair value at the acquisition date.

Subsequent to initial recognition, intangible assets with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. Alternatively, intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

MINING RIGHTS

Mining rights are amortised using the units of production method based on the actual production volume for the year over the total estimated production volume within the contractual life of the mining rights.

FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised on the balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) or payments through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period.

Interest income from debts instruments and interest expense is recognised on an effective interest basis.

Financial assets

The Group's financial assets are classified into one of the three categories, including financial assets at fair value through profit or loss, loans and receivables and available-for-sale investments. All regular way purchases or sales of financial assets are recognised and derecognised on a settlement date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. The accounting policies adopted in respect of each category of financial assets are set out below.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

FINANCIAL INSTRUMENTS *(continued)*

Financial assets *(continued)*

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss includes financial assets held for trading.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

At each balance sheet date subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade and other receivables, restricted bank deposits, pledged bank deposits, bank balances and cash, amounts due from minority shareholders of subsidiaries/associates/group companies) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits which are subject to an insignificant risk of changes in value.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition (see accounting policy on impairment of financial assets below).

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

FINANCIAL INSTRUMENTS *(continued)*

Impairment of financial assets

Financial assets, other than those financial assets at fair value through profit or loss, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

The objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade and other receivables that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When trade and other receivables are considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

FINANCIAL INSTRUMENTS *(continued)*

Impairment of financial assets *(continued)*

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment losses on available-for-sale equity investments will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in equity.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. The Group's financial liabilities are generally classified into other financial liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Other financial liabilities

Other financial liabilities including trade payables and other payables, amounts due to associates/group companies/minority shareholders of subsidiaries, bank and other borrowings are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derivative financial instruments and hedging

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair values at each balance sheet date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

FINANCIAL INSTRUMENTS *(continued)*

Hedge accounting

The Group uses derivative financial instruments (primarily interest rate swap) to hedge its exposure against changes in interest rate on bank borrowings. At the inception of the hedging relationship the entity documents the relationship between the hedging instrument and hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in cash flows of the hedged item.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are deferred in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss as other gain or losses.

Amounts deferred in equity are recycled in profit or loss in the periods when the hedged item is recognised in profit or loss.

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any cumulative gain or loss deferred in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in equity is recognised immediately in profit or loss.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

EQUITY-SETTLED SHARE-BASED PAYMENT TRANSACTIONS

Share options/awarded shares granted to directors and employees of the Company, directors of CRH, employees of CRH and its subsidiaries for their service to the Group

The fair value of services received determined by reference to the fair value of share options and awarded shares granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in share option reserve and share award reserve, respectively.

At each balance sheet date, the Group revises its estimates of the number of options and awarded shares that are expected to ultimately vest. The impact of the revision of the estimates during the vesting period, if any, is recognised in profit or loss, with a corresponding adjustment to share option reserve and share award reserve, respectively.

At the time when the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited after the vesting period or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained profits.

At the time when the awarded shares are vested, the amount previously recognised in share award reserve and the amount of relevant treasury shares will be transferred to retained profits.

PROVISIONS

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

Provisions for the Group's restoration, rehabilitation and environmental expenses are based on estimates of required expenditure at the mines in accordance with PRC rules and regulations. The Group estimates its liabilities for final reclamation and mine closure based upon detailed calculations of the amount and timing of the future cash expenditure to perform the required work. Spending estimates are escalated for inflation, then discounted at a discount rate that reflects current market assessments of the time value of money and the risks specific to the liability such that the amount of provision reflects the present value of the expenditures expected to be required to settle the obligation.

IMPAIRMENT LOSSES ON TANGIBLE AND INTANGIBLE ASSETS OTHER THAN GOODWILL AND EXPLORATION AND RESOURCES RIGHTS (SEE THE ACCOUNTING POLICY IN RESPECT OF GOODWILL AND EXPLORATION AND RESOURCES RIGHTS ABOVE)

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. In addition, intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that they may be impaired. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

IMPAIRMENT LOSSES ON TANGIBLE AND INTANGIBLE ASSETS OTHER THAN GOODWILL AND EXPLORATION AND RESOURCES RIGHTS (SEE THE ACCOUNTING POLICY IN RESPECT OF GOODWILL AND EXPLORATION AND RESOURCES RIGHTS ABOVE) *(CONTINUED)*

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so 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 in prior years. A reversal of an impairment loss is recognised as income immediately.

GOVERNMENT GRANTS

Government grants are recognised as income over the periods necessary to match them with the related costs. Grants related to depreciable assets are presented as a deduction from the carrying amount of the relevant asset and are released to income over the useful lives of the assets. Grants related to expense items are recognised in the same period as those expenses are charged in the consolidated income statement and deducted in reporting the related expense.

RETIREMENT BENEFIT CONTRIBUTIONS

Payments to defined contribution retirement benefit plans, state-managed retirement benefit schemes and the Mandatory Provident Fund Scheme are charged as an expense when employees have rendered service entitling them to the contributions.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3 above, management had made the following key estimates that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year.

IMPAIRMENT REVIEW OF GOODWILL

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2008, the carrying amounts of goodwill are HK$3,207,440,000 (2007: HK$2,319,555,000). Details of the recoverable amount calculation are disclosed in note 19.

ESTIMATION OF CONTINGENT CONSIDERATION PROVISION

The Group has entered into contingent consideration contracts for acquisition of certain of its businesses. The shares of the Company would be issued in consideration of the acquisition. The Group based on the fair value of the shares of the Company at the date of acquisition of the subsidiaries determines the provision to be made in respect of such contingent consideration. As the process requires input of subjective assumptions, any changes to the assumptions can materially affect the provision made. There is no provision made in respect of contingent consideration by the Group as at 31 December 2008. As at 31 December 2007, total provision made in respect of contingent consideration by the Group amounted to HK$329,740,000 and was included in consideration payable for acquisition.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

PROVISION FOR RESTORATION, REHABILITATION AND ENVIRONMENTAL EXPENDITURE

The provision for restoration, rehabilitation and environmental costs for mining sites and facilities has been determined by the directors based on their best estimates. The directors estimated this liability for final reclamation and mine closure based upon detailed calculations of the amount and timing of future cash flows spending for a third party to perform the restored work. Spending estimates are escalated for inflation, then discounted at a discount rate that reflects current market assessments of the time value of money and the risks specific to the liability, such that the provision reflects the present value of the expenditures expected to be required to settle the obligation. However, in so far as the effect on the land and the environment from current mining activities becomes apparent in future periods, the estimate of the associated costs may be subject to change in the near future. The provision is reviewed regularly to verify that it properly reflects the present value of the obligation arising from the current and past mining activities. The carrying amount of the provision for restoration, rehabilitation and environment costs is HK$173,652,000 (2007: HK$199,796,000).

PROVISION FOR EMPLOYEE RETIREMENT BENEFITS

The Group is obligated to pay employee retirement benefits for retired employees and early retired employees (i.e. retired before their statutory retirement dates) for their life time or upto their statutory retirement dates, respectively, of Jinzhou Eastern Power Co., Ltd. ("Jinzhou"), China Resources Tianneng Xuzhou Coal and Power Co., Ltd. ("Tianneng"), China Resources Power Hunan Liyujiang Co., Ltd. ("Hunan Liyujiang") and Shenyang Shenhai Thermal Power Co., Ltd. ("Shenyang Shenhai"). The estimation requires subjective assumptions and any change to the assumptions can materially affect the fair value of the provision for employee retirement benefits. As at 31 December 2008, total provision for the employee retirement benefits is HK$316,594,000 (2007: HK$234,167,000).

MINING RIGHTS

Mining rights are amortised using the unit of production method based on the actual production volume for the year over the total estimated production volume within the contractual life of the mining rights. The directors exercise their judgment in estimating the total estimated production volume of mine. Where the estimation is different from the original total estimated production volume of mine, such difference will impact the amortisation charged in the year in which such estimate is changed. The carrying amount of the mining rights is HK$197,061,000 (2007: HK$138,787,000).

5. TURNOVER AND SEGMENT INFORMATION

Turnover represents the net amount received and receivable for the sales of electricity, heat generated by thermal power plants and sales of coal, net of sales related taxes during the year.

	2008 **HK$'000**	2007 HK$'000
Sales of electricity	**25,102,876**	16,764,615
Heat supply	**323,051**	65,873
Sales of coal	**1,345,735**	—
	26,771,662	16,830,488

5. TURNOVER AND SEGMENT INFORMATION *(continued)*

BUSINESS SEGMENTS

For management purposes, the Group is currently organised into two operating divisions - sales of electricity (inclusive of supply of heat that generated by thermal power plant) and coal mining. These divisions are the basis on which the Group reports its primary segment information.

Segment information about these businesses is presented below.

2008

	Sales of electricity HK$'000	Coal mining HK$'000	Eliminations HK$'000	Total HK$'000
Revenue				
External sales	25,425,927	1,345,735	—	26,771,662
Inter-segment sales	—	675,424	(675,424)	—
Total	25,425,927	2,021,159	(675,424)	26,771,662
Inter-segment sales are charged at prevailing market rates.				
Result				
Segment result	2,957,949	628,681	—	3,586,630
Unallocated corporate expenses				(204,332)
Other income				101,458
Share of results of associates				396,901
Finance costs				(1,711,614)
Fair value change on derivative financial instruments				(17,531)
Profit before taxation				2,151,512
Taxation				(215,987)
Profit for the year				1,935,525

5. TURNOVER AND SEGMENT INFORMATION *(continued)*

BUSINESS SEGMENTS *(continued)*

2008 *(continued)*

Balance sheet

	Sales of electricity HK$'000	Coal mining HK$'000	Consolidated HK$'000
Assets			
Segment assets	62,304,541	5,160,873	67,465,414
Interests in associates	5,384,021	997,095	6,381,116
Unallocated corporate assets	—	—	5,803,316
Consolidated total assets	67,688,562	6,157,968	79,649,846
Liabilities			
Segment liabilities	(9,241,486)	(1,731,950)	(10,973,436)
Unallocated corporate liabilities	—	—	(38,515,547)
Consolidated total liabilities	(9,241,486)	(1,731,950)	(49,488,983)

Other information

	Sales of electricity HK$'000	Coal mining HK$'000	Unallocated HK$'000	Total HK$'000
Capital additions	10,240,085	329,334	6,613	10,576,032
Depreciation and amortisation	2,718,092	94,399	1,201	2,813,692
Net loss on disposal and write-off of property, plant and equipment	74,188	—	—	74,188

5. TURNOVER AND SEGMENT INFORMATION *(continued)*

BUSINESS SEGMENTS *(continued)*

2007

	Sales of electricity HK$'000	Coal mining HK$'000	Eliminations HK$'000	Total HK$'000
Revenue				
External sales	16,830,488	—	—	16,830,488
Inter-segment sales	—	—	—	—
Total	16,830,488	—	—	16,830,488

Inter-segment sales are charged at prevailing market rates.

	Sales of electricity HK$'000	Coal mining HK$'000	Eliminations HK$'000	Total HK$'000
Result				
Segment result	4,383,124	—	—	4,383,124
Unallocated corporate expenses				(217,246)
Other income				133,544
Share of results of associates				575,002
Finance costs				(1,029,315)
Discount on acquisition of a subsidiary				30,817
Profit before taxation				3,875,926
Taxation				(69,523)
Profit for the year				3,806,403

5. TURNOVER AND SEGMENT INFORMATION *(continued)*

BUSINESS SEGMENTS *(continued)*

2007 *(continued)*

Balance sheet

	Sales of electricity HK$'000	Coal mining HK$'000	Consolidated HK$'000
Assets			
Segment assets	47,044,720	2,854,221	49,898,941
Interests in associates	5,089,789	757,633	5,847,422
Unallocated corporate assets	—	—	8,068,155
Consolidated total assets	52,134,509	3,611,854	63,814,518
Liabilities			
Segment liabilities	(7,677,784)	(1,887,665)	(9,565,449)
Unallocated corporate liabilities	—	—	(27,191,512)
Consolidated total liabilities	(7,677,784)	(1,887,665)	(36,756,961)

Other information

	Sales of electricity HK$'000	Coal mining HK$'000	Unallocated HK$'000	Total HK$'000
Capital additions	7,270,741	—	—	7,270,741
Depreciation and amortisation	1,705,570	—	925	1,706,495

GEOGRAPHICAL SEGMENTS

Substantially all of the Group's assets and liabilities are located in the PRC, other than Hong Kong, and operations for the year were substantially carried out in the PRC, other than Hong Kong. Accordingly, no geographical segment information for the year is presented.

6. FINANCE COSTS

	2008	2007
	HK$'000	HK$'000
Interest on bank and other borrowings:		
- wholly repayable within five years	**(780,872)**	(363,247)
- not wholly repayable within five years	**(1,064,882)**	(826,649)
	(1,845,754)	(1,189,896)
Less: Interest on specific loans capitalised in property, plant and equipment (Note)	**134,140**	160,581
	(1,711,614)	(1,029,315)

Note: Borrowing costs capitalised during the year arose from funds borrowed specifically for the purpose of obtaining qualifying assets.

7. TAXATION

	2008 HK$'000	2007 HK$'000
The charge comprises:		
The Company and its subsidiaries		
PRC Enterprise Income Tax		
- current	**150,106**	32,870
- underprovision in prior years	**12,081**	—
	162,187	32,870
Deferred taxation (note 36)		
- current year	**53,800**	9,460
- attributable to a change in tax rate	**—**	27,193
	53,800	36,653
	215,987	69,523

No provision for Hong Kong Profits Tax has been made as the Group had no taxable profit in Hong Kong or incur tax losses for both years.

PRC Enterprise Income Tax has been calculated based on the estimated assessable profits in accordance with the relevant tax rates applicable to certain subsidiaries in the PRC.

Pursuant to the relevant laws and regulations in the PRC, certain of the Company's PRC subsidiaries are exempted from PRC Enterprise Income Tax for two years starting from their first profit-making year, followed by a 50% reduction for the next three years. In addition, certain of the Company's PRC subsidiaries are entitled to a tax benefit ("Tax Benefit"), which is calculated as 40% of the current year's purchase of PRC produced plant and equipment for production use. The Tax Benefit is, however, limited to the amount of increase in enterprise income tax for the current year in which the plant and equipment are acquired as compared with the tax amount of the previous year. The portion of the Tax Benefit that is not utilised in the current year can be carried forward for future application for a period of not more than seven years.

On 16 March 2007, the PRC promulgated the Law of the People's Republic of China on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the People's Republic of China. On 6 December 2007, the State Council of the PRC issued Implementation Regulations of the New Law. Under the New Law and Implementation Regulation, certain subsidiaries of the Company will change the existing tax rates for group entities from 15% and 18% to 25% progressively over 5 years from 1 January 2008. The deferred tax has been adjusted to reflect the tax rates that are expected to apply to the respective periods when the assets are realised or the liabilities are settled.

7. TAXATION *(continued)*

The taxation charge can be reconciled to the profit before taxation per the consolidated income statement as follows:

	2008 **HK$'000**	2007 HK$'000
Profit before taxation	**2,151,512**	3,875,926
Less: Share of results of associates	**(396,901)**	(575,002)
Profit before taxation attributable to the Company and its subsidiaries	**1,754,611**	3,300,924
Tax at applicable rate of 18% (2007: 18%)	**315,830**	594,166
Tax effect of income that is not taxable in determining current year taxable profit	**(4,744)**	(16,222)
Tax effect of expenses that are not deductible in determining current year taxable profit	**89,193**	69,197
Effect of tax exemptions granted to PRC subsidiaries	**(156,416)**	(335,058)
Reduction of tax in respect of Tax Benefits	**(124,940)**	(261,474)
Effect of different tax rates of subsidiaries	**17,650**	(23,791)
Tax effect of tax losses not recognised	**44,929**	17,862
Effect of change in tax rate	**—**	27,193
Deferred tax arising from withholding tax on undistributed profits of the PRC associates	**25,512**	—
Underprovision in prior years	**12,081**	—
Others	**(3,108)**	(2,350)
Tax expense for the year	**215,987**	69,523

Note: Tax rate of 18% is adopted for the taxation reconciliation as such tax rate is applicable to most of the Group's operations in the PRC for both years.

