CHINA POWER INTERNATIONAL DEVELOPMENT LIMITED

中國電力國際發展有限公司

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

(Stock Code: 2380)

Announcement of Interim Results for the Six Months ended 30 June 2007

Financial Highlights

- Turnover amounted to approximately RMB2,745,013,000, representing an increase of approximately 10.2% over the corresponding period last year.
- Excluding the share of loss on changes in fair value of derivative component of Shanghai Power's convertible bonds, adjusted profit attributable to equity holders of the Company for the period is approximately RMB232,540,000 and adjusted basic earnings per share is approximately RMB0.06.
- Under PRC Accounting Standards, profit attributable to equity holders of Shanghai Power for the first half year ended 30 June 2007 is approximately RMB211,382,000. As the Group is required to recognise the loss on changes in fair value of the derivative component of Shanghai Power's convertible bonds based on its accounting policies, which also conform to Hong Kong Accounting Standards, the Group has therefore equity accounted for such losses in its consolidated results for the period. This, however, may not reflect the actual financial results of Shanghai Power.
- Including the share of loss on changes in fair value of derivative component of Shanghai Power's convertible bonds, profit attributable to equity holders of the Company for the period is approximately RMB69,603,000 and basic earnings per share is approximately RMB0.02.

Interim Results

The Board of directors (the "Board") of China Power International Development Limited (the "Company") is pleased to announce the unaudited operating results of the Company and its subsidiaries (the "Group" or "We") for the six months ended 30 June 2007 prepared in accordance with the Hong Kong Accounting Standard 34 "Interim Financial Reporting". The interim financial information has not been audited, but has been reviewed by the Company's Audit Committee and PricewaterhouseCoopers, Certified Public Accountants, the auditor of the Company.

OPERATING RESULTS

Set out below are certain operating results data of the Group for each of the two six-month periods ended 30 June 2007 and 2006. Such data is extracted from the Group's unaudited condensed consolidated interim financial information of the above mentioned periods.

CONDENSED CONSOLIDATED INTERIM PROFIT AND LOSS ACCOUNT

FOR THE SIX MONTHS ENDED 30 JUNE 2007

		Unaudited	
		Six months ended 30 June	
	Note	**2007**	**2006**
		RMB'000	*RMB'000*
Turnover	3	2,745,013	2,491,240
Other income	4	21,207	11,405
Fuel costs		(1,780,809)	(1,512,896)
Depreciation		(219,449)	(190,392)
Staff costs		(160,883)	(151,938)
Repairs and maintenance		(140,656)	(106,587)
Consumables		(36,731)	(37,314)
Other gains	5	3,828	3,234
Other operating expenses		(203,343)	(172,031)
Operating profit	6	228,177	334,721
Interest income from bank deposits		15,362	29,494
Finance costs	7	(69,136)	(58,150)
Share of (loss)/profit of associated companies		(105,530)	42,075
Gain on deemed disposal of interest in an associated company		28,847	—
Profit before taxation		97,720	348,140
Taxation	8	(28,385)	(41,509)
Profit for the period		69,335	306,631
Attributable to:			
Equity holders of the Company		69,603	307,213
Minority interests		(268)	(582)
		69,335	306,631
Earnings per share for profit attributable to the equity holders of the Company during the period			
- basic	9	RMB 0.02	RMB 0.10
- diluted	9	RMB 0.02	RMB 0.10

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

AS AT 30 JUNE 2007

	Note	As at 30 June 2007 Unaudited RMB'000	As at 31 December 2006 Audited RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		10,018,266	8,206,774
Prepayment for construction of power plants		3,254,935	3,374,073
Leasehold land prepayments		30,937	18,518
Goodwill		166,939	166,939
Interests in associated companies		2,389,152	850,675
Prepayment for acquisition of an associated company		—	1,665,133
Other long-term prepayments		26,501	28,980
		15,886,730	14,311,092
Current assets			
Inventories		266,497	287,142
Accounts receivable	11	889,241	860,804
Prepayments, deposits and other receivables		97,316	112,251
Amount due from an intermediate holding company		—	1,638
Amount due from a fellow subsidiary		12,389	11,441
Amount due from an associated company		64,030	—
Dividend receivable from an associated company		98,751	98,751
Taxation recoverable		4,916	—
Cash and cash equivalents		1,139,249	1,446,928
		2,572,389	2,818,955
Assets of disposal group classified as held for sale		301,426	—
		2,873,815	2,818,955
Total assets		18,760,545	17,130,047