8. PROFIT FOR THE YEAR

	2008 HK$'000	2007 HK$'000
Profit for the year has been arrived at after charging:		
Directors' remuneration		
- Fees	**894**	690
- Other emoluments	**9,939**	10,522
- Pension costs	**204**	199
- Share option benefits expenses	**1,282**	2,646
	12,319	14,057
Other staff costs	**1,113,913**	359,553
Pension costs, excluding directors	**197,936**	49,454
Share option benefits expenses, excluding directors	**90,055**	153,039
Total staff costs	**1,414,223**	576,103
Less: Staff costs included in pre-operating expenses of subsidiaries	**(9,398)**	(7,038)
	1,404,825	569,065
Amortisation of prepaid lease payments	**47,434**	25,262
Amortisation of mining rights	**9,352**	—
Auditor's remuneration	**5,867**	4,734
Depreciation of property, plant and equipment	**2,756,906**	1,681,233
Net loss on disposal and write-off of property, plant and equipment (Note a)	**74,188**	—
Minimum lease payments under operating leases in respect of:		
- land and buildings	**64,705**	56,869
- other assets	**5,729**	654
Pre-operating expenses of subsidiaries (included in other operating expenses)	**116,867**	29,154
and after crediting:		
Net service income from heat connection contracts	**174,326**	—
Net exchange gain	**9,754**	27,099
Interest income	**91,704**	101,012
Government grant (Note b)	**49,326**	15,404
Fair value change on financial assets at fair value through profit or loss	**1,833**	—
Gain on disposal of property, plant and equipment	**—**	148
Sales of scrap materials	**108,620**	59,949
Expenses capitalised in construction in progress:		
Other staff costs	**142,353**	17,075
Pension costs	**5,400**	223
Depreciation	**6,867**	1,278

8. PROFIT FOR THE YEAR *(continued)*

Notes:

(a) Amount included loss on write-off of property, plant and equipment, net of insurance compensation, of HK$88,078,000 (2007: Nil) due to a snow disaster.

(b) During the year ended 31 December 2008, the Group received refund of value-added tax from the relevant PRC Tax Authority to encourage the operations of certain PRC subsidiaries for growth in supply of electricity of HK$17,708,000 (2007: HK$15,404,000) and development of environmental friendly electricity generation of HK$6,655,000 (2007: Nil). There were no unfulfilled conditions attached to these grants and, therefore, the Group recognised the grants upon receipts.

In addition, during the year ended 31 December 2008, the Group received subsidies from the relevant PRC Government for the high operating cost due to increase in coal price amounting to HK$26,914,000 (2007: Nil). There were no unfulfilled conditions attached to these grants and, therefore, the Group recognised the grants upon receipts.

9. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES

(i) DETAILS OF DIRECTORS' REMUNERATION ARE AS FOLLOWS:

The emoluments paid or payable to each of the eleven (2007: eleven) directors were as follows:

For the year ended 31 December 2008

	Song Lin HK$'000	Wang Shuai Ting HK$'000	Tang Cheng HK$'000	Zhang Shen Wen HK$'000	Wang Xiao Bin HK$'000	Jiang Wei HK$'000	Chen Xiao Ying HK$'000	Anthony H. Adams HK$'000	Wu Jing Ru HK$'000	Chen Ji Min HK$'000	Ma Chiu Cheung, Andrew HK$'000	Total 2008 HK$'000
Fees	70	—	—	—	—	70	126	157	157	157	157	894
Other emoluments												
Salaries and other benefits	—	1,886	888	766	1,320	—	—	—	—	—	—	4,860
Pension costs	—	72	36	30	66	—	—	—	—	—	—	204
Share option benefits expenses	238	251	167	60	162	116	—	61	61	83	83	1,282
Bonus (Note)	—	1,667	1,086	1,080	1,246	—	—	—	—	—	—	5,079
Total emoluments	308	3,876	2,177	1,936	2,794	186	126	218	218	240	240	12,319

For the year ended 31 December 2007

	Song Lin HK$'000	Wang Shuai Ting HK$'000	Tang Cheng HK$'000	Zhang Shen Wen HK$'000	Wang Xiao Bin HK$'000	Jiang Wei HK$'000	Chen Xiao Ying HK$'000	Anthony H. Adams HK$'000	Wu Jing Ru HK$'000	Chen Ji Min HK$'000	Ma Chiu Cheung, Andrew HK$'000	Total 2007 HK$'000
Fees	70	—	—	—	—	70	46	126	126	126	126	690
Other emoluments												
Salaries and other benefits	—	1,890	888	703	1,270	—	—	—	—	—	—	4,751
Pension costs	—	72	36	27	64	—	—	—	—	—	—	199
Share option benefits expenses	362	384	256	339	247	426	—	82	82	234	234	2,646
Bonus (Note)	—	1,190	3,081	600	900	—	—	—	—	—	—	5,771
Total emoluments	432	3,536	4,261	1,669	2,481	496	46	208	208	360	360	14,057

Note: The bonus is determined having regard to the performance of individuals and market trends.

9. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES *(continued)*

(ii) EMPLOYEES

Details of remunerations paid by the Group to the five highest paid individuals (including three (2007: four) directors, and the remaining two (2007: one) employees) for the year are as follows:

	2008	2007
	HK$'000	HK$'000
Salaries and other benefits	**5,707**	5,444
Pension costs	**210**	171
Bonus	**7,647**	6,631
Share option benefits expenses	**2,182**	1,355
	15,746	13,601

Emoluments of these five individuals are within the following bands:

	2008	2007
HK$1,500,001 to HK$2,000,000	**—**	2
HK$2,000,001 to HK$2,500,000	**1**	1
HK$2,500,001 to HK$3,000,000	**2**	—
HK$3,500,001 to HK$4,000,000	**1**	1
HK$4,000,001 to HK$4,500,000	**1**	1

During the year, no remuneration has been paid by the Group to the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as a compensation for loss of office. No directors have waived any remunerations during the year.

10. RETIREMENT BENEFIT SCHEMES

(A) HONG KONG

The Group participates in a pension scheme, which was registered under the Mandatory Provident Fund Scheme Ordinance (the "MPF Ordinance"), for all its employees in Hong Kong. The scheme is a defined contribution scheme and is funded by contributions from employers and employees according to the provisions of the MPF Ordinance.

During the year, the total amounts contributed by the Group to the scheme in Hong Kong and charged to the consolidated income statement represent contributions payable to the scheme by the Group at rates specified in the rules of the scheme are as follows:

	2008 **HK$'000**	2007 HK$'000
Amount contributed and charged to the consolidated income statement	**1,344**	1,011

(B) PRC

(i) Other than certain employees of Jinzhou and Tianneng employed by the vendors at respective acquisition dates (the "Pre-acquisition Employees", see note 43B (a) and (b) for details of the acquisitions during 2007 and employees of Hunan Liyujiang and Shenyang Shenhai), the employees of the Group in the PRC are members of state-managed retirement benefit schemes operated by the respective local government in the PRC. The Group is required to contribute a specified percentage of payroll costs to the schemes to fund the benefits. The only obligation of the Group with respect to these schemes is to make the specified contributions.

(ii) For the Pre-acquisition Employees, the Group is obligated to pay employee retirement benefits for retired employees and early retired employees (i.e. retired before their statutory retirement dates) of Jinzhou and Tianneng who reach the statutory retirement age within 5 years have been working for more than 30 years or in accordance with the respective subsidiary of the Company's early retirement policy. The retired and early retired employees are entitled to certain monthly benefits for their life time or upto their statutory retirement dates, respectively.

The total costs charged to the consolidated income statement or capitalised in construction in progress in respect of the above-mentioned schemes in the PRC during each of the year are as follows:

	2008 **HK$'000**	2007 HK$'000
Amount contributed and charged to the consolidated income statement	**196,796**	48,642
Amount contributed and capitalised in the construction in progress	**5,400**	223

11. DIVIDENDS

	2008 HK$'000	2007 HK$'000
Interim dividend paid for 2008 of HK$0.05 (2007: HK$0.05) per share on 4,186,794,000 (2007: 3,904,529,000) shares	**209,339**	195,227
2007 final dividend paid of HK$0.20 (2007: for 2006 of HK$0.14) per share on 4,154,641,000 (2007: 3,851,688,000) shares	**830,928**	539,236
2007 final dividend and interim dividend paid of HK$0.20 and HK$0.05, respectively, per share on 16,006,791 consideration shares issued	**4,002**	—
	1,044,269	734,463
Final dividend proposed of HK$0.08 (2007: HK$0.20) per share	**338,167**	829,295

The proposed final dividend for 2008 is based on 4,227,084,969 shares in issue at 31 March 2009 and to be approved by shareholders in general meeting.

12. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the ordinary equity holders of the Company is based on the following data:

	2008 HK$'000	2007 HK$'000
Profit attributable to equity holders of the Company	**1,717,448**	3,220,597

	Number of ordinary shares 2008	2007
Weighted average number of ordinary shares excluding own shares held for the purposes of basic earnings per share	**4,158,563,522**	3,924,997,504
Effect of dilutive potential ordinary shares:		
- share options	**150,765,599**	202,857,131
- issuable consideration shares for acquisition of subsidiaries	**—**	6,772,104
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**4,309,329,121**	4,134,626,739

	2008 HK cents	2007 HK cents
Basic earnings per share	**41.30**	82.05
Diluted earnings per share	**39.85**	77.89

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Power generating plant and equipment	Mining structures	Motor vehicles, furniture, fixtures, equipment and others	Construction in progress	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
THE GROUP						
COST						
At 1 January 2007	6,060,212	17,907,661	—	172,796	5,027,800	29,168,469
Currency realignment	368,955	1,440,362	—	13,204	363,991	2,186,512
Acquisition of subsidiaries	1,177,449	3,072,299	588,297	108,970	177,142	5,124,157
Additions	6,206	67,950	—	76,464	7,050,975	7,201,595
Transfer	2,065,814	7,612,882	—	13,393	(9,692,089)	—
Transfer to prepaid lease payments	(54,202)	—	—	—	—	(54,202)
Adjustments	(361,048)	(35,913)	—	2,344	—	(394,617)
Disposals	—	(1,663)	—	(2,208)	—	(3,871)
At 31 December 2007	9,263,386	30,063,578	588,297	384,963	2,927,819	43,228,043
Currency realignment	607,168	1,974,381	37,519	28,340	195,001	2,842,409
Acquisition of subsidiaries	298,909	782,400	—	47,215	64,140	1,192,664
Additions	125,102	298,541	39,739	106,441	9,898,563	10,468,386
Transfer	372,092	1,346,077	18,278	33,762	(1,770,209)	—
Transfer to prepaid lease payments	—	—	—	—	(15,298)	(15,298)
Adjustments	(88,695)	11,659	—	313	—	(76,723)
Write off	—	(351,912)	—	—	—	(351,912)
Disposals	(14,202)	(71,350)	(20,120)	(26,701)	—	(132,373)
At 31 December 2008	10,563,760	34,053,374	663,713	574,333	11,300,016	57,155,196

13. PROPERTY, PLANT AND EQUIPMENT *(continued)*

	Buildings	Power generating plant and equipment	Mining structures	Motor vehicles, furniture, fixtures, equipment and others	Construction in progress	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
DEPRECIATION AND IMPAIRMENT						
At 1 January 2007	412,273	1,372,213	—	42,484	—	1,826,970
Currency realignment	38,108	162,281	—	4,232	—	204,621
Provided for the year	409,379	1,294,684	—	39,220	—	1,743,283
Adjustments	(54,510)	(6,262)	—	—	—	(60,772)
Transfer to prepaid lease payments	(6,775)	—	—	—	—	(6,775)
Elimination on disposals	—	(134)	—	(1,857)	—	(1,991)
At 31 December 2007	798,475	2,822,782	—	84,079	—	3,705,336
Currency realignment	58,209	208,376	549	8,134	—	275,268
Provided for the year	566,384	2,072,819	40,777	85,550	—	2,765,530
Adjustments	571	(3,478)	—	1,150	—	(1,757)
Elimination on disposals	(4,772)	(64,200)	(4,871)	(22,449)	—	(96,292)
Write off	—	(46,715)	—	—	—	(46,715)
Impairment loss (note)	84,298	150,855	—	78	—	235,231
At 31 December 2008	1,503,165	5,140,439	36,455	156,542	—	6,836,601
CARRYING VALUES						
At 31 December 2008	9,060,595	28,912,935	627,258	417,791	11,300,016	50,318,595
At 31 December 2007	8,464,911	27,240,796	588,297	300,884	2,927,819	39,522,707

Note: The subsidiary of the Company signed an agreement with the government and agreed to close down certain of its smaller power generating plants and equipment with impairment of HK$235,231,000 (2007: Nil) being recognised and included in other operating expenses . The impairment recognised during the year ended 31 December 2008 was based on fair value less cost to sell with reference to valuation report performed by an independent third party (see Note 47 for further details of this transaction).

13. PROPERTY, PLANT AND EQUIPMENT *(continued)*

The above items of property, plant and equipment are depreciated on a straight-line basis over the estimated useful life as follows:

Buildings	18 to 20 years
Power generating plant and equipment	15 to 18 years
Mining structures	10 to 20 years
Motor vehicles, furniture, fixtures, equipment and others	3 to 10 years

The carrying value of buildings shown above situated on land outside Hong Kong under medium term leases.

Included in construction in progress is interest capitalised of HK$151,665,000 (2007: HK$39,090,000) not yet transferred to the appropriate categories of property, plant and equipment.

	Motor vehicles, furniture, fixtures, equipment and others HK$'000
THE COMPANY	
COST	
At 1 January 2007 and 31 December 2007	6,030
Additions	9,544
At 31 December 2008	15,574
DEPRECIATION	
At 1 January 2007	3,872
Provided for the year	682
At 31 December 2007	4,554
Provided for the year	1,472
At 31 December 2008	6,026
CARRYING VALUE	
At 31 December 2008	9,548
At 31 December 2007	1,476

Motor vehicles, furniture, fixtures, equipment and others are depreciated on a straight-line basis over the estimated useful life ranged from 3 to 10 years.

14. PREPAID LEASE PAYMENTS

The Group's prepaid lease payments are situated in the PRC and held under medium term leases.

The prepaid lease payments are amortised over the term of the leases.

15. MINING RIGHTS

	THE GROUP HK$'000
COST	
At 1 January 2007	—
Acquisition of subsidiaries	138,787
At 31 December 2007	138,787
Currency realignment	8,851
Addition	58,901
At 31 December 2008	206,539
ACCUMULATED AMORTISATION	
At 1 January 2007 and 1 January 2008	—
Currency realignment	126
Amortisation for the year	9,352
At 31 December 2008	9,478
CARRYING VALUE	
At 31 December 2008	197,061
At 31 December 2007	138,787

As at 31 December 2008, the mining rights included an amount of HK$138,159,000 which was purchased as part of a business combination during the year ended 31 December 2007 and initially recognised at its fair value of HK$138,787,000. At subsequent balance sheet dates, the mining rights is measured using the cost model.

Amortisation is provided to write off the cost of the mining rights using the units of production method based on the actual production volume for the year over the total estimated production volume within the contractual life of the mining right. The licence period of the mining rights held by the Group ranged from 5 to 10 years. In the opinion of the directors, the Group will be able to renew the mining rights with relevant government authorises continuously at minimal charges.

16. EXPLORATION AND RESOURCES RIGHTS

	THE GROUP HK$'000
Carrying value	
At 1 January 2007, 31 December 2007 and 1 January 2008	—
Additions	37,356
Arising on acquisition of a subsidiary	202,633
At 31 December 2008	239,989

As at 31 December 2008, the exploration activities had not yet been commenced. In the opinion of the directors, the Group will be able to renew the above rights (expiring in 2009) with relevant government authorities continuously at minimal charges.

17. INVESTMENTS IN / LOANS TO SUBSIDIARIES

	THE COMPANY	
	2008 **HK$'000**	2007 HK$'000
Unlisted shares / capital contribution, at cost	**9,439,686**	7,398,725
Loans to subsidiaries (note)	**2,246,069**	1,561,068
	11,685,755	8,959,793

Note: The amounts are unsecured, bear interest at rate offered by the People's Bank of China and have no fixed terms of repayment. In the opinion of the directors, the Company will not demand for the repayment of the amounts within the twelve months from the balance sheet date. Accordingly, the amounts are shown as non-current.

The fair value of the Company's loans to subsidiaries at 31 December 2007 and 31 December 2008 approximates their corresponding carrying value.

17. INVESTMENTS IN / LOANS TO SUBSIDIARIES *(continued)*

Details of the Company's principal subsidiaries are set out below:

Name of subsidiary	Place of incorporation/ registration and operations	Issued and fully paid share capital/ registered and paid-up capital 2008	Issued and fully paid share capital/ registered and paid-up capital 2007	Proportion of nominal value of issued capital/registered capital held by the Company Directly 2008 %	Directly 2007 %	Indirectly 2008 %	Indirectly 2007 %	Principal activities
Leader Best Limited 豐能有限公司	Hong Kong	**Ordinary shares - HK$10,000 Non-voting deferred shares - HK$10,000***	Ordinary shares - HK$10,000 Non-voting deferred shares - HK$10,000*	**100**	100	**—**	—	Investment holding
Resources Shajiao C Investments Limited 香港潤朗沙角投資有限公司	Hong Kong	**Ordinary shares - HK$9,999 Special share - HK$1****	Ordinary shares - HK$9,999 Special share - HK$1**	**—**	—	**90**	90	Investment holding
China Resources Power Dengfeng Co., Ltd. 華潤電力登封有限公司 (Sino-Foreign Equity Joint Venture)	PRC	**Registered capital - RMB630,000,000 Paid up capital - RMB630,000,000**	Registered capital - RMB630,000,000 Paid up capital - RMB525,019,875	**85**	85	**—**	—	Operation of a power station
China Resources (Luoyang) Thermal Power Co., Ltd. 洛陽華潤熱電有限公司 (Sino-Foreign Equity Joint Venture)	PRC	**Registered and paid-up capital - RMB80,000,000**	Registered and paid-up capital - RMB80,000,000	**51**	51	**—**	—	Operation of a power station
China Resources Power (Changshu) Co., Ltd. 華潤電力（常熟）有限公司 (Wholly-Owned Foreign Enterprise)	PRC	**Registered and paid-up capital - US$173,520,000**	Registered and paid-up capital - US$173,520,000	**100**	100	**—**	—	Operation of a power station
China Resources Power Hunan Liyujiang Co., Ltd. 湖南華潤電力（鯉魚江）有限公司 (Sino-Foreign Equity Joint Venture)	PRC	**Registered and paid-up capital - RMB573,660,000**	Registered and paid-up capital - RMB573,660,000	**60**	60	**—**	—	Operation of a power station
China Resources Power Hubei Co., Ltd. 華潤電力湖北有限公司 (Wholly-Owned Foreign Enterprise)	PRC	**Registered and paid-up capital - US$112,000,000**	Registered and paid-up capital - US$112,000,000	**100**	100	**—**	—	Operation of a power station

17. INVESTMENTS IN / LOANS TO SUBSIDIARIES *(continued)*

Name of subsidiary	Place of incorporation/ registration and operations	Issued and fully paid share capital/ registered and paid-up capital 2008	2007	Proportion of nominal value of issued capital/registered capital held by the Company Directly 2008 %	Directly 2007 %	Indirectly 2008 %	Indirectly 2007 %	Principal activities
China Resources (Jiaozuo) Thernal Power Co., Ltd. 焦作華潤熱電有限公司 (Sino-Foreign Equity Joint Venture)	PRC	**Registered capital - RMB267,540,000 Paid-up capital - RMB194,748,500**	Registered capital - RMB267,540,000 Paid-up capital - RMB194,748,500	**—**	—	**60**	60	Operation of a power station
China Resources Power Performance Co., Ltd.	BVI	**Share - HK$0.01**	Share - HK$0.01	**100**	100	**—**	—	Investment holding
Tangshan China Resources Thermal Power Co., Ltd. 唐山華潤熱電有限公司 (Sino-Foreign Equity Joint Venture)	PRC	**Registered and paid-up capital - RMB270,490,000**	Registered and paid-up capital - RMB270,490,000	**—**	—	**80**	80	Operation of a power station
China Resources Power Henan Shouyangshan Co., Ltd. 河南華潤電力首陽山有限公司 (Sino-Foreign Equity Joint Venture)	PRC	**Registered and paid-up capital - RMB1,237,500,000**	Registered and paid-up capital - RMB1,237,500,000	**—**	—	**85**	85	Operation of a power station
Yixing China Resources Thermal Power Co., Ltd. 宜興華潤熱電有限公司 (Sino-Foreign Equity Joint Venture)	PRC	**Registered capital - RMB201,000,000 Paid-up capital - RMB144,425,000**	Registered capital - RMB201,000,000 Paid-up capital - RMB144,425,000	**—**	—	**55**	55	Operation of a power station
China Resources Power Hunan Co., Ltd. 華潤電力湖南有限公司 (Wholly-Owned Foreign Enterprise)	PRC	**Registered capital - RMB1,361,000,000 Paid-up capital - RMB1,358,545,665**	Registered capital - RMB1,361,000,000 Paid-up capital - RMB1,358,545,665	**100**	100	**—**	—	Operation of a power station
Henan China Resources Power Gu Cheng Co., Ltd.Δ 河南華潤電力古城有限公司 (Wholly-Owned Foreign Enterprise)	PRC	**Registered capital - RMB740,500,000 Paid-up capital - RMB737,718,067**	Registered capital - RMB740,500,000 Paid-up capital - RMB496,240,295	**100**	90	**—**	—	Operation of a power station
華潤電力（唐山曹妃甸）有限公司 (Sino-Foreign Equity Joint Venture)	PRC	**Registered and paid-up capital - RMB38,000,000**	Registered and paid-up capital - RMB38,000,000	**—**	—	**90**	90	Development of a power station

17. INVESTMENTS IN / LOANS TO SUBSIDIARIES *(continued)*

Name of subsidiary	Place of incorporation/ registration and operations	Issued and fully paid share capital/ registered and paid-up capital 2008	2007	Proportion of nominal value of issued capital/registered capital held by the Company Directly 2008 %	Directly 2007 %	Indirectly 2008 %	Indirectly 2007 %	Principal activities
China Resources Power Project Service Co., Ltd. 華潤電力工程服務有限公司 (Wholly-Owned Foreign Enterprise)	PRC	**Registered and paid-up capital - HK$50,000,000**	Registered and paid-up capital - HK$50,000,000	**100**	100	**—**	—	Power station project consultancy services
CR Power Fuel (Henan) Co., Ltd. 華潤電力燃料（河南）有限公司 (Wholly-Owned Foreign Enterprise)	PRC	**Registered and paid-up capital - HK$35,000,000**	Registered and paid-up capital - HK$35,000,000	**—**	—	**100**	100	Sale of coal
郴州華潤煤業有限公司 (Sino-Foreign Equity Joint Venture)	PRC	**Registered and paid-up capital - US$29,990,000**	Registered and paid-up capital - US$29,990,000	**—**	—	**84**	84	Coal mining
Shantou Dan Nan Wind Power Co., Ltd. 汕頭丹南風能有限公司 (Sino-Foreign Equity Joint Venture)	PRC	**Registered and paid-up capital - US$10,000,000**	Registered and paid-up capital - US$10,000,000	**—**	—	**55**	55	Operation of a power station
Guangzhou China Resources Thermal Power Co. Ltd. 廣州華潤熱電有限公司 (Sino-Foreign Equity Joint Venture)	PRC	**Registered capital - RMB350,000,000 Paid-up capital - RMB350,000,000**	Registered capital - RMB200,000,000 Paid-up capital - RMB158,000,000	**—**	—	**70**	70	Development of a power station
China Resources Concord (Beijing) Thermal Power Co. Ltd. 華潤協鑫（北京）熱電有限公司 (Sino-Foreign Equity Joint Venture)	PRC	**Registered and paid-up capital - RMB247,100,000**	Registered and paid-up capital - RMB247,100,000	**—**	—	**51**	51	Operation of a power station
Fuyang China Resources Power Co., Ltd. 阜陽華潤電力有限公司 (Sino-Foreign Equity Joint Venture)	PRC	**Registered capital - RMB1,259,000,000 Paid-up capital - RMB919,000,000**	Registered capital - RMB1,259,000,000 Paid-up capital - RMB798,971,692	**—**	—	**55**	55	Operation of a power station
Yunnan China Resources Power (Honghe) Co., Ltd. 雲南華潤電力（紅河）有限公司 (Sino-Foreign Equity Joint Venture)	PRC	**Registered and paid-up capital - RMB279,400,000**	Registered and paid-up capital - RMB279,400,000	**—**	—	**70**	70	Operation of a power station

17. INVESTMENTS IN / LOANS TO SUBSIDIARIES *(continued)*

Name of subsidiary	Place of incorporation/ registration and operations	Issued and fully paid share capital/ registered and paid-up capital 2008	2007	Proportion of nominal value of issued capital/registered capital held by the Company Directly 2008 %	Directly 2007 %	Indirectly 2008 %	Indirectly 2007 %	Principal activities
偃師華潤運輸有限公司 (Sino-Foreign Equity Joint Venture)	PRC	**Registered and paid-up capital - RMB11,000,000**	Registered and paid-up capital - RMB11,000,000	**—**	—	**64**	64	Provision of local logistic services
China Resources Power Maintenance Henan Co., Ltd. 華潤電力檢修（河南）有限公司 (Sino-Foreign Equity Joint Venture)	PRC	**Registered and paid-up capital - RMB5,000,000**	Registered and paid-up capital - RMB5,000,000	**—**	—	**93**	93	Power station maintenance service
攀枝花華潤水電開發有限公司 (Sino-Foreign Equity Joint Venture)	PRC	**Registered capital - RMB50,000,000 Paid-up capital - RMB30,000,000**	Registered capital - RMB50,000,000 Paid-up capital - RMB30,000,000	**—**	—	**70**	70	Development of a power station
深圳南國能源有限公司 (Wholly-Owned Foreign Enterprise)	PRC	**Registered and paid-up capital - RMB50,000,000**	Registered and paid-up capital - RMB50,000,000	**—**	—	**100**	100	Investment holding
China Resources Power Investment Co., Ltd. 華潤電力投資有限公司 (Wholly-Owned Foreign Enterprise)	PRC	**Registered capital - USD300,000,000 Paid-up capital - USD45,000,000**	Registered capital - USD300,000,000 Paid-up capital - USD45,000,000	**—**	—	**100**	100	Investment holding
China Resources Cangzhou Co-generation Co., Ltd. 滄州華潤熱電有限公司 (Sino-Foreign Equity Joint Venture)	PRC	**Registered capital - RMB550,000,000 Paid-up capital - RMB427,500,000**	Registered capital - RMB550,000,000 Paid-up capital - RMB410.000,000	**60**	60	**—**	—	Operation of a power station
Jinzhou Eastern Power Co., Ltd. 錦州東港電力有限公司 (Wholly-owned Foreign Enterprise)	PRC	**Registered and paid-up capital - RMB764,922,500**	Registered and paid-up capital - RMB764,922,500	**—**	—	**100**	100	Operation of a power station
Xuzhou Huaxin Power Generation Co., Ltd.ΔΔ 徐州華鑫發電有限公司 (Sino-Foreign Equity Joint Venture)	PRC	**Registered and paid-up capital - RMB480,000,000**	Registered and paid-up capital - RMB480,000,000	**—**	—	**72**	67	Operation of a power station

17. INVESTMENTS IN / LOANS TO SUBSIDIARIES *(continued)*

Name of subsidiary	Place of incorporation/ registration and operations	Issued and fully paid share capital/ registered and paid-up capital 2008	2007	Proportion of nominal value of issued capital/registered capital held by the Company Directly 2008 %	Directly 2007 %	Indirectly 2008 %	Indirectly 2007 %	Principal activities
China Resources Tianneng Xuzhou Coal and Power Co., Ltd. 華潤天能（徐州）煤電有限公司 (Formerly known as Jiangsu Tianneng Power Generation Co., Ltd. 江蘇天能集團公司) (Wholly-Owned Foreign Enterprise)	PRC	**Registered and paid-up capital - RMB109,364,623**	Registered and paid-up capital - RMB95,526,000	**100**	100	**—**	—	Exploration and sale of coal and operation of a power station
China Resources Wind Power (Shantou) Co., Ltd. 華潤電力風能（汕頭）有限公司 (Wholly-Owned Foreign Enterprise)	PRC	**Registered and paid-up capital - RMB73,460,329**	Registered and paid-up capital - RMB73,430,000	**—**	—	**100**	100	Operation of a power station
China Resources Power Xingning Co., Ltd. 華潤電力興寧有限公司 (Formerly known as Guangdong Xingning Xingda Power Co., Ltd. 廣東省興達電力有限公司) (Wholly-Owned Foreign Enterprise)	PRC	**Registered and paid-up capital - RMB337,500,000**	Registered and paid-up capital - RMB337,500,000	**—**	—	**100**	100	Operation of a power station
China Resources Wind Power (Chengde) Co., Ltd. 華潤電力風能（承德）有限公司 (Wholly-Owned Foreign Enterprise)	PRC	**Registered capital - RMB176,320,000 Paid-up capital - RMB73,246,858**	Registered capital - RMB176,320,000 Paid-up capital - RMB21,158,400	**—**	—	**100**	100	Development of a power station
China Resources Power (Jining) Co., Ltd. 華潤電力（濟寧）有限公司 (Sino-Foreign Equity Joint Venture)	PRC	**Registered capital - RMB195,000,000 Paid-up capital - RMB179,325,960**	Registered capital - RMB195,000,000 Paid-up capital - RMB78,140,400	**95**	95	**—**	—	Development of a power station
China Resources Power (Heze) Co., Ltd. 華潤電力（荷澤）有限公司 (Wholly-Owned Foreign Enterprise)	PRC	**Registered capital - USD29,000,000 Paid-up capital - USD28,977,000**	Registered capital - USD29,000,000 Paid-up capital - USD28,977,000	**100**	100	**—**	—	Development of a power station

17. INVESTMENTS IN / LOANS TO SUBSIDIARIES *(continued)*

Name of subsidiary	Place of incorporation/ registration and operations	Issued and fully paid share capital/ registered and paid-up capital 2008	2007	Proportion of nominal value of issued capital/registered capital held by the Company Directly 2008 %	Directly 2007 %	Indirectly 2008 %	Indirectly 2007 %	Principal activities
China Resources Power (Lianyuan) Co., Ltd.# 華潤電力（漣源）有限公司 (Wholly-Owned Foreign Enterprise)	PRC	Registered and paid-up capital - USD29,800,000	—	—	—	100	—	Development of a power station
Shenyang Shenhai Thermal Power Co., Ltd. ## 瀋陽瀋海熱電有限公司 (Sino-Foreign Equity Joint Venture)	PRC	Registered and paid-up capital - RMB566,380,000	—	—	—	54	—	Operation of a power station
China Resources Jinniu Thermal Power Co., Ltd.# 內蒙古華潤金牛熱電有限公司 (Wholly-Owned Foreign Enterprise)	PRC	Registered capital - RMB 200,000,000 Paid-up capital - RMB149,515,842	—	100	—	—	—	Development of a power station
China Resources Wind Power (Yantai) Co., Ltd.# 華潤電力風能（烟台）有限公司 (Sino-Foreign Equity Joint Venture)	PRC	Registered capital - RMB198,585,700 Paid-up capital - RMB165,420,124	—	—	—	95	—	Development of a power station
China Resources Wind Power (Shantouchaonan) Co., Ltd.# 華潤電力風能（汕頭潮南）有限公司 (Wholly-Owned Foreign Enterprise)	PRC	Registered capital - RMB295,460,000 Paid-up capital - RMB172,743,158	—	—	—	100	—	Development of a power station
China Resources Power (Hezhou) Co., Ltd.# 華潤電力（賀州）有限公司 (Wholly-Owned Foreign Enterprise)	PRC	Registered and paid-up capital - USD 33,000,000	—	100	—	—	—	Development of a power station
華潤電力（六枝）有限公司# (Wholly-Owned Foreign Enterprise)	PRC	Registered capital - USD49,000,000 Paid-up capital - USD7,500,000	—	100	—	—	—	Development of a power station

17. INVESTMENTS IN / LOANS TO SUBSIDIARIES *(continued)*

Name of subsidiary	Place of incorporation/ registration and operations	Issued and fully paid share capital/ registered and paid-up capital 2008	2007	Proportion of nominal value of issued capital/registered capital held by the Company Directly 2008 %	Directly 2007 %	Indirectly 2008 %	Indirectly 2007 %	Principal activities
Henan Tianzhong Coal Mining Co., Ltd# 河南天中煤業有限公司 (Wholly-Owned Foreign Enterprise)	PRC	Registered capital - RMB200,000,000 paid-up capital - RMB29,979,339	—	—	—	100	—	Coal mining
China Resources Power (Wenzhou) Co., Ltd# 華潤電力（溫州）有限公司 (Wholly-Owned Foreign Enterprise)	PRC	Registered capital - USD49,000,000 paid-up capital - USD7,500,000	—	100	—	—	—	Development of a power station

* The non-voting deferred shares are not entitled to receive notice of or attend or vote at any general meeting nor to any participation in the profits or surplus assets on winding up.