	Note	As at 30 June 2007 Unaudited RMB'000	As at 31 December 2006 Audited RMB'000
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		3,798,610	3,798,104
Share premium		2,755,360	2,754,586
Reserves		2,311,573	2,526,525
		8,865,543	9,079,215
Minority interests		25,558	25,826
Total equity		8,891,101	9,105,041
LIABILITIES			
Non-current liabilities			
Deferred income		230,260	158,156
Long-term bank borrowings		5,506,500	3,812,000
Long-term payable to CPI Financial Company ("CPIF")		396,860	395,562
Long-term payable to Shanxi Electric Power Corporation		19,437	19,437
Deferred income tax liabilities		9,471	10,907
		6,162,528	4,396,062
Current liabilities			
Accounts payable	12	345,438	240,244
Construction cost payable		798,435	422,613
Other payables and accrued charges		336,463	304,520
Amount due to ultimate holding company		72,524	68,889
Amount due to a fellow subsidiary		9,461	3,279
Current portion of long-term bank borrowings		792,000	996,000
Short-term bank and other borrowings		1,175,000	1,428,000
Short-term loan from CPIF		140,000	140,000
Taxation payable		10,616	25,399
		3,679,937	3,628,944
Liabilities directly associated with assets of disposal group classified as held for sale		26,979	—
		3,706,916	3,628,944
Total liabilities		9,869,444	8,025,006
Total equity and liabilities		18,760,545	17,130,047
Net current liabilities		(833,101)	(809,989)
Total assets less current liabilities		15,053,629	13,501,103

Notes:

1 BASIS OF PREPARATION

The Company has a financial year end date of 31 December. This condensed consolidated interim financial information for the six months ended 30 June 2007 has been prepared in accordance with Hong Kong Accounting Standard 34, "Interim Financial Reporting". This condensed consolidated interim financial information should be read in conjunction with the annual accounts for the year ended 31 December 2006.

The Group's subsidiaries and associated companies are mainly established in the People's Republic of China (the "PRC") and have prepared their statutory accounts in accordance with the relevant accounting rules and regulations in the PRC. According to the Group's accounting policies, where necessary, accounting policies for subsidiaries and associated companies will be changed to ensure consistency with policies adopted by the Group. The differences arising from such adjustments to bring the respective companies' accounting policies in line with those used by the Group are adjusted in the Group's financial information but will not be taken up in the local accounting books and records of the respective companies.

In preparing this condensed consolidated interim financial information, the directors have taken into account all information that could reasonably be expected to be available and have ascertained that the Group has obtained adequate financial resources to support the Group to continue in operational existence for the foreseeable future. Under these circumstances, the directors consider that it is proper to prepare the accounts on a going concern basis notwithstanding that at 30 June 2007, the Group's current liabilities exceeded its current assets by RMB833,101,000.

2 ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the annual accounts for the year ended 31 December 2006, as described in the annual accounts for the year ended 31 December 2006. The following standards, amendments to standards and interpretations are mandatory for financial year ending 31 December 2007.

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

The adoption of the above standards, amendments to standards and interpretations did not have any significant financial impact to the Group. Full disclosures as required by HKAS 1 and HKFRS 7 will be disclosed in the annual accounts for the year ending 31 December 2007.