** The special share carries same rights as ordinary shares.

Newly incorporated during year ended 31 December 2008.

Newly acquired during year ended 31 December 2008.

Δ The Group acquired 10% additional interest during year ended 31 December 2008.

ΔΔ The Group acquired 5% additional interest during year ended 31 December 2008.

The above table lists the subsidiaries of the Company which in the opinion of the directors of the Company, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

None of the subsidiaries had issued any debt securities at the end of the year or at any time during the year.

18. INTERESTS IN ASSOCIATES

	THE GROUP	
	2008	2007
	HK$'000	HK$'000
Cost of investment in associates - unlisted	**4,531,633**	4,431,538
Share of post-acquisition profits, net of dividend received	**1,057,527**	961,167
Share of reserves	**791,956**	454,717
	6,381,116	5,847,422

	THE COMPANY	
	2008	2007
	HK$'000	HK$'000
Cost of investment in associates - unlisted	**2,418,416**	2,352,031

Included in the Group's cost of investment in associates is goodwill of HK$921,124,000 (2007: HK$921,124,000) arising on acquisition of certain associates. The movement of goodwill is set out below:

	Goodwill
	HK$'000
COST	
At 1 January 2007	474,541
Transfer to subsidiaries	(140,263)
Arising on acquisition of associates	586,846
At 31 December 2007, 1 January 2008 and 31 December 2008	921,124

18. INTERESTS IN ASSOCIATES *(continued)*

Details of the principal associates held by the Group are as follows:

Name of associate	Place of registration	Registered and paid-up capital 2008	Registered and paid-up capital 2007	Attributable equity interest held by the Group 2008 %	Attributable equity interest held by the Group 2007 %	Attributable equity interest held by the Company 2008 %	Attributable equity interest held by the Company 2007 %	Principal activities
Guangdong Guanghope Power Co., Ltd. 廣東廣合電力有限公司 (Sino-Foreign Co-operative Joint Venture)	PRC	**Registered capital - US$391,600,000 Paid-up capital - US$241,600,000**	Registered capital - US$391,600,000 Paid-up capital - US$241,600,000	**36**	36	**—**	—	Operation of a power station
Hebei Harv Power Generation Company Limited 河北衡豐發電有限責任公司 (Sino-Foreign Equity Joint Venture)	PRC	**Registered and paid-up capital - RMB777,000,000**	Registered and paid-up capital - RMB777,000,000	**25**	25	**—**	—	Operation of a power station
Zhejiang Wenzhou Telluride Power Generating Company Limited 浙江溫州特魯萊發電有限責任公司 (Sino-Foreign Co-operative Joint Venture)	PRC	**Registered and paid-up capital - RMB796,120,000**	Registered and paid-up capital - RMB796,120,000	**40**	40	**—**	—	Operation of a power station
China Resources (Xuzhou) Electric Power Company Limited 徐州華潤電力有限公司 (Sino-Foreign Equity Joint Venture)	PRC	**Registered capital - RMB1,058,310,000 Paid-up capital - RMB863,110,000**	Registered capital - RMB1,058,310,000 Paid-up capital - RMB863,110,000	**35**	35	**—**	—	Operation of a power station
Nanjing Chemical Industry Park Heat-Power Co., Ltd. 南京化學工業園熱電有限公司 (Sino-Foreign Equity Joint Venture)	PRC	**Registered and paid-up capital - US$21,800,000**	Registered and paid-up capital - US$21,800,000	**25**	25	**—**	—	Operation of a power station
Hengshui Hengxing Power Generation Company Limited 衡水恒興發電有限責任公司 (Sino-Foreign Equity Joint Venture)	PRC	**Registered and paid-up capital - RMB475,000,000**	Registered and paid-up capital - RMB475,000,000	**25**	25	**25**	25	Operation of a power station
河南永華能源有限公司 (Sino-Foreign Equity Joint Venture)	PRC	**Registered and paid-up capital - RMB300,000,000**	Registered and paid-up capital - RMB300,000,000	**49**	49	**—**	—	Exploration and sale of coal

18. INTERESTS IN ASSOCIATES *(continued)*

Name of associate	Place of registration	Registered and paid-up capital 2008	Registered and paid-up capital 2007	Attributable equity interest held by the Group 2008 %	Attributable equity interest held by the Group 2007 %	Attributable equity interest held by the Company 2008 %	Attributable equity interest held by the Company 2007 %	Principal activities
鄭州華轅煤業有限公司 (Sino-Foreign Equity Joint Venture)	PRC	**Registered and paid-up capital - RMB750,000,000**	Registered and paid-up capital - RMB750,000,000	**49**	49	**—**	—	Exploration and sale of coal
Yangzhou No. 2 Power Generation LL Co. 楊州第二發電有限公司 (Sino-Foreign Equity Joint Venture)	PRC	**Registered and paid-up capital - RMB1,692,000,000**	Registered and paid-up capital - RMB1,692,000,000	**45**	45	**45**	45	Operation of a power station
Jiang Su Nanre Power Generation Co. Ltd. 江蘇南熱發電有限責任公司 (Sino-Foreign Equity Joint Venture)	PRC	**Registered and paid-up capital - RMB100,000,000**	Registered and paid-up capital - RMB100,000,000	**30**	30	**30**	30	Operation and sale of coal
Guizhou Hualong Coal Mining Co., Ltd. 貴州華隆煤業有限公司 * (Sino-Foreign Equity Joint Venture)	PRC	**Registered capital - RMB175,000,000 Paid-up capital - RMB 100,000,000**	—	**49**	—	**49**	—	Coal mining

* Newly established during year ended 31 December 2008.

** Acquisition a further 45% equity interest during year ended 31 December 2008, upon the completion of the acquisition of the further 45% equity interest in 貴州天能, 貴州天能 has become a 65% owned subsidiary of the Company.

The above table lists the associates of the Company which in the opinion of the directors of the Company, principally affected the results or assets of the Group. To give details of other associates would, in the opinion of the directors of the Company, result in particulars of excessive length.

18. INTERESTS IN ASSOCIATES *(continued)*

The summarised financial information in respect of the Group's associates is set out below:

	2008 **RMB'000**	2007 RMB'000
Total assets	**30,207,296**	27,294,628
Total liabilities	**15,034,421**	11,624,297
Net assets	**15,172,875**	15,670,331
Group's share of net assets of associates	**5,459,992**	4,926,298
Turnover	**13,385,731**	13,318,528
Profit for the year	**1,141,490**	1,805,805
Group's share of results of associates for the year	**396,901**	575,002

19. GOODWILL

	THE GROUP HK$'000
COST	
At 1 January 2007	213,506
Transfer from interest in an associate	140,263
Arising on acquisition of subsidiaries	1,754,158
Arising on acquisition of additional interest in a subsidiary	211,628
At 31 December 2007	2,319,555
Arising on acquisition of subsidiaries	754,081
Arising on acquisition of additional interest in a subsidiary	133,804
At 31 December 2008	3,207,440

For the purpose of impairment review, goodwill set out above is allocated to the cash generating units ("CGUs"), the subsidiaries operating power plants in different provinces in PRC.

The recoverable amounts of each of the CGUs are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the year. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on industry growth forecasts. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

During the year, the Group performed impairment review for goodwill based on cash flow forecasts covering a period of 5 years derived from the most recent financial budgets approved by management using discount rate of 11% (2007: 10%) for CGU engaged in operating of power station, while the forecast beyond five years is based on the financial budget which assumes no growth. The value in use calculated by using the discount rate is higher than the carrying amount of the goodwill allocated to the CGUs and accordingly, no impairment loss was considered necessary.

The carrying amounts of significant portion of goodwill allocated to individual CGU is as follows:

	2008 **HK$'000**	2007 HK$'000
Jinzhou	**1,438,876**	1,438,876

Pre-tax discount rates used for value in use calculation is 11%. In the opinion of directors, any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of Jinzhou to exceed the aggregate recoverable amount of Jinzhou.

20. INVESTMENTS IN INVESTEE COMPANIES

The Group's investments in investee companies represent investment in unlisted equity securities issued by two (2007: two) limited liability entities registered in the PRC. They are measured at cost less impairment at each balance sheet date as the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

At the balance sheet date, the investments in investee companies are stated at cost.

21. DEPOSITS PAID FOR ACQUISITION OF MINING/EXPLORATION RIGHTS

In January 2008, the Group entered into an agreement with an independent third party to acquire the exploration and resources right to an area of 21,000 hectares of a coal mine located in Inner Mongolia province with consideration amounted to HK$7,837,710,000 (equivalents to RMB6,900,000,000). Up to 31 December 2008, consideration amounted to HK$1,079,105,000 (equivalent to RMB950,000,000) had been paid by the Group, with outstanding consideration amounted to approximately HK$6,758,605,000 (equivalent to RMB5,950,000,000).

In June 2008, the Group entered into an agreement with an independent third party to acquire the mining right to an area of 1,590 hectares of a coal mine located in Hunan province with consideration amounted to HK$313,750,000 (equivalents to approximately RMB 276,213,000). Up to 31 December 2008, consideration amounted to HK$90,872,000 (equivalent to approximately RMB80,000,000) had been paid by the Group, with outstanding consideration amounted to approximately HK$222,878,000 (equivalent to approximately RMB196,213,000).

In June 2008, the Group entered into an agreement with an independent third party to acquire the exploration and resources right to an area of 36,100 hectares of a coal mine located in Inner Mongolia province with consideration amounted to HK$2,103,186,000 (equivalents to approximately RMB1,851,559,000). Up to 31 December 2008, consideration amounted to HK$1,300,929,000 (equivalent to approximately RMB1,145,285,000) had been paid by the Group, with outstanding consideration amounted to approximately HK$802,257,000 (equivalent to approximately RMB706,274,000).

In September 2008, the Group entered into an agreement with an independent third party to acquire the exploration and resources right to an area of 9,310 hectares of a coal mine located in Inner Mongolia province with consideration amounted to HK$1,555,047,000 (equivalents to RMB1,369,000,000). Up to 31 December 2008, consideration amounted to HK$113,590,000 (equivalent to approximately RMB100,000,000) had been paid by the Group, with outstanding consideration amounted to approximately HK$1,441,457,000 (equivalent to approximately RMB1,269,000,000).

22. PLEDGED BANK DEPOSITS / RESTRICTED BANK DEPOSITS / BANK BALANCES AND CASH

PLEDGED BANK DEPOSITS

The Group's pledged bank deposits represent deposits pledged to banks to secure banking facilities granted to the Group. Deposits amounting to HK$44,641,000 (2007: HK$15,090,000) have been pledged to secure short-term bank loans and are therefore classified as current assets. The remaining deposits amounting to HK$37,201,000 (2007: HK$37,433,000) have been pledged to secure long-term bank borrowings of an associate. The pledged bank deposits will be released upon the repayment of the relevant bank borrowings.

RESTRICTED BANK DEPOSITS

The restricted bank deposit represents the bank deposits of the Company's subsidiary, Tianneng, which was acquired by the Company from the Xuzhou provincial government during the year ended 31 December 2007. In May 2008, Tianneng was involved in a lawsuit in connection with coal mining overstep the boundary prior the acquisition by the Company, with bank balances amounted to HK$91,564,000 (equivalent to RMB80,609,000) being frozen at the order of the civil court. Pursuant to the State Owned Asset Transfer Agreement entered between the Xuzhou provincial government and the Company in connection for the acquisition of Tianneng, the Xuzhou provincial government will compensate the Company for any loss arising from litigation or event occurred prior to the acquisition. In the opinion of the directors, the aforementioned lawsuit will not have material adverse effect on the financial position of the Group.

BANK BALANCES AND CASH

The bank balances and bank deposits of the Group and the Company carried interest rates ranging from 0.01% to 1.75% per annum (2007: 1.25% to 5.2% per annum). The fair values of bank balances and cash at 31 December 2007 and 31 December 2008 approximate their corresponding carrying amounts.

23. INVENTORIES

	THE GROUP	
	2008	2007
	HK$'000	HK$'000
Coal	**1,455,614**	644,510
Fuel oil	**61,370**	73,431
Spare parts and consumables	**340,611**	239,569
	1,857,595	957,510

At the balance sheet date, all inventories were stated at cost.

24. TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAYMENTS

THE GROUP

Trade receivables are due within 60 days from the date of billing.

The following is an aging analysis of trade and notes receivables included in trade receivables, other receivables and prepayments at the balance sheet date:

	2008 **HK$'000**	2007 HK$'000
0 - 30 days	**3,102,624**	2,815,051
31 - 60 days	**402,209**	551,497
Over 60 days	**29,635**	448
	3,534,468	3,366,996

Included in the Group's trade receivables, other receivables and prepayments are prepayments for purchase of coal and fuel amounted to HK$151,983,000 (2007: HK$517,865,000). In addition, other receivables and prepayments included an amount of insurance receivable of HK$101,459,000 (2007: Nil) and an amount of HK$105,702,000 (2007: HK$611,909,000) receivable from the provincial government in Xuzhou City (see note 43B(b) for details).

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of HK$29,635,000 (2007: HK$448,000) which are past due over 60 days at the reporting date for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances. The average age of these receivables is 60 days (2007: 60 days).

The Group does not provide any allowance for all receivables because historical experience is such that receivables are generally recoverable. Management closely monitors the credit quality of trade and other receivables and considers the trade and other receivables that are neither past due nor impaired to be of a good credit quality.

The fair values of the Group's trade and other receivables at 31 December 2007 and 31 December 2008 approximate the corresponding carrying amounts due to relatively short-term maturity.

THE COMPANY

The fair values of the Company's other receivables at 31 December 2007 and 31 December 2008 approximate the corresponding carrying amounts due to relatively short-term maturity.

25. AMOUNTS DUE FROM MINORITY SHAREHOLDERS OF SUBSIDIARIES

THE GROUP

	2008	2007
	HK$'000	HK$'000
Loans to minority shareholders of subsidiaries	**2,498**	2,251
Amounts due from minority shareholders of subsidiaries	**147,881**	8,639
	150,379	10,890

As at 31 December 2008, the loans to minority shareholders of subsidiaries are unsecured, carry interest at LIBOR plus 0.8878% (2007: LIBOR plus 0.8878%) and are repayable on demand. The fair value of the loans to minority shareholders of the subsidiaries at 31 December 2007 and 31 December 2008 approximates their corresponding carrying value due to relatively short-term maturity.

As at 31 December 2008, the amounts due from minority shareholders of subsidiaries are unsecured, non-interest bearing and repayable on demand. Included in the Group's amounts due from minority shareholders of subsidiaries are trade receivables from a minority shareholder of a subsidiary amounted to HK$135,400,000 (2007: Nil) with amount of HK$121,825,000 and HK$13,575,000 fell in age of 0 to 30 days and 31 to 60 days, respectively. Trade receivable are due within 60 days from the date of billing which are neither past due nor impaired at the balance sheet date. The Group does not hold any collateral over these balances. The fair value of the Group's amounts due from minority shareholders of subsidiaries at 31 December 2007 and 31 December 2008 approximate corresponding carrying value due to relatively short-term maturity. In the opinion of directors, the amounts will be repayable within one year.