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

HKAS 23 (Revised)	Borrowing Costs
HKFRS 8	Operating Segments
HK(IFRIC)-Int 11	HKFRS 2 — Group and Treasury Share Transactions
HK(IFRIC)-Int 12	Service Concession Arrangements

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

3 TURNOVER AND SEGMENT INFORMATION

Revenue recognised during the period is as follows:

	Unaudited	
	Six months ended 30 June	
	2007	**2006**
	RMB'000	*RMB'000*
Sales of electricity	2,745,013	2,491,240

The Group's principal activities are the generation and sale of electricity, and the development of power plants as a single business segment. Substantially all of the Group's assets, liabilities and capital expenditure are located or utilised in the PRC except that certain cash and bank balances equivalent to approximately RMB157 million were deposited in certain banks in Hong Kong at 30 June 2007 (31 December 2006: approximately RMB476 million). Accordingly, no segment information is presented.

4 OTHER INCOME

	Unaudited	
	Six months ended 30 June	
	2007	**2006**
	RMB'000	*RMB'000*
Management fee income	4,961	6,831
Rental income	4,628	4,574
Income from provision of repair and maintenance services	11,618	—
	21,207	11,405

5 OTHER GAINS

	Unaudited	
	Six months ended 30 June	
	2007	2006
	RMB'000	*RMB'000*
Amortisation of deferred income	3,763	2,419
Gain on disposal of property, plant and equipment	65	815
	3,828	3,234

6 OPERATING PROFIT

Operating profit is stated after charging the following:

	Unaudited	
	Six months ended 30 June	
	2007	2006
	RMB'000	*RMB'000*
Amortisation of leasehold land prepayments	256	193
Depreciation of property, plant and equipment	219,449	190,392
Operating lease rental in respect of		
— equipment	225	1,358
— leasehold land and buildings	15,566	10,032
Staff costs including directors' emoluments	160,883	151,938
Write-off of pre-operating expenses	8,076	5,556

7 FINANCE COSTS

	Unaudited	
	Six months ended 30 June	
	2007	2006
	RMB'000	*RMB'000*
Interest expense on		
— bank borrowings wholly repayable within five years	90,606	65,109
— bank borrowings not wholly repayable within five years	115,951	36,358
— other borrowings wholly repayable within five years	2,330	2,373
— long-term payable to related companies wholly repayable within five years	8,983	11,130
	217,870	114,970
Less: Amounts capitalised in property, plant and equipment	(157,566)	(68,830)
	60,304	46,140
Net exchange loss	8,832	12,010
	69,136	58,150

Net exchange loss included in other operating expenses in prior period is reclassified under finance costs to conform to the current period presentation.

8 TAXATION

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

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

The amount of taxation charged to the condensed consolidated interim profit and loss account represents:

	Unaudited	
	Six months ended 30 June	
	2007	**2006**
	RMB'000	*RMB'000*
PRC current income tax	30,663	41,509
Deferred taxation	(2,278)	—
	28,385	41,509

Share of taxation attributable to associated companies for the period ended 30 June 2007 of RMB11,784,000 (2006: RMB7,335,000) are included in the condensed consolidated interim profit and loss account as share of (loss)/profit of associated companies.

Pursuant to the relevant PRC income tax rules and regulations, a special income tax rate of 15% (2006: 15%) has been granted to certain subsidiaries and an associated company of the Group as being foreign invested enterprises which are engaged in the energy, transportation or infrastructure activities. A subsidiary acquired by the Group in year 2005 is entitled to a two-year exemption from income tax starting from year 2005 and followed by a 50% reduction in income tax rate of 7.5% for the subsequent three years towards year 2009.

In March 2007, the National People's Congress approved the Corporate Income Tax Law of the People's Republic of China (the "new CIT Law"). Both domestic enterprises and foreign invested enterprises will be subject to a single tax rate of 25% under the new CIT Law with effect from 1 January 2008. The new CIT Law also provides for preferential tax rates, tax incentives for prescribed industries and activities and grandfathering provisions on the determination of taxable profit. The Group has assessed the deferred income tax balances as at 30 June 2007 based on their best estimates. As and when the State Council announces the additional regulations, the Company will reassess their impact, if any, and this change in accounting estimate will be accounted for prospectively.

9 EARNINGS PER SHARE

The calculation of basic and diluted earnings per share for the six months ended 30 June 2007 are based on the profit attributable to equity holders of the Company for the period of RMB69,603,000 (2006: RMB307,213,000). The basic earnings per share is calculated based on the weighted average of 3,605,515,099 (2006: 3,135,000,000) shares in issue during the period. The diluted earnings per share is based on 3,609,925,967 (2006: 3,135,474,493) shares, which is the weighted average number of shares in issue during the period plus the weighted average number of shares deemed to be issued at no consideration if all outstanding options had been exercised.

10 DIVIDEND

At a meeting held on 27 April 2007 the directors proposed a final dividend of RMB0.08 per share for the year ended 31 December 2006, which was paid on 30 May 2007 and has been reflected as an appropriation of reserves for the six months ended 30 June 2007.

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2007 (2006: Nil).

11 ACCOUNTS RECEIVABLE

	As at	
	30 June 2007	**31 December 2006**
	Unaudited	*Audited*
	RMB'000	*RMB'000*
Accounts receivable from provincial power companies (note a)	599,232	424,796
Bills receivable (note b)	290,009	436,008
	889,241	860,804

Note:

(a) The Group normally grants 30 to 60 days credit period to the provincial power companies from the end of the month in which the sales are made. The ageing analysis of the accounts receivable is as follows:

	As at	
	30 June 2007	**31 December 2006**
	Unaudited	*Audited*
	RMB'000	*RMB'000*
1 to 3 months	599,232	408,635
4 to 6 months	—	16,161
	599,232	424,796

(b) Bills receivable are normally with maturity period of 90 to 180 days (2006: 90 to 180 days).

12 ACCOUNTS PAYABLE

	As at 30 June 2007	As at 31 December 2006
	Unaudited	*Audited*
	RMB'000	*RMB'000*
Accounts payable	345,438	226,535
Due to related companies	—	13,709
	345,438	240,244

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

	As at 30 June 2007	As at 31 December 2006
	Unaudited	*Audited*
	RMB'000	*RMB'000*
1 to 6 months	333,641	228,266
7 to 12 months	8,602	1,703
Over 1 year	3,195	10,275
	345,438	240,244

OVERVIEW

The principal business of the Group is to develop, construct, own, operate and manage large power plants in the People's Republic of China ("China" or the "PRC"). As at 30 June 2007, the Group owns and operates the power plants held by the following subsidiaries: Anhui Huainan Pingwei Electric Power Generating Company Limited ("Pingwei Power Plant") (100% ownership), Pingdingshan Yaomeng Power Generating Company Limited ("Yaomeng Power Plant") (100% ownership), Shanxi Shentou Power Generating Company Limited ("Shentou I Power Plant") (100% ownership), and Jiangsu Changshu Electric Power Generating Company Limited ("Changshu Power Plant") (50% ownership) which is an associated company, and Shanghai Electric Power Co., Ltd. ("Shanghai Power") (24.71% equity interest), a power company of which its shares are listed on the Shanghai Stock Exchange.

The Group also manages five other power plants on behalf of China Power International Holding Limited ("CPI Holding") (a wholly-owned subsidiary of China Power Investment Corporation ("CPI Group")), namely Liaoning Qinghe Electric Power Generating Company Limited (1,200 MW), China Power (Jiangxi Guixi) Electricity Generation Company Limited (500 MW), China Power (Fujian) Electricity Development Company Limited (300 MW), Wuhu Shaoda Power Development Company Limited (250 MW) and CPI (Wuhu) Power Generating Company Limited (250 MW), which have a total installed capacity of 2,500 MW.

In addition, the Group has three power plants which have been approved by the National Development and Reform Commission of the PRC ("NDRC") and are under construction, namely Huainan Pingwei No.2 Electrical Power Co., Ltd. ("Pingwei Power Plant II") (100% ownership), Pingdingshan Yaomeng No. 2 Power Co., Ltd. ("Yaomeng Power Plant II") (100% ownership) and Huanggang Dabieshan Power Company Limited ("Huanggang Dabieshan Power Plant") (93% ownership).