26. AMOUNTS DUE FROM ASSOCIATES

THE GROUP

	2008 HK$'000	2007 HK$'000
Loans to associates (note a)	**579,309**	—
Dividend receivable from associates (note b)	**20,461**	123,566
Amounts due from associates (note b)	**692,989**	146,780
	1,292,759	270,346

Notes:

(a) Loans to associates included amounts of HK$283,975,000, HK$113,590,000 and HK$181,744,000. They are unsecured, carried at the fixed rate of 7.47%, 7.87% and the rate set by People's Bank of China for loan of the same maturity minus 1% per annum, respectively, and repayable within one year.

(b) The dividend receivable from associates and amounts due from associates are unsecured, non-interest bearing and repayable on demand. In the opinion of directors, the receivable amount will be repayable within one year.

The fair values of the Group's amounts due from associates at 31 December 2007 and 31 December 2008 approximate the corresponding carrying amounts due to relatively short-term maturity.

The Group does not provide any allowance for amounts due from associates because historical experience is such that amounts due from associates are generally recoverable. Management closely monitors the credit quality of loans to associates and amounts due from associates and considers the amounts are neither past due nor impaired to be a good credit quality. The Group does not hold any collateral over these balances.

THE COMPANY

	2008 HK$'000	2007 HK$'000
Amount due from an associate	**592,755**	238,565

The amount due from an associate at 31 December 2008 is unsecured, non-interest bearing and repayable on demand. The fair value of such amount approximates its corresponding carrying value due to relatively short-term maturity.

The Company does not provide any allowance for amounts due from associates because historical experience is such that amounts due from associates are generally recoverable. Management closely monitors the credit quality of amounts due from associates and considers the amounts are neither past due nor impaired to be a good credit quality. The Company does not hold any collateral over these balances.

27. AMOUNTS DUE FROM GROUP COMPANIES

	THE GROUP	
	2008	2007
	HK$'000	HK$'000
Loan to a fellow subsidiary (note a)	**59,635**	—
Amounts due from related companies (note b)	**—**	33
Amounts due from fellow subsidiaries (note b)	**85,288**	62
	144,923	95

Notes:

(a) Loan to a fellow subsidiary is unsecured, carried interest at fixed rate of 6.23% per annum and repayable within one year.

(b) The amounts due from related companies and amounts due from fellow subsidiaries are unsecured, non-interest bearing and repayable on demand. In the opinion of directors, the amounts will be repayable within one year.

The fair values of the Group's amounts due from group companies approximate their corresponding carrying values due to relatively short-term maturity.

The Group does not provide any allowance for amounts due from group companies because historical experience is such that amounts due from group companies are generally recoverable. Management closely monitors the credit quality of amounts due from group companies and considers the amounts are neither past due nor impaired to be a good credit quality. The Group does not hold any collateral over these balances.

	THE COMPANY	
	2008	2007
	HK$'000	HK$'000
Amounts due from related companies	**—**	33
Amounts due from fellow subsidiaries	**7,933**	40
Amounts due from subsidiaries	**16,538,711**	11,699,857
	16,546,644	11,699,930

The amounts due from group companies are unsecured, non-interest bearing and repayable on demand. The fair value of such amount approximates its corresponding carrying value due to relatively short-term maturity. In the opinion of directors, the amounts will be repayable within one year.

The Company does not provide any allowance for amounts due from group companies because historical experience is such that amounts due from group companies are generally recoverable. Management closely monitors the credit quality of amounts due from group companies and considers the amounts are neither past due nor impaired to be a good credit quality. The Company does not hold any collateral over these balances.

28. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	THE GROUP	
	2008	2007
	HK$'000	HK$'000
Financial assets at fair value through profit or loss held for trading are analysed below:		
Equity securities in PRC	**2,962**	1,057

29. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

THE GROUP

The following is an ageing analysis of trade payables included in trade payables, other payables and accruals at the balance sheet date:

	2008	2007
	HK$'000	HK$'000
0 - 30 days	**1,518,018**	664,193
31 - 90 days	**232,788**	100,206
Over 90 days	**245,439**	142,129
	1,996,245	906,528
The other payables and accruals include:		
Accrued purchases of coal and fuel	**355,065**	596,095
Payables in respect of purchase of property, plant and equipment and construction	**3,004,758**	3,585,849
Accrued wages	**453,998**	571,426
Accrued retirement benefit cost	**316,594**	234,167
Payable in respect of employee settlement cost	**485,660**	456,560
Other tax payables	**287,620**	347,661
Provision for restoration, rehabilitation and environmental expenditure	**173,652**	199,796
Other payables and accruals	**1,219,706**	1,477,760
	6,297,053	7,469,314

The movement of provision for restoration, rehabilitation and environmental expenditure since acquisition of the relevant business mainly represents the settlements paid to third parties. No additional provision is made as in the opinion of the directors of the Company, the amount involved is insignificant.

The average credit period on purchases of goods is 90 days. The Group has financial risk management policies in place to ensure that all payables are within the credit timeframe.

The fair value of the Group's trade and other payables at 31 December 2007 and 31 December 2008 approximates their respective carrying amounts due to relatively short-term maturity.

Other payables are unsecured, interest free and repayable on demand.

29. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS *(continued)*

THE COMPANY

The fair values of the Company's other payables as at 31 December 2007 and 31 December 2008 approximate their corresponding carrying amounts due to relatively short-term maturity.

30. CONSIDERATION PAYABLE FOR ACQUISITION OF SUBSIDIARIES

The Group's consideration payable for acquisition of subsidiaries as at 31 December 2007 represented deferred consideration payable by the Group for the acquisition of the equity interest in Jinzhou and China Resources Power Xingning Co., Ltd. ("Xingning") amounting to HK$329,740,000 and HK$155,000,000, respectively. The deferred estimated consideration for acquisition of Jinzhou was settled by a variable number of the Company's shares (see note 43B(a) for details) while Xingning is to be settled by cash. The number of shares to be settled was contingent on certain future events, including asset impairment and undisclosed liabilities identified, as provided in the respective business combination agreements. During the year ended 31 December 2008, 16,006,791 new ordinary shares issued in consideration for the acquisition of the equity interest in Jinzhou amounted to HK$329,740,000 and the deferred cash consideration for acquisition of the equity interest in Xingning was fully settled.

31. AMOUNTS DUE TO ASSOCIATES

THE GROUP

	2008	2007
	HK$'000	HK$'000
Loan from an associate (note a)	**468,559**	—
Amounts due to associates (note b)	**491,705**	100
	960,264	100

Notes:

(a) The loan from an associate is unsecured, carries interest at the rate set by People's Bank of China for loan of the same maturity minus 1% per annum, and repayable within one year.

(b) The amounts due to associates are unsecured, non-interest bearing and repayable on demand.

The fair values of the amounts due to associates at 31 December 2007 and 31 December 2008 approximate the corresponding carrying amounts due to relatively short-term maturity.

THE COMPANY

	2008	2007
	HK$'000	HK$'000
Amount due to an associate	**1,324**	100

The amount due to an associate at 31 December 2007 and 31 December 2008 is unsecured, non-interest bearing and repayable on demand. The fair value of such amount approximates its corresponding carrying value due to relatively short-term maturity.

32. AMOUNTS DUE TO GROUP COMPANIES

	2008 HK$'000	2007 HK$'000
THE GROUP		
Amounts due to related companies	—	437
Amounts due to fellow subsidiaries	1,236,955	4,013
Amount due to immediate holding company	349	108
Amount due to intermediate holding company	74,971	—
Amount due to ultimate holding company	295,516	280,211
	1,607,791	284,769
THE COMPANY		
Amounts due to fellow subsidiaries	1,650	1,606
Amount due to immediate holding company	15	108
	1,665	1,714

The amounts are unsecured, non-interest bearing and repayable on demand. The fair values of the Group's and the Company's amounts due to group companies at 31 December 2007 and 31 December 2008 approximate their corresponding carrying values due to relatively short-term maturity.

33. AMOUNTS DUE TO MINORITY SHAREHOLDERS OF SUBSIDIARIES

The Group's amounts due to minority shareholders of subsidiaries are unsecured, non-interest bearing and repayable on demand. The fair values of the Group's amounts due to minority shareholders of subsidiaries at 31 December 2007 and 31 December 2008 approximate their corresponding carrying values due to relatively short-term maturity.

34. BANK AND OTHER BORROWINGS

	THE GROUP	
	2008	2007
	HK$'000	HK$'000
Secured bank loans	**3,933,775**	5,281,536
Unsecured bank loans	**28,203,663**	16,201,990
Other loans	**5,534,005**	5,188,806
	37,671,443	26,672,332
Carrying amount repayable:		
Within 1 year	**9,484,736**	8,076,194
More than 1 year, but not exceeding 2 years	**3,753,912**	899,198
More than 2 years, but not exceeding 5 years	**12,063,789**	7,262,804
More than 5 years	**12,369,006**	10,434,136
	37,671,443	26,672,332
Less: Amount due within 1 year shown under current liabilities	**(9,484,736)**	(8,076,194)
Amount due after 1 year	**28,186,707**	18,596,138
The above secured bank and other loans are secured by:		
Pledge of assets (note)	**5,472,162**	4,998,434

Note: Certain bank loans are secured by the Group's land use rights, buildings, and power generating plant and equipment with carrying values of HK$93,400,000 (2007: HK$94,757,000), HK$740,950,000 (2007: HK$1,148,681,000) and HK$4,637,812,000 (2007: HK$3,754,996,000), respectively.

As at 31 December 2008, included in bank borrowings are amounts of HK$9,037,019,000 which bear interest at a range from HIBOR plus 0.30% to HIBOR plus 1.20% per annum, and the remaining bank borrowings carried fixed interest at a range from 3.09% to 7.83% per annum.

As at 31 December 2007, included in bank borrowings amounts of HK$1,000,000,000 and HK$3,735,000,000 bear interest at HIBOR plus 0.39% per annum and HIBOR plus 0.30% per annum, respectively, and the remaining bank borrowings carried fixed interest at a range from 3.600% to 8.748% per annum.

Included in other loans are amounts of HK$3,382,837,000 (2007: HK$3,177,020,000) and HK$2,144,490,000 (2007: HK$2,006,143,000) lent by CRNC through a bank in PRC ("On-lent Loan"). The On-lent Loan bears interest at 5.09% and 4.05% per annum, respectively and are repayable in 2015 and 2021, respectively. During the year ended 31 December 2008, total interest incurred is HK$265,503,000 (2007: HK$236,905,000).

34. BANK AND OTHER BORROWINGS *(continued)*

During the year ended at 31 December 2007, the Group acquired a piece of land in the PRC for a consideration of RMB173,278,000 (equivalent to HK$185,026,000) of which RMB64,430,000 (equivalent to HK$68,799,000) was paid in cash and the remaining consideration of RMB108,848,000 (equivalent to HK$116,227,000) was deferred and payable in whole in 2057. The discounted present value of the deferred consideration amounted to HK$6,678,000 (2007: HK$5,643,000) which has been accounted for by the Group as borrowing.

The directors estimate the fair value of the bank and other borrowings as at 31 December 2008 to be approximately HK$38,013,915,000 (2007: HK$26,256,354,000). The fair value has been calculated by discounting the future cash flows at the market borrowing interest rate.

THE COMPANY

As at 31 December 2008, included in bank borrowings are amounts of HK$200,000,000 and HK$8,837,019,000 which bear interest at HIBOR plus 0.70% per annum and at a range from HIBOR plus 0.30% per annum to HIBOR plus 1.2% per annum, respectively. The bank borrowings are unsecured and repayable in 2009 and 2012, respectively.

As at 31 December 2007, included in bank borrowings amounts of HK$1,000,000,000 and HK$3,735,000,000 bear interest at HIBOR plus 0.39% per annum and HIBOR plus 0.30% per annum, respectively, and the remaining bank borrowings carry fixed interest at a range from 3.600% to 8.748% per annum. The bank borrowings were unsecured and repayable in 2010.

The fair value of the Company's bank borrowings approximates the carrying amount, calculated by discounting the future cash flows at the prevailing market borrowing rate for similar borrowings at the balance sheet date.

The Group and the Company's borrowings that are denominated in currencies other than the functional currency, Renminbi, of the relevant entities are set out below:

	THE GROUP		**THE COMPANY**	
Currency	**2008**	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
US dollars	**2,124,072**	39,460	**2,088,361**	—
Hong Kong dollars	**6,948,658**	4,735,000	**6,948,658**	4,735,000

At 31 December 2008, the interest rate risk of the Group and the Company's borrowings of HK$4,935,000,000 (2007: HK$4,735,000,000) was hedged using interest rate swaps (floating-fixed interest swaps) (see note 35 for details).

35. DERIVATIVE FINANCIAL INSTRUMENTS

DERIVATIVES UNDER HEDGE ACCOUNTING

	THE GROUP AND THE COMPANY	
	2008	2007
	HK$'000	HK$'000
Cash flow hedges - Interest rate swaps	**387,265**	102,180

CASH FLOW HEDGES

The Group uses interest rate swaps (net quarterly settlement) to minimise its exposure to interest expenses of certain of its floating-rate Hong Kong Dollar bank borrowings by swapping floating interest rates to fixed interest rates. The interest rate swaps and the corresponding bank borrowings have the similar terms and the directors of the Company considered that the interest rate swaps are highly effective hedging instruments. Major terms of the interest rate swaps are set out below:

2008

Notional amount	**Maturity**	**Swaps**
HK$600,000,000	20 May 2010	From HIBOR + 0.39% to 4.18%
HK$400,000,000	20 May 2010	From HIBOR + 0.39% to 4.10%
HK$500,000,000	25 October 2012	From HIBOR to 4.52%
HK$500,000,000	25 October 2012	From HIBOR to 4.48%
HK$500,000,000	26 October 2012	From HIBOR to 4.48%
HK$335,000,000	8 November 2012	From HIBOR to 4.29%
HK$500,000,000	29 October 2012	From HIBOR to 4.415%
HK$500,000,000	29 October 2012	From HIBOR to 4.38%
HK$500,000,000	25 October 2012	From HIBOR to 4.50%
HK$400,000,000	31 December 2012	From HIBOR to 3.97%
HK$200,000,000	28 February 2013	From HIBOR to 3.36%

2007

Notional amount	Maturity	Swaps
HK$600,000,000	20 May 2010	From HIBOR + 0.39% to 4.18%
HK$400,000,000	20 May 2010	From HIBOR + 0.39% to 4.10%
HK$500,000,000	25 October 2012	From HIBOR to 4.52%
HK$500,000,000	25 October 2012	From HIBOR to 4.48%
HK$500,000,000	26 October 2012	From HIBOR to 4.48%
HK$335,000,000	8 November 2012	From HIBOR to 4.29%
HK$500,000,000	29 October 2012	From HIBOR to 4.415%
HK$500,000,000	29 October 2012	From HIBOR to 4.38%
HK$500,000,000	25 October 2012	From HIBOR to 4.50%
HK$400,000,000	31 December 2012	From HIBOR to 3.97%

35. DERIVATIVE FINANCIAL INSTRUMENTS *(continued)*

CASH FLOW HEDGES *(continued)*

As at 31 December 2008, the fair value change from the interest rate swaps under cash flow hedge amounted to HK$267,554,000 (2007: HK$102,267,000) has been deferred in equity and are expected to released to the income statement when hedged interest expense is charged to profit or loss quarterly. Change in fair value of interest rate swaps for ineffective portion, amounting to HK$17,531,000, were recognised in profit or loss in the current year.

The above derivatives are measured at fair value by reference to discounted cash flow analysis using the applicable interest yield curve.