BUSINESS REVIEW FOR THE SIX MONTHS ENDED 30 JUNE 2007

Turnover of the Group for the six months ended 30 June 2007 was approximately RMB2,745,013,000, representing an increase of approximately 10.2% over the corresponding period last year. Profit attributable to equity holders of the Company was approximately RMB69,603,000, representing a decrease of approximately 77.3% over the corresponding period last year. Excluding the share of loss on changes in fair value of derivative component of Shanghai Power's convertible bonds, adjusted profit attributable to equity holders of the Company was approximately RMB232,540,000, representing a decrease of approximately 24.3% over the corresponding period last year.

In the first half of 2007, China's economy maintained a fast and steady growth. The gross domestic product rose by 11.5%, which is 0.5% higher than that for the corresponding period last year. Demand for electricity continued its strong growth, the power supply increased further to alleviate the tight situation in supply and demand for electricity. In the first half of the year, the total national power consumption was approximately 1,514.954 billion kWh, representing a year-on-year increase of approximately 15.6%. The total national power generation was approximately 1,485.0 billion kWh, representing a year-on-year increase of approximately 16%. In the first half of 2007, average accumulated utilisation hours of power plants of the whole nation amounted to 2,437 hours, decreasing by 100 hours as compared with the same period last year, of which coal-fired utilisation hours were 2,638 hours, representing a year-on-year decrease of 103 hours. In the first half of 2007, with the mutual efforts of the management of the Group and all its employees, we have overcome the operating difficulties arising from the soaring coal prices. We refined our management measures to increase generation and actively enhanced the competitiveness of the existing units, at the same time speed up the construction of new power plants and the processes of selection of acquisition targets, so as to lay a solid foundation for the operating results next year and future years.

Power Generation

In the first half of 2007, the gross generation of the Group was approximately 12,323,591 MWh, representing an increase of approximately 3.7% over the 11,884,930 MWh of the corresponding period last year. The increase was mainly attributable to the commencement of operations of the new generation unit of Pingwei Power Plant II during the period. Also, under the favorable conditions of robust power demand in the respective regions in which the Group's power plants locate, the Group had reasonably scheduled overhaul and technical upgrades of the generating units, improved quality on repair and maintenance, continuously upgraded the management standard of the operation of its generating units and endeavored to increase generation. With the downward trend of the load factor of power plants in general, our equipment's utilisation hours stand out in the respective provinces and regions in which the Group's power plants locate.

Fuel Cost Control

In the first half of 2007, with the full liberalisation of the thermal coal market, national thermal coal contract prices increased substantially by 9.0% over the same period last year whilst natural coal prices rose by more than RMB30 per ton. Meanwhile, the reforms undertaken by the State in relation to the policies of energy saving and pollutants emission reduction and resources fee further supported high coal prices. The Group tracked and analysed the changes in thermal coal market prices and made timely adjustments to the purchase of thermal coal in response to the significant rise in ex-mine thermal coal prices. At the same time, the Company strengthened the management of the operation of its generating units, reduced coal consumption rate and actively controlled the increase in the unit fuel cost. The unit fuel cost of the Group for the first half of 2007 was RMB155.79 per MWh on average, representing an increase of approximately 13.2% over the same period last year.

Commissioning of new power generation units

In the first half of 2007, the No.3 power generation unit of Pingwei Power Plant II, the first commissioned unit among our six 600MW power generation units under construction, was put into commercial operation. This contributed an addition of 600MW to our attributable installed capacity, which is approximately 5,936MW now.

According to the approval document issued by NDRC in respect of Pingwei Power Plant II, the two 600MW power generation units of Pingwei Power Plant II are among the first batch of power generation units which are called the "Anhui-to-east Power Transfer" project. The "Anhui-to-east Power Transfer" project is part of the regional energy development strategy actively facilitated by the Anhui Provincial Government and NDRC. The total capacity of the power generation units under the project which have currently commenced construction was approximately 7,200MW or six power plants with 2 x 600MW power generation units. The No.3 power generation unit of Pingwei Power Plant II is the first commissioned power generation unit under the "Anhui-to-east Power Transfer" project. Since the relevant policies following the commissioning of the power generation units have not been introduced, the basic generation of the No.3 power generation unit of Pingwei Power Plant II was not effectively implemented following its commissioning. And hence the approved benchmark tariff could not be realised. As a result, Pingwei Power Plant II failed to achieve its expected gains in the first half of the year.

To overcome the problem of base generation allocation, the Group communicated and coordinated with authorities such as NDRC and the Anhui Provincial Government on a continued basis to actively strive for the implementation of the relevant policies following the commissioning of the power generation units under the "Anhui-to-east Power Transfer" project. It is anticipated that greater progress will be made in the second half, thereby bringing positive changes to the operating results of the Group.

Power Plants under Construction

Pingwei Power Plant II: The first generation unit has commenced operation. The construction and production preparation of the second generation unit, which is scheduled to commence operation in the fourth quarter of 2007, is under smooth progress.

Yaomeng Power Plant II: The project is under smooth progress. Two power generation units are scheduled to commence operation in the fourth quarter of 2007 and the first quarter of 2008 respectively.

Huanggang Dabieshan Power Plant: The project is under smooth progress. Two power generation units are scheduled to commence operation in the first and the second quarters of 2008 respectively.

Operating Data for Power Plants in Operation

The following table sets out the operating data of Pingwei Power Plant, Yaomeng Power Plant, Shentou I Power Plant, Pingwei Power Plant II and Changshu Power Plant for the six months ended 30 June 2007:

	Pingwei Power Plant	Yaomeng Power Plant	Shentou I Power Plant	Pingwei Power Plant II	Changshu Power Plant
Installed capacity (MW)	1,230	1,210	1,200	600	1,230
Average utilisation hours (hours)	3,166	3,120	3,227	1,306	2,749
Gross generation (MWh)	3,893,630	3,774,631	3,871,795	783,535	3,381,850
Net generation (MWh)	3,713,473	3,478,259	3,497,900	741,170	3,204,620
Net coal consumption rate (grams/kWh)	330.45	338.03	373.46	322.20	339.12

OUTLOOK OF THE SECOND HALF OF THE YEAR

In the second half of 2007, the growth of the fast-growing national economy will slow down to some extent but the growth momentum will continue. This will likely drive the continued growth of power demand contributing a favorable external factor for the Group's power generation. However, with the new power plants on stream, the supply capability of power generation will be further released. Competition in the electricity market and high fuel prices will exert greater operating pressure on the Group. In this connection, the Group will take full advantage of favorable factors such as the commissioning of new power generation units to strive for the gradual implementation of the policies in relation to the "Anhui-to-east Power Transfer" project. Besides, it will make an effort to improve the standard of operational management and production operation, step up efforts in cost control and strive for the best operating results.

The key objectives of the Group for second half of 2007 are as follows:

1. To make zealous endeavors to implement various strategic development measures, actively speed up acquisitions and construction of new generation units, so as to expand our capacity;

2. To strengthen safety production management, upgrade operation quality of our equipments to generate power as much as possible;

3. To coordinate with relevant government departments, actively seek government support for the commissioning of the new generation units, ensuring the operating results of the new power plants;

4. To strengthen the management of fuel procurement to ensure stable coal supply and to step up efforts to control fuel costs;

5. To strengthen efforts on technical upgrades, increase energy conservation and raise environmental protection standard;

6. To strengthen our talent team, cultivate an outstanding team of operation staff and management personnel for the further development of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATING RESULTS

Turnover

Turnover of the Group for the six months ended 30 June 2007 was approximately RMB2,745,013,000, representing an increase of approximately 10.2% over RMB2,491,240,000 of the corresponding period last year. The followings are the main reasons for the increase of the turnover:

- Tariff increases

Since the last round of tariff adjustment by the State in the second half of 2006, the Group made zealous endeavors to implement the tariff adjustment policy, ensuring the on-grid tariffs of Pingwei Power Plant, Yaomeng Power Plant and Shentou I Power Plant increased by an average of 5.6%, which in turn generated an increase of approximately RMB135,317,000 in revenue.