36. DEFERRED TAXATION

THE GROUP

The following are the major deferred tax (liabilities) assets recognised and movements thereon during the current and prior reporting periods:

	Accelerated tax depreciation	Fair value of mining right	Fair value of prepaid lease payment	Fair value of property, plant and equipment	Distributable profits of PRC associates	Retirement benefit obligations	Allowance for trade and other receivables	Others	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2007	(21,211)	—	—	—	—	—	—	5,398	(15,813)
Exchange realignment	(3,065)	—	—	—	—	—	—	—	(3,065)
Charge to income statement for the year	(9,163)	—	—	—	—	—	—	(297)	(9,460)
Acquisition of subsidiaries	—	(28,290)	(48,360)	79,316	—	58,542	27,305	2,018	90,531
Effect of change in tax rate	(29,622)	—	—	—	—	—	—	2,429	(27,193)
At 31 December 2007	(63,061)	(28,290)	(48,360)	79,316	—	58,542	27,305	9,548	35,000
Exchange realignment	(4,203)	(1,778)	(3,071)	5,010	—	4,207	1,513	56	1,734
Charge to income statement for the year	(13,513)	1,952	1,049	(3,572)	(25,512)	8,704	(16,991)	(5,917)	(53,800)
Acquisition of subsidiaries	—	—	—	—	—	5,554	—	—	5,554
At 31 December 2008	(80,777)	(28,116)	(50,382)	80,754	(25,512)	77,007	11,827	3,687	(11,512)

36. DEFERRED TAXATION *(continued)*

THE GROUP *(continued)*

The following is the analysis of the deferred taxation balances for financial reporting purposes:

	2008 **HK$'000**	2007 HK$'000
Deferred taxation assets	**94,777**	98,061
Deferred taxation liabilities	**(106,289)**	(63,061)
	(11,512)	35,000

At 31 December 2008, the Group had unused tax losses of HK$350,765,000 (2007: HK$169,357,000) available to offset against future profits. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams. Included in unrecognised tax losses at 31 December 2008 are losses of approximately HK$267,331,000 (2007: HK$70,277,000) that will expire within 5 years from the year of originating and in or before 2013. Other losses may be carried forward indefinitely.

Under the New Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to HK$1,837,246,000 as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

THE COMPANY

At 31 December 2008, the Company had unused tax losses of HK$51,141,000 (2007: HK$93,479,000) available to offset against future profits. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams. These tax losses may be carried forward indefinitely.

37. SHARE CAPITAL

	Number of shares		Amount	
	2008	2007	**2008**	2007
	'000	'000	**HK$'000**	HK$'000
Ordinary share of HK$1.00 each				
Authorised:				
Balance at 1 January and 31 December	**10,000,000**	10,000,000	**10,000,000**	10,000,000
Issued and fully paid:				
Balance at 1 January	**4,140,317**	3,831,162	**4,140,317**	3,831,162
Issues of shares:				
- upon exercise of share options	**56,473**	71,806	**56,473**	71,806
- in placing and subscription arrangement (note i)	**—**	200,000	**—**	200,000
- in consideration of acquisition of a subsidiary (note ii)	**16,007**	37,349	**16,007**	37,349
Balance at 31 December	**4,212,797**	4,140,317	**4,212,797**	4,140,317

Notes:

(i) During the year ended 31 December 2007, pursuant to a placing and subscription agreement entered into on 4 October 2007, the Company allotted and issued 200,000,000 new shares of HK$1.00 each at the subscription price of HK$24.3 per share to CRH, the holding company of the Company. The Company raised HK$4,817,102,000 (net of expenses).

(ii) During the year ended 31 December 2007, pursuant to the sales and purchase agreement entered on 3 July 2007, the Company issued 37,349,178 new ordinary shares of the Company as the partial consideration for the acquisition of equity interest in Jinzhou. During the year ended 31 December 2008, the Company issued 16,006,791 new ordinary shares of the Company as the remaining consideration (see note 43B(a) for details).

All the shares which were issued during the year rank pari passu with the then existing shares in all respects.

38. SHARE OPTION

Pursuant to a resolution in writing passed on 6 October 2003 by shareholders of the Company, a Pre-IPO Share Option Scheme and a Share Option Scheme have been adopted by the Company.

(A) PRE-IPO SHARE OPTION SCHEME

On 6 October 2003, the Company granted options to the grantees to subscribe for 167,395,000 shares in the Company at an exercise price of HK$2.80 per share, upon payment of HK$1 per grant. Options granted are exercisable within a period of ten years within which there is a total vesting period of five years. 20% of the share options will be allowed to exercise upon each of the first five anniversary dates.

Movement of options under Pre-IPO Share Option Scheme during the years ended 31 December 2007 and 2008 is as follows:

		Number of options								
	Exercise price HK$	Outstanding at 1.1.2007	Reclassification during the year ended 31.12.2007	Lapsed during the year ended 31.12.2007	Exercised during the year ended 31.12.2007	Outstanding at 31.12.2007	Reclassification during the year ended 31.12.2008	Lapsed during the year ended 31.12.2008	Exercised during the year ended 31.12.2008	Outstanding at 31.12.2008
Directors of the Company	2.80	14,150,000	—	—	(9,690,000)	4,460,000	—	—	(1,400,000)	3,060,000
Directors of CRH	2.80	2,380,000	1,980,000	—	(2,320,000)	2,040,000	(240,000)	—	(1,320,000)	480,000
Employees of the Group	2.80	81,559,000	—	(88,000)	(38,086,000)	43,385,000	—	—	(21,705,000)	21,680,000
Employees of CRH and its subsidiaries, other than the Group	2.80	38,706,000	(1,980,000)	—	(10,752,000)	25,974,000	240,000	(374,000)	(4,962,000)	20,878,000
		136,795,000	—	(88,000)	(60,848,000)	75,859,000	—	(374,000)	(29,387,000)	46,098,000
Exercisable at the end of the year						45,000,667				46,098,000

The purpose of the Pre-IPO Share Option Scheme is to, amongst others, give the participants an opportunity to have a personal stake in the Company and help to motivate the participants to optimise their performance and efficiency and retain participants whose contributions are important to the long-term growth and profitability of the Group.

38. SHARE OPTION *(continued)*

(B) SHARE OPTION SCHEME

Pursuant to the Share Option Scheme approved by a resolution of the shareholders of the Company dated 6 October 2003, the Board may, at its absolute discretion, offer any employee, director, consultant or advisor of (i) CRH and its subsidiaries; and (ii) the Company, its subsidiaries and associated companies, option to subscribe for the Company's shares, for the promotion of success of the business of the Group. The exercise price of the share option will be determined at the highest of (1) the closing price of the Company's shares on the Stock Exchange on the date of grant of the option; (2) the average closing price of the Company's shares on the Stock Exchange on the five trading days immediately preceding the date of grant; and (3) the nominal value of the shares.

Options granted are exercisable during the period from the vesting date to the last day of the ten-year period after grant date. The share options have vesting periods from one to five years and every 20% will be vested each year.

Movement of options granted under the Share Option Scheme in 2007 and 2008 is as follows:

			Number of options									
	Exercise price HK$	Date of grant	Outstanding at 1.1.2007	Reclassification during the year ended 31.12.2007	Granted during the year ended 31.12.2007	Lapsed during the year ended 31.12.2007	Exercised during the year ended 31.12.2007	Outstanding at 31.12.2007	Reclassification during the year ended 31.12.2008	Lapsed during the year ended 31.12.2008	Exercised during the year ended 31.12.2008	Outstanding at 31.12.2008
Directors of CRH and its subsidiaries	3.990	18.3.2005	4,400,000	(700,000)	–	–	(1,320,000)	2,380,000	(440,000)	–	(320,000)	1,620,000
Directors of the Company	3.990	18.3.2005	4,200,000	–	–	–	(1,200,000)	3,000,000	–	–	(600,000)	2,400,000
	4.725	18.11.2005	400,000	–	–	–	–	400,000	–	–	–	400,000
	12.430	30.3.2007	–	–	400,000	–	–	400,000	–	–	–	400,000
Employees of CRH and its subsidiaries, other than the Group	4.250	1.9.2004	4,300,000	–	–	–	–	4,300,000	–	–	–	4,300,000
	3.990	18.3.2005	3,940,000	700,000	–	–	(420,000)	4,220,000	440,000	–	(320,000)	4,340,000
	4.725	18.11.2005	9,150,000	600,000	–	–	–	9,750,000	–	–	–	9,750,000
Employees of the Group	4.250	1.9.2004	19,200,000	–	–	(120,000)	(2,270,000)	16,810,000	–	(80,000)	(7,960,000)	8,770,000
	3.990	18.3.2005	19,980,000	–	–	–	(2,758,000)	17,222,000	–	–	(3,422,000)	13,800,000
	4.725	18.11.2005	51,650,000	(600,000)	–	(200,000)	(1,920,000)	48,930,000	–	–	(10,890,000)	38,040,000
	7.050	5.9.2006	27,200,000	–	–	–	(1,070,000)	26,130,000	–	–	(3,010,000)	23,120,000
	12.430	30.3.2007	–	–	24,800,000	–	–	24,800,000	–	–	(564,000)	24,236,000
			144,420,000	–	25,200,000	(320,000)	(10,958,000)	158,342,000	–	(80,000)	(27,086,000)	131,176,000
Exercisable at the end of the year			27,544,000					50,692,000				52,164,000
Weighted average exercise price			4.92	N/A	12.43	4.55	4.47	4.96	N/A	4.25	4.88	6.41

38. SHARE OPTION *(continued)*

(B) SHARE OPTION SCHEME *(continued)*

Total consideration received during the year for the options granted under the Share Option Scheme amounted to zero (2007: HK$49).

In the current year, an amount of share option expense of HK$91,337,000 (2007: HK$155,685,000) has been recognised in the income statement, with a corresponding adjustment made in the Group's share option reserve.

The weighted average closing price of the Company's shares at dates on which the options were exercised during the year was HK$17.52 (2007: HK$18.98).

The fair value of the options was determined at the date of grant using the Black-Scholes option pricing model, taken into account the terms and conditions upon which the share options were granted.

The following assumptions were used to calculate the fair values of share options granted during the year ended 31 December 2007.

	30.3.2007
Weighted average share price	HK$12.43
Exercise price	HK$12.43
Expected life of options	7.5 years
Expected volatility	50.00%
Expected dividend yield	1.52%
Risk free rate	4.51%
Estimated fair value of option at grant date	HK$5.96
Closing share price immediately before date of grant	HK$11.98

Notes:

(i) The volatility measured at the standard deviation of expected share price returns is based on a statistical analysis of daily share prices over certain periods immediately preceding the grant date.

(ii) The above calculation is based on the assumption that there is no material difference between the expected volatility over the whole life of the options and the historical volatility of the shares in the Company set out above.

(iii) As the Black-Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of share price, changes in subjective input assumptions can materially affect the fair value estimate.

39. RESERVES

THE GROUP

Details of changes in reserves of the Group are set out in the consolidated statement of changes in equity on pages 88 to 90.

General reserve is part of the shareholders' funds and comprises statutory surplus reserve, enterprise expansion fund and reserve fund of subsidiaries and associates in the PRC. Pursuant to the Articles of Associates, certain of the Group's subsidiaries established in the PRC shall make allocation from their profit after tax to the general reserve. The general reserve shall be used for making up losses, capitalisation into capital and expansion of the operations and production of the respective subsidiaries and associates.

The special 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 share capital of subsidiaries acquired pursuant to a group reorganisation for the purpose of the preparation of the Company's share listing on the Stock Exchange.

	Share premium HK$'000	Merger reserve HK$'000	Hedging reserve HK$'000	Share option reserve HK$'000	Shares held for share award scheme HK$'000	Retained profits HK$'000	Total HK$'000
THE COMPANY							
At 1 January 2007	4,547,073	82,309	87	324,933	—	3,695,634	8,650,036
Fair value change on cash flow hedges	—	—	(102,267)	—	—	—	(102,267)
Net loss recognised directly in equity	—	—	(102,267)	—	—	—	(102,267)
Profit for the year	—	—	—	—	—	4,909,196	4,909,196
Total recognised income and expenses for the year	—	—	(102,267)	—	—	4,909,196	4,806,929
Shares issued upon exercise of options	147,380	—	—	—	—	—	147,380
Recognition of equity settled share based payments	—	—	—	155,685	—	—	155,685
Issue of shares in placing and subscription arrangement	4,660,000	—	—	—	—	—	4,660,000
Expenses incurred in connection with issue of shares	(42,898)	—	—	—	—	—	(42,898)
Issue of shares in consideration of acquisition of a subsidiary	732,044	—	—	—	—	—	732,044
Transfer of share option reserve on exercise of share options	113,560	—	—	(113,560)	—	—	—
Dividends paid	—	—	—	—	—	(734,463)	(734,463)

39. RESERVES *(continued)*

THE COMPANY *(continued)*

	Share premium HK$'000	Merger reserve HK$'000	Hedging reserve HK$'000	Share option reserve HK$'000	Shares held for share award scheme HK$'000	Retained profits HK$'000	Total HK$'000
At 31 December 2007	10,157,159	82,309	(102,180)	367,058	—	7,870,367	18,374,713
Fair value change on cash flow hedges	—	—	(267,554)	—	—	—	(267,554)
Net loss recognised directly in equity	—	—	(267,554)	—	—	—	(267,554)
Profit for the year	—	—	—	—	—	1,172,419	1,172,419
Total recognised income and expenses for the year	—	—	(267,554)	—	—	1,172,419	904,865
Shares issued upon exercise of options	157,675	—	—	—	—	—	157,675
Recognition of equity settled share based payments	—	—	—	91,337	—	—	91,337
Issue of shares in consideration of acquisition of a subsidiary	313,733	—	—	—	—	—	313,733
Transfer of share option reserve on exercise of share options	103,182	—	—	(103,182)	—	—	—
Purchase of shares for shares under share award scheme	—	—	—	—	(155,340)	—	(155,340)
Dividends paid	—	—	—	—	—	(1,044,269)	(1,044,269)
At 31 December 2008	10,731,749	82,309	(369,734)	355,213	(155,340)	7,998,517	18,642,714

The merger reserve of the Company represents the difference between the aggregate net assets of the subsidiaries acquired by the Company under the Group Reorganisation and the nominal amount of the Company's shares issued for the acquisition.

In accordance with the Company's Articles of Association, dividends can only be distributed out of the retained profits of the Company amounted to HK$7,998,517,000 as at 31 December 2008 (2007: HK$7,870,367,000).

40. SHARES HELD FOR SHARE AWARD SCHEME

On 25 April 2008 (the "Adoption Date"), a Restricted Share Award Scheme (the "Scheme") was adopted by the Company. The Scheme shall be valid and effective for a period of 10 years commencing from the Adoption Date. Pursuant to the rules of the Scheme, the Company has set up a trust through a trustee, BOCI - Prudential Trustee Limited, for the purpose of administering the Scheme and holding the shares.

As at 31 December 2008, a total of 10,580,000 issued shares were purchased from market at cost of approximately HK$155,340,000 shown under shares held for share award scheme in the equity. No shares reward were being granted to employees or any other eligible participants up to year end date.

41. CAPITAL RISK MANAGEMENT

The Group and the Company manages its capital to ensure that entities in the Group and the Company will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's and the Company's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes long-term bank borrowings, short-term bank borrowings and other loans as disclosed in note 34, cash and cash equivalents and equity attributable to equity holders of the Company, comprising issued share capital, reserves and retained profits. The capital structure of the Company consists of net debt, which includes the long-term bank borrowings as disclosed in note 34, cash and cash equivalents and equity attributable to equity holders of the Company, comprising issued share capital, reserves and retained profits.