- Increase of net generation

With the commissioning of a new generation unit of 600 MW in Pingwei Power Plant II and a relatively high utilisation rate maintained by the existing generation units, the net generation of the Group recorded an increase over the same period last year, of which an increase of approximately RMB186,120,000 was attributable to the commissioning of the new generation unit, whilst a reduction of the net generation of existing generation units reduced the revenue by approximately RMB67,664,000.

Operating Costs

In the first half of 2007, operating costs of the Group amounted to approximately RMB2,541,871,000, representing an increase of approximately 17.1% over RMB2,171,158,000 of the corresponding period last year.

Fuel Costs

Fuel costs were the major component of the Group's operating costs. In the first half of 2007, fuel costs of the Group was approximately RMB1,780,809,000, accounting for 70.1% of the operating costs. Fuel costs increased by approximately 17.7% over RMB1,512,896,000 of the corresponding period last year, of which an increase of RMB133,425,000 was attributable to the commissioning of the new generation units in Pingwei Power Plant II; an increase of approximately RMB183,101,000 was attributable to the increases of fuel prices and unit fuel cost; whilst reductions on on-grid generation of existing generation units and coal consumption reduced the fuel costs by approximately RMB48,613,000.

Depreciation

In the first half of 2007, depreciation of the Group amounted to approximately RMB219,449,000, representing an increase of approximately 15.3% over RMB190,392,000 of the corresponding period last year. The increase in depreciation of approximately RMB20,119,000 was attributable to the commissioning of the generation units in Pingwei Power Plant II. The net revaluation surplus from the property, plant and equipment last year also led to an increase in depreciation of approximately RMB8,062,000. Technical upgrades such as desulphurisation resulted in addition of property, plant and equipment, leading to an increase of depreciation of approximately RMB876,000.

Staff Costs

In the first half of 2007, staff costs of the Group amounted to approximately RMB160,883,000, representing an increase of approximately 5.9% over RMB151,938,000 of the corresponding period last year. Staff costs increased by approximately RMB7,550,000 due to the adjustment on staff remuneration, and by approximately RMB1,395,000 owing to the commissioning of the generation units in Pingwei Power Plant II.

Repairs and Maintenance

For the first half of 2007, repairs and maintenance costs of the Group amounted to approximately RMB140,656,000, representing an increase of approximately 32.0% over RMB106,587,000 of the corresponding period last year. The scheduled overhaul of generation units during the period and the commissioning of the new generation units in Pingwei Power Plant II increased repair and maintenance costs by approximately RMB31,293,000 and RMB2,776,000 respectively.

Other Operating Expenses

For the first half of 2007, other operating expenses of the Group amounted to approximately RMB203,343,000, representing an increase of approximately RMB31,312,000 or approximately 18.2%, over RMB172,031,000 of the corresponding period last year, of which, an increase of approximately RMB6,285,000 was attributable to the commissioning of the new generation units in Pingwei Power Plant II. The increases in other operating expenses of approximately RMB8,567,000, approximately RMB8,399,000, approximately RMB5,534,000 and approximately RMB2,527,000 were attributable to increased repairing cost of buildings and roads, increased emission charge standard, increased rentals for leasing land and buildings and other factors respectively.

Operating Profit

Operating profit of the Group for the six months ended 30 June 2007 was approximately RMB228,177,000, representing a decrease of approximately 31.8% over RMB334,721,000 of the corresponding period last year.

Share of (Loss)/Profit of Associated Companies

For the first half of 2007, share of loss of associated companies of the Group was approximately RMB105,530,000 compared with share of profit of an associated company of approximately RMB42,075,000 of the same period last year. Share of profit of associated companies was reduced by approximately RMB13,542,000 as a result of a decline in profits generated from Changshu Power Plant due to increased coal prices and fuel costs. In addition, the Group started to account for the results of Shanghai Power in March 2007 but it was significantly adjusted by the share of loss on changes in fair value of derivative component of the convertible bonds issued by Shanghai Power of approximately RMB162,937,000.