The directors of the Company review the capital structure on a periodic basis. As part of this review, the directors consider the cost of capital and the risks associates with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

42. FINANCIAL INSTRUMENTS

CATEGORIES OF FINANCIAL INSTRUMENTS

	THE GROUP	
	2008	2007
	HK$'000	HK$'000
Financial assets		
Fair value through profit or loss		
Held for trading	**2,962**	1,057
Loans and receivables (including cash and cash equivalents)	**11,646,037**	12,680,805
Available-for-sale financial assets	**128,416**	128,416
Financial liabilities		
Derivative instruments in designated hedge accounting relationships	**(387,265)**	(102,180)
Amortised cost	**(46,880,534)**	(34,214,157)

	THE COMPANY	
	2008	2007
	HK$'000	HK$'000
Financial assets		
Loans and receivable (including cash and cash equivalents)	**20,333,300**	17,583,221
Financial liabilities		
Derivative instruments in designated hedge accounting relationships	**(387,265)**	(102,180)
Amortised cost	**(9,040,621)**	(4,736,964)

42. FINANCIAL INSTRUMENTS *(continued)*

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include investment in investee companies, restricted bank balances, pledged bank deposits, bank balances and cash, trade and other receivables, trade and other payables, amounts due from associates, amounts due from minority shareholders of subsidiaries, amounts due to group companies, minority shareholders of subsidiaries and associates, bank and other borrowings and derivative financial instruments. The Company's major financial instruments comprise loans to subsidiaries, other receivables, amounts due from associates and group companies, bank balances and cash, other payable, amounts due to group companies, bank and other borrowings and derivative financial instruments. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (interest rate risk and currency risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Interest rate risk

The Group's and the Company's fair value interest rate risk is the risk that the fair value of a fixed rate financial instrument will fluctuate because of changes in market interest rates. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Except for HK$9,037 million (2007: HK$4,735 million) of bank borrowings at floating rates, all remaining bank borrowings and other borrowings at fixed rate. In order to keep borrowings at fixed rate and to minimise the cash flow interest rate risk, the Group and the Company uses floating to fixed interest rate swaps to manage the cash flow interest rate risk exposure associated with the borrowings amounting to HK$4,935 million (2007: HK$4,735 million) issued at floating rates (see note 34 for details). Interest rate swaps, fixed rate bank and other borrowings expose the Group and the Company to fair value interest rate risk. At 31 December 2008, bank borrowings and On-lent Loan of approximately HK$28,634 million (2007: HK$21,937 million) were at fixed rates.

The Group and the Company is also exposed cash flow interest rate in relation to variable-rate bank borrowings (see note 34 for details for these borrowings). It is the Group's policy to keep certain of its borrowings at floating rate of interests so as to minimise the fair value interest rate risk.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivatives and non-derivative instruments. The analysis is prepared assuming the financial instruments outstanding at the balance sheet date were outstanding for the whole year. A 100 basis points increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 100 basis points higher/lower and all other variables were held constant, the Group's and the Company's post-tax profit for the year ended 31 December 2008 would decrease/increase by HK$41,020,000 (2007: nil). This is mainly attributable to the Group's and the Company's exposure to interest rates on its variable-rate bank borrowings.

42. FINANCIAL INSTRUMENTS *(continued)*

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Market risk *(continued)*

Currency risk

The Group and the Company does not have significant exposure to foreign currency risk as majority of the Group's operations are in the PRC and transactions are denominated in Renminbi which is the functional currency of the Group and the respective group entity except for certain bank balances and borrowings which are denominated in HK$ and US$.

The carrying amounts of the foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

THE GROUP

	Currency	Assets		Liabilities	
		2008	2007	**2008**	2007
		HK$'000	HK$'000	**HK$'000**	HK$'000
US dollars	US$	**353,545**	417,381	**2,124,073**	39,460
Hong Kong dollars	HK$	**411,882**	3,111,606	**6,948,658**	4,735,000

THE COMPANY

	Currency	Assets		Liabilities	
		2008	2007	**2008**	2007
		HK$'000	HK$'000	**HK$'000**	HK$'000
US dollars	US$	**264,726**	8,423	**2,088,361**	—
Hong Kong dollars	HK$	**411,335**	2,748,521	**6,948,658**	4,735,000

The following table details the sensitivity to a 5% increase in Renminbi against the relevant foreign currency. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% change in foreign currency rates. The analysis illustrates the impact for a 5% strengthening of Renminbi against the relevant currency, a positive number represent increase in profit for the year and a negative represent decrease in profit for the year. For a 5% weakening of Renminbi against the relevant currency, there would be an equal and opposite impact on the profit.

42. FINANCIAL INSTRUMENTS *(continued)*

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Market risk *(continued)*

Currency risk (continued)

THE GROUP

	U.S. dollars impact		Hong Kong dollar impact	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Increase (decrease) in profit for the year	**88,526**	(18,896)	**326,839**	81,170

THE COMPANY

	U.S. dollars impact		Hong Kong dollar impact	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Increase (decrease) in profit for the year	**91,182**	(421)	**326,866**	99,324

Other price risk

The Group is exposed to equity price risk through its investment in investee companies. The Group's equity price risk is mainly concentrated on equity instruments operating in power plant. The investment is carried at cost less any impairment loss since the directors of the Company are of opinion that the fair value of the investment cannot be determined reliably, accordingly, no sensitivity analysis is presented.

Credit risk

THE GROUP

The Group's credit risk is primarily attributable to trade and other receivables, amounts due from minority shareholders of subsidiaries, amounts due from associates and amounts due from group companies. The maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at 31 December 2008 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet. In order to minimise the credit risk, the management of the Group has reviewed the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

Credit risk for power plants in the PRC power industry and associates are concentrated on a limited number of power grids. However, the management, having considered the strong financial background and good creditability of the power grids and associates, believes there is no significant credit risk.

42. FINANCIAL INSTRUMENTS *(continued)*

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Credit risk *(continued)*

With respect to credit risk arising from the other financial assets of the Group which mainly comprise of other receivables, the Group's exposure to credit risk arising from default of counter parties is limited as the counter parties have good credit standing and the Group does not expect any significant loss for uncollected advances from these entities.

THE COMPANY

The Company's maximum exposure to credit risk which will cause a financial loss to the Company due to failure to discharge an obligation by the counterparties and financial guarantees issued by the Company arising from:

- the carrying amount of the respective recognised financial assets as stated in the consolidated balance sheet; and

- the amount disclosed in note 46 - Contingent liabilities.

Substantially all the loans and receivables are not yet due as at the balance sheet date. Management considers the loans and receivables are neither past due nor impaired to be of a good credit quality. The Company does not hold any collateral over these balances.

The credit risk is limited because the counterparties are subsidiaries with strong financial position and cash flow position.

Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including raising of loans to cover expected cash demands, subject to certain internal control measures of the Group. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The Group has net current liabilities at 31 December 2008, which exposed the Group to liquidity risk. In order to mitigate the liquidity risk, the management obtained sufficient long-term bank facilities at the balance sheet date. In addition, the power plants in the PRC have strong operating cash inflow. In this regard, the directors of the Company consider that the Group's liquidity risk is significantly reduced and are satisfied that the Group will be able to meet in full its financial obligations as they fall due for the foreseeable future. Accordingly, the financial statements have been prepared on a going concern basis.

The following table details the Group's remaining contractual maturity for its financial liabilities. For non-derivative financial liabilities, the table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

42. FINANCIAL INSTRUMENTS *(continued)*

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Liquidity risk *(continued)*

Liquidity and interest risk tables

	THE GROUP						
	Weighted average effective interest rate	**On demand**	**Less than 1 year**	**1 - 5 years**	**5+ years**	**Total undiscounted cash flows**	**Carrying amount**
	%	HK$$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 31 December 2008							
Non-derivative financial liabilities							
Non-interest bearing	N/A	9,209,091	—	—	—	9,209,091	9,209,091
Fixed interest rate instruments	6.181	—	10,762,195	10,839,563	16,334,218	37,935,976	28,634,424
Variable interest rate instruments*	1.511	—	334,785	9,117,997	—	9,452,782	9,037,019
		9,209,091	11,096,980	19,957,560	16,334,218	56,597,849	46,880,534
Derivatives - net settlement							
Interest rate swaps		—	157,934	400,469	—	558,403	387,265
At 31 December 2007							
Non-derivative financial liabilities							
Non-interest bearing	N/A	7,386,825	155,000	—	—	7,541,825	7,541,825
Fixed interest rate instruments	6.128	—	8,201,850	7,156,398	15,389,935	30,748,183	21,937,332
Variable interest rate instruments*	3.770	—	178,496	5,423,011	—	5,601,507	4,735,000
		7,386,825	8,535,346	12,579,409	15,389,935	43,891,515	34,214,157
Derivatives - net settlement							
Interest rate swaps	N/A	—	39,559	147,402	—	186,961	102,180

42. FINANCIAL INSTRUMENTS *(continued)*

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Liquidity risk *(continued)*

Liquidity and interest risk tables (continued)

THE COMPANY

	Weighted average effective interest rate	On demand	Less than 1 year	1 - 5 years	5+ years	Total undiscounted cash flows	Carrying amount
	%	HK$$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 31 December 2008							
Non-derivative financial liabilities							
Non-interest bearing	N/A	3,602	—	—	—	3,602	3,602
Variable interest rate instruments *	1.511	—	334,785	9,117,997	—	9,452,782	9,037,019
		3,602	334,785	9,117,997	—	9,456,384	9,040,621
Derivatives - net settlement							
Interest rate swaps		—	157,934	400,469	—	558,403	387,265
At 31 December 2007							
Non-derivative financial liabilities							
Non-interest bearing	N/A	1,964	—	—	—	1,964	1,964
Variable interest rate instruments *	3.770	—	178,496	5,423,011	—	5,601,507	4,735,000
		1,964	178,496	5,423,011	—	5,603,471	4,736,964
Derivatives - net settlement							
Interest rate swaps	N/A	—	39,559	147,402	—	186,961	102,180

* The interest rates applied to projected variable interest rate instrument's undiscounted future cash flows are the interest rates at the balance sheet date.

42. FINANCIAL INSTRUMENTS *(continued)*

FAIR VALUE

The fair value of financial assets and financial liabilities are determined as follows:

* the fair value of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices; and

* the fair value of derivative instruments is calculated using discounted cash flow analysis using the applicable yield curve for the duration of the instruments for non-optional derivatives.

The carrying amounts of short-term financial assets and liabilities carried at amortised cost approximate their respective fair values due to the relatively short-term maturity of these financial instruments.

43. ACQUISITIONS OF SUBSIDIARIES

A. THE FOLLOWING ARE THE DETAILS OF BUSINESS ACQUIRED IN 2008:

(a) In April 2008, the Group acquired 51.5% and 2.615% equity interest in Shenyang Shenhai which engaged in operation of a power station from CRH and a third party respectively at an cash consideration of approximately HK$937,817,000. The transactions have been accounted for using the purchase method of accounting.

The consolidated net assets of the subsidiary acquired in the transaction, which approximate their fair values, determined by an independent valuer, at the date of acquisition, and the goodwill arising there from, are as follows:

	Acquirees' carrying amounts before combination HK$'000	**Fair value** HK$'000
Net assets acquired:		
Property, plant and equipment	1,180,068	1,180,068
Deferred tax assets	5,554	5,554
Trade and other receivables	255,096	255,096
Inventories	19,478	19,478
Bank and cash balances	54,838	54,838
Trade and other payables	(298,509)	(298,509)
Tax payable	(5,134)	(5,134)
Amounts due to shareholders	(54,797)	(54,797)
Bank borrowings	(587,290)	(587,290)
	569,304	569,304
Less: Minority interests		(385,568)
Net assets acquired		183,736
Goodwill		754,081
Total consideration, satisfied by cash		937,817
Net cash outflow arising on acquisition:		
Cash consideration paid		937,817
Cash and cash equivalents acquired		(54,838)
		882,979

43. ACQUISITIONS OF SUBSIDIARIES *(continued)*

A. THE FOLLOWING ARE THE DETAILS OF BUSINESS ACQUIRED IN 2008: *(continued)*

The goodwill arising on the acquisition of the subsidiaries is attributable to the high profitability of the acquired business and the anticipated future operating synergies from the combination.

These acquirees contributed approximately HK$847,675,000 to the Group's turnover and HK$55,433,000 to the Group's profit for the period between the date of acquisition and 31 December 2008.

Had the acquisition been completed on 1 January 2008, the total group revenue for the year would have been HK$28,223,844,000 and profit for the year would have been HK$2,019,564,000. The proforma information is for illustrative purpose only and is not necessarily an indicative revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2008, nor is it intended to be a projection of future results.

43. ACQUISITIONS OF SUBSIDIARIES *(continued)*

A. THE FOLLOWING ARE THE DETAILS OF BUSINESS ACQUIRED IN 2008: *(continued)*

(b) In June 2008, the Group acquired a further 45% equity interest in 貴州天能礦業有限責任公司（「貴州天能」） which held exploration and resources rights from the joint-venture partner at an aggregate cash consideration of approximately HK$117,742,000. Upon the completion of the acquisition of the further 45% equity interest in 貴州天能, 貴州天能 has become a 65% owned subsidiary of the Company. The transactions have been accounted for using the purchase method of accounting.

The net assets of the subsidiary acquired in the transaction, which approximate their fair values, determined by an independent valuer, at the date of acquisition, are as follows:

	Acquirees' carrying amounts before combination HK$'000	**Fair value** HK$'000
Net assets acquired:		
Property, plant and equipment	12,596	12,596
Exploration and resources rights	202,633	202,633
Trade and other receivables	1,244	1,244
Bank and cash balances	855	855
Trade and other payables	(1,184)	(1,184)
	216,144	216,144
Less: Minority interests		(75,650)
Net assets acquired		140,494
Transfer from interests in associates		(22,752)
Total consideration, satisfied by cash		117,742
Net cash outflow arising on acquisition:		
Cash consideration paid		117,742
Cash and cash equivalents acquired		(855)
		116,887

If the acquisition had been completed on 1 January 2008, effect to total group revenue and profit for the year would be insignificant.

43. ACQUISITIONS OF SUBSIDIARIES *(continued)*

B. THE FOLLOWING ARE THE DETAILS OF BUSINESS ACQUIRED IN 2007:

(a) In July 2007, the Group acquired 55% equity interest in Jinzhou and a piece of land in PRC from a third party at an aggregate consideration of approximately HK$1,634,856,000. The acquisition had been accounted for by the purchase method of accounting.

The net assets acquired in the transactions and the goodwill arising therefrom are as follows:

	Acquirees' carrying amounts before combination HK$'000	Fair value and other adjustments HK$'000	Fair value HK$'000
Net assets acquired:			
Property, plant and equipment	799,131	—	799,131
Prepaid lease payments	—	35,627	35,627
Deferred tax assets	—	21,492	21,492
Trade and other receivables	355,294	—	355,294
Inventories	52,552	—	52,552
Bank and cash balances	213,985	—	213,985
Trade and other payables	(141,938)	—	(141,938)
Accrued retirement benefits cost	—	(85,969)	(85,969)
Bank borrowings	(509,071)	—	(509,071)
	769,953	(28,850)	741,103
Less: Minority interests			(333,496)
Net assets acquired			407,607
Goodwill			1,227,249
			1,634,856
Total consideration satisfied by:			
Cash			535,723
Shares issued (Note)			769,393
Deferred consideration - share (Note)			329,740
			1,634,856
Net cash outflow arising on acquisition:			
Cash consideration paid			535,723
Cash and cash equivalents acquired			(213,985)
			321,738

43. ACQUISITIONS OF SUBSIDIARIES *(continued)*

B. THE FOLLOWING ARE THE DETAILS OF BUSINESS ACQUIRED IN 2007: *(continued)*

Note:

The consideration of the acquisition of Jinzhou was satisfied by RMB521.5 million (equivalent to HK$535.7 million) in cash and RMB1,070.0 million (equivalent to HK$1,099.1 million) by the allotment and issue of 53,355,969 consideration shares.

As part of the consideration for the acquisition of Jinzhou, 37,349,178 ordinary shares of the Company with par value of HK$1.00 each were issued during the year ended 31 December 2007. The remaining consideration amounted to HK$329,740,000, which representing the remaining 16,006,791 consideration shares, was deferred and was settled in 2008. The number of shares settled is contingent on certain future events, including asset impairment and undisclosed liabilities identified, as provided in the business combination agreements. The fair value of the ordinary shares of the Company, determined using the market value available at the date of acquisition, amounted to HK$20.6 per share.

The Group acquired the remaining 45% interest in Jinzhou in September 2007 at a consideration of HK$577,105,000 and goodwill arising on this acquisition is HK$211,628,000.

43. ACQUISITIONS OF SUBSIDIARIES *(continued)*

B. THE FOLLOWING ARE THE DETAILS OF BUSINESS ACQUIRED IN 2007: *(continued)*

(b) In December 2007, the Group acquired 100% equity interest in Tianneng at consideration of approximately HK$648,158,000. The acquisition has been accounted for by the purchase method of accounting.

The net assets acquired in the transactions and the goodwill arising therefrom are as follows:

	Acquirees' carrying amounts before combination HK$'000	**Fair value and other adjustments** HK$'000 (Note)	**Fair value** §kHK$'000
Net assets acquired:			
Property, plant and equipment	1,249,851	(280,480)	969,371
Prepaid lease payments	60,360	193,381	253,741
Mining rights	25,627	113,160	138,787
Interests in associates	152,336	—	152,336
Deposits paid for acquisition of property, plant and equipment	107,472	—	107,472
Deferred tax assets	26,045	42,994	69,039
Trade and other receivables	290,189	509,620	799,809
Amount due from an associate	15,376	—	15,376
Financial assets at fair value through profit or loss	1,057	—	1,057
Inventories	100,184	12,221	112,405
Bank and cash balances	117,324	—	117,324
Trade and other payables	(1,183,534)	(456,560)	(1,640,094)
Accrued retirement benefit cost	—	(148,198)	(148,198)
Bank borrowings	(490,498)	—	(490,498)
Taxation payable	(16,158)	—	(16,158)
	455,631	(13,862)	441,769
Less: Minority interests			(39,067)
Net assets acquired			402,702
Goodwill			245,456
Total consideration, satisfied by cash			648,158
Net cash outflow arising on acquisition:			
Cash consideration paid			648,158
Cash and cash equivalents acquired			(117,324)
			530,834

43. ACQUISITIONS OF SUBSIDIARIES *(continued)*

B. THE FOLLOWING ARE THE DETAILS OF BUSINESS ACQUIRED IN 2007: *(continued)*

Note:

Included in fair value and other adjustments of trade and other receivables, before adjustment of allowances, is an amount of HK$611,909,000 (equivalent to RMB 573,056,000) receivable from the provincial government in Xuzhou City. The amount is receivable from the government for the purpose to settle the termination benefits to employees, which is an one-off compensation payable to the qualified contracted employees as approved by the relevant government authority, upon the termination of the employment contracts between the employee and the state-owned company, and employee retirement benefits cost relating to retired and early retired employees of Tianneng.

The fair value and other adjustments of trade and other payables is termination benefits amounting to HK$456,560,000, which is calculated based on number of years of service and the average salary determined by the PRC government. These employees continued to work in the Group.

The fair value and other adjustments of accrued retirement benefit cost is employee retirement cost amounting to HK$148,198,000. The Group is obligated to pay employee retirement benefits for retired and early retired employees of Tianneng for the period upto their statutory retirement dates.

43. ACQUISITIONS OF SUBSIDIARIES *(continued)*

B. THE FOLLOWING ARE THE DETAILS OF BUSINESS ACQUIRED IN 2007: *(continued)*

(c) In December 2007, the Group acquired 67% equity interest in 徐州華鑫發電有限公司 Xuzhou Huaxin Power Generation Co., Ltd., at a cash consideration of approximately HK$1,013,342,000. The acquisition has been accounted for using the purchase method of accounting.

The carrying amounts of the net assets acquired in the transactions, which approximate their fair values, and the goodwill arising therefrom are as follows:

	Acquirees' carrying amounts before combination and fair value HK$'000
Net assets acquired:	
Property, plant and equipment	2,246,714
Trade and other receivables	179,370
Inventories	18,969
Bank and cash balances	28,175
Trade and other payables	(561,235)
Amount due to a shareholder	(152,695)
Tax payable	(2,754)
Bank borrowings	(805,121)
	951,423
Less: Minority interests	(219,534)
Net assets acquired	731,889
Goodwill	281,453
	1,013,342
Net cash outflow arising on acquisition:	
Cash consideration paid	1,013,342
Cash and cash equivalents acquired	(28,175)
	985,167

43. ACQUISITIONS OF SUBSIDIARIES *(continued)*

B. THE FOLLOWING ARE THE DETAILS OF BUSINESS ACQUIRED IN 2007: *(continued)*

(d) During the year, the Group also acquired 100% equity interest in 滄州熱電有限公司 Cangzhou Thermal Power Co. Ltd., 滄州光明發電有限公司 Cangzhou Guangming Power Co. Ltd. and 滄州華瑞熱電有限公司 Cangzhou Huarui Thermal Power Co. Ltd. and a further 71% equity interest in an associate, Xingning, in December 2007, at an aggregate cash consideration of approximately HK$214,900,000. Upon the completion of the acquisition of a further 71% equity interest in Xingning, it becomes a 100% owned subsidiary of the Company. The transactions have been accounted for using the purchase method of accounting.

The combined carrying values of the net assets acquired in the transactions, which approximate their fair values, and the goodwill arising therefrom are as follows:

	Acquirees' carrying amounts before combination and fair value HK$'000
Net assets acquired:	
Property, plant and equipment	1,108,941
Prepaid lease payments	82,513
Trade and other receivables	169,770
Inventories	14,441
Bank and cash balances	61,553
Trade and other payables	(359,492)
Bank borrowings	(51,726)
Net assets acquired	1,026,000
Transfer from interests in an associate	(81,257)
Transfer from amount due from an associate	(699,026)
Discount on acquisition	(30,817)
	214,900
Total consideration satisfied by:	
Cash	59,900
Deferred cash consideration	155,000
	214,900
Net cash inflow arising on acquisition:	
Cash consideration paid	59,900
Cash and cash equivalents acquired	(61,553)
	(1,653)

43. ACQUISITIONS OF SUBSIDIARIES *(continued)*

B. THE FOLLOWING ARE THE DETAILS OF BUSINESS ACQUIRED IN 2007: *(continued)*

The goodwill arising on the acquisition of the subsidiaries is attributable to the high profitability of the acquired businesses and the anticipated future operating synergies from the combination.

During the year ended 31 December 2007, these acquirees contributed approximately HK$916,553,000 to the Group's turnover and HK$143,970,000 to the Group's profit for the period between the dates of acquisition and the balance sheet date.

Had the acquisitions been completed on 1 January 2007, total group revenue for the year would have been HK$21,500,294,000, and profit for the year would have been HK$4,152,698,000. The proforma information is for illustrative purpose only and is not necessarily an indicative revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2007, nor is it intended to be a projection of future results.

44. OPERATING LEASE COMMITMENTS

THE GROUP AND THE COMPANY AS LESSEE

At the balance sheet date, the Group and the Company had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2008		2007	
	Land and buildings HK$'000	**Other assets HK$'000**	Land and buildings HK$'000	Other assets HK$'000
THE GROUP				
Within one year	**24,079**	**610**	2,930	198
In the second to fifth year inclusive	**55,642**	**2,440**	1,332	2,293
Over five years	**8,966**	**54,403**	6,331	4,699
	88,687	**57,453**	10,593	7,190

Operating lease payments represent rentals payable by the Group for its office premises and other assets which represented motor vehicles, railway and related facilities. Leases are negotiated for an average term of 2 to 25 years and rentals are fixed.

44. OPERATING LEASE COMMITMENTS *(continued)*

THE GROUP AND THE COMPANY AS LESSEE *(continued)*

	Land and buildings	
	2008	2007
	HK$'000	HK$'000
THE COMPANY		
Within one year	**4,011**	2,162
In the second to fifth year inclusive	**2,755**	—
	6,766	2,162

Operating lease payments represent rentals payable by the Company for its office premises. Leases are negotiated and rentals are fixed for an average term of 5 years.

45. CAPITAL COMMITMENTS

	2008	2007
	HK$'000	HK$'000
THE GROUP		
Contracted for but not provided in the financial statements		
- Capital expenditure in respect of the additions of property, plant and equipment	**13,719,937**	6,072,701
- Capital expenditure in respect of the acquisition of mining rights	**9,225,197**	—
- Capital expenditure in respect of the acquisition of prepaid lease payments	**19,109**	—
- Capital expenditure in respect of the acquisition of subsidiaries (Note)	**2,772,142**	133,745
- Capital expenditure in respect of the acquisition of investment in an associate	**602,027**	530,000
	26,338,412	6,736,446
THE COMPANY		
Unpaid capital contribution to subsidiaries	**573,673**	476,213

45. CAPITAL COMMITMENTS *(continued)*

Note:

On 20 May 2008, a subsidiary of the Company entered into agreements with China Resources Co., Ltd., an intermediate holding company of the Company and Jiangsu Kunlun Investments Co., Ltd., an independent third party to acquire its respective 60% and 40% equity interest in China Resources Power (Jiangsu) Investment Company Limited for an aggregate consideration of RMB2,513,380,000 (equivalent to approximately HK$2,854,948,000). Up to 31 December 2008, consideration amounted to RMB864,000,000 (equivalent to approximately HK$981,418,000) had been paid by the Group, with outstanding consideration amounted to approximately RMB1,649,380,000 (equivalent to approximately HK$1,873,531,000). In the opinion of the directors, the aforesaid acquisitions are expected to be completed on or before 31 December 2009.

On 21 August 2008, a subsidiary of the Company entered into agreement with Suyuan Group Co., Ltd., an independent third party, to acquire 100% equity interest in Shenzhen Yihe Property Company Limited and 100% equity interest in Jiangsu Kunlun Investments Company Limited, for consideration of RMB238,600,000 (equivalent to approximately HK$271,026,000) and RMB552,500,000 (equivalent to approximately HK$627,585,000) respectively. As of 31 December 2008, no consideration has been paid. In the opinion of the directors, the aforesaid acquisitions are expected to be completed on or before 31 December 2009.

46. CONTINGENT LIABILITIES

	2008	2007
	HK$'000	HK$'000
THE COMPANY		
Guarantees given to banks for credit facilities granted to subsidiaries (to the extent of facilities utilised)	**19,641**	762,973

No financial guarantees have been recognised in the Company's financial statements during the year as the fair value of the guarantees given by the Company to its subsidiaries at the date of inception is insignificant.

47. MAJOR NON CASH TRANSACTION

On 27 June 2008, a subsidiary of the Company entered into an agreement with the government, which through a subsidiary holds 10% equity interest in one of the Group's non-wholly owned subsidiaries. Pursuant to the terms of the agreement:

(1) the government would transfer its 10% equity interest in the relevant subsidiary (the then carrying amount of the interest attributable to the 10% equity interest amounted to approximately HK$76,029,000) to the Group at an agreed consideration of RMB173,000,000 (equivalent to HK$196,511,000); and

(2) the Group would close down certain of its smaller power generating plants and equipment (with a carrying amount of HK$267,591,000) for an agreed consideration of RMB210,000,000 (equivalent to HK$238,539,000), of which RMB37,000,000 (equivalent to approximately HK$42,028,000) is payable in cash to the Group and the remaining RMB173,000,000 would be settled by the government transferring the 10% equity interest as stated in (1) above.

As a result of such arrangement:

- the relevant subsidiary became a wholly owned subsidiary of the Company, resulting in goodwill of HK$120,482,000 arising from acquisition of additional interest; and

- the Group has closed down the relevant assets relating to the smaller power generating plants and equipment with impairment of HK$235,231,000 being recognised and recorded a gain on closure of such plants and equipment of HK$3,308,000.

48. RELATED PARTY TRANSACTIONS

The Company entered into two trademark licence agreements dated 17 October 2003 with CRNC and CRH, respectively, under which the Company was granted irrevocable, royalty free and non-exclusive licences to use certain trade marks and the rights to sub-license the same to any member of the Group in consideration of a nominal amount of HK$1 each.

A deed of option dated 17 October 2003 was executed by CRH in favour of the Company, under which the Company was granted options, in consideration of a nominal amount of HK$1, to acquire from CRH its entire 48% interest in Dongguan Houjie Power Company Limited. The Company may exercise its rights to acquire the power plant within 10 years from the date of the deed of option. The exercise price would be an amount equal to the net book value of the power plant which will be shown in the financial statements of CRH or a price as determined by an independent valuer as agreed by the parties to the deed of option with reference to the market value as at the date on which the option is exercised.

(a) The Group entered into the following significant transactions with related parties during the year:

Name of related company	**Relationship**	**Nature of transactions**	**2008** **HK$'000**	2007 HK$'000
China Resources Property Management Co., Ltd.	Fellow subsidiary	Rental expenses paid	**4,151**	2,656
China Resources (Shenzhen) Co., Ltd.	Fellow subsidiary	Rental expenses paid	**5,294**	3,224
Xingning	Associate	Interest income received	**—**	42,724
Jiang Su Nanre Power Generation Co. Ltd.	Associate	Interest income received	**6,437**	—
China Resources (Xu Zhou) Electric Power Company Limited	Associate	Interest income received	**4,129**	—
Shanzxi Jiurun Co. Ltd.	Associate	Interest expense paid	**6,796**	—
河南永華能源有限公司	Associate	Purchase of fuel and coal	**135,721**	127,476
CRH	Immediate holding company	Consideration paid for acquisition of interest in subsidiaries	**937,817**	—
		Finance cost paid by the Group	**2,824**	—
CRNC	Ultimate holding company	Interest expense payable in respect of On-lent Loans	**294,964**	257,685
		Consideration paid for acquisition of interest in a subsidiary	**—**	1,059,474

48. RELATED PARTY TRANSACTIONS *(continued)*

The key management personnel are the directors of the Company. The details of the remuneration paid to them are set out in note 9.

Note:

The Group also had balances with related parties at the balance sheet date which are set out in notes 25, 26, 27, 31, 32 and 33.

The Company had balances with related parties at the balance sheet date which are set out in notes 26, 27, 31 and 32.

(b) Transactions with other state-controlled entities in the PRC

The Group operates in an economic environment currently predominated by entities directly or indirectly owned or controlled by the PRC government ("state-controlled entities"). In addition, the Group itself is part of a larger group of companies under CRNC which is controlled by the PRC government. Apart from the transactions with CRNC, CRH, and fellow subsidiaries disclosed in (a) above, the Group also conducts business with other state-controlled entities. During the year, the Group entered into the following transactions with other state-controlled entities in the PRC.

	2008	2007
	HK$'000	HK$'000
Sales of electricity	**25,057,344**	16,700,026
Purchases of fuel		
- coal	**12,909,139**	4,951,407
- oil	**227,322**	40,050
Acquisition of property, plant and equipment	**1,785,486**	2,463,218
Acquisition of construction materials	**153,420**	259,936
Subcontracting cost for		
- construction and renovation	**1,364,141**	93,681
- maintenance	**36,155**	116,486
Consideration paid for acquisition of interest in an associate	—	1,867,116
Consideration paid for acquisition of interest in a subsidiary	—	648,158
Consideration paid for acquisition of additional interests in a subsidiary	—	577,105

In addition, the Group has certain deposit placements, borrowings and other general banking facilities, with certain banks which are state-controlled entities in its ordinary course of business.

Corporate Information

Chairman	Song Lin
Vice Chairman and Chief Executive Officer	Wang Shuai Ting
Executive Directors	Song Lin Wang Shuai Ting Tang Cheng Zhang Shen Wen Wang Xiao Bin
Non-Executive Directors	Jiang Wei Chen Xiao Ying
Independent Non-Executive Directors	Anthony H. Adams Wu Jing Ru Chen Ji Min Ma Chiu-Cheung, Andrew
Company Secretary	Wang Xiao Bin
Auditors	Deloitte Touche Tohmatsu
Legal Advisor	Morrison & Foerster
Share Registrar	Computershare Hong Kong Investor Services Limited Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
Registered Office	Rooms 2001-2002, 20th Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong. General Line: (852) 2593 7530 Facsimile: (852) 2593 7531

Information for Investors

SHARE LISTING AND STOCK CODE

The Company's shares are listed on The Stock Exchange of Hong Kong Limited. Our stock code is 836.

FINANCIAL DIARY

Financial year end	31 December 2008
Announcement of final results	1 April 2009
Last day to register for final dividend	1 June 2009
Book close	2 June 2009 to 8 June 2009
Payment of final dividend	22 June 2009

SHAREHOLDER ENQUIRIES

For enquires about share transfer and registration, please contact the Company's Share Registrar:

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For enquires from investors and securities analysts, please contact:

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