Finance Costs

For the six months ended 30 June 2007, finance costs amounted to approximately RMB69,136,000, representing an increase of approximately 18.9% over RMB58,150,000 of the corresponding period last year. Finance costs increased by approximately RMB19,844,000 due to the commissioning of the new generation units in Pingwei Power Plant II that ceased interest capitalisation. Net exchange loss decreased by approximately RMB3,178,000. Other factors such as a decrease in other borrowings for operations led to a decrease in finance costs of approximately RMB5,680,000.

Taxation

Taxation expenses of the Group for the first half of 2007 were approximately RMB28,385,000, representing a decrease of approximately 31.6% over RMB41,509,000 of the corresponding period last year. Such decrease was mainly attributable to the decrease in profit before taxation. There were no tax expenses for Pingwei Power Plant II as it was still within the tax holiday. Shentou I Power Plant has entered the tax concession period with an applicable tax rate of 7.5%, resulting in an increase of its taxation expenses.

Profit Attributable to Equity Holders of the Company

For the six months ended 30 June 2007, profit attributable to equity holders of the Company was approximately RMB69,603,000, representing a decrease of approximately 77.3% over RMB307,213,000 of the corresponding period last year. Excluding the share of loss on changes in fair value of derivative component of Shanghai Power's convertible bonds, adjusted profit attributable to equity holders of the Company was approximately RMB232,540,000, representing a decrease of approximately 24.3% over the corresponding period last year.

Segment information

The Group's principal activities are the generation and sale of electricity, and the development of power plants as a single business segment. Substantially all of the Group's assets, liabilities and capital expenditure are located or utilised in the PRC except that certain cash and bank balances equivalent to approximately RMB157 million were deposited in certain banks in Hong Kong at 30 June 2007 (31 December 2006: approximately RMB476 million).

CONVERSION OF SHANGHAI POWER'S CONVERTIBLE BONDS

In December 2006, the Company acquired 390,876,250 shares of Shanghai Power at RMB4.26 per share. As at 30 June 2007, the previous five-day average closing price of Shanghai Power is RMB8.97 per share. Compared with the acquisition price of Shanghai Power, this represented an increase of 110.6%.

On 1 December 2006, Shanghai Power issued convertible bonds for an aggregate principal amount of RMB1,000 million with a term of 5 years (the "Convertible Bonds"). According to the terms of the Convertible Bonds, holders of the Convertible Bonds are eligible for conversion into new shares of Shanghai Power until maturity date after expiry of 6 months from the date of issue of 1 December 2006 and the conversion price of the Convertible Bonds can be amended when certain conditions are fulfilled. In accordance with the requirements of HKAS 39 "Financial Instruments — Recognition and Measurement", the Convertible Bonds contract must be separated into two components: a derivative component consisting of the conversion option together with related put and call options and a liability component consisting of the straight debt element of the Convertible Bonds. The derivative is carried at fair value on the balance sheet with any changes in fair value being charged or credited to the profit and loss account in the period when the changes occur. For the six months ended 30 June 2007, the share of loss on changes in fair value of derivative component of the Convertible Bonds amounted to RMB162,937,000.

Under PRC Accounting Standards, profit attributable to equity holders of Shanghai Power for the first half year ended 30 June 2007 is approximately RMB211,382,000. As the Group is required to recognise the loss on changes in fair value of the derivative component of Shanghai Power's Convertible Bonds based on its accounting policies, which also conform to Hong Kong Accounting Standards, the Group has therefore equity accounted for such losses in its consolidated results for the period. This, however, may not reflect the actual financial results of Shanghai Power.

The following is an extract of the published financial information of Shanghai Power for the six months ended 30 June 2007 which have been prepared in accordance with the relevant accounting rules and regulations in the PRC.

	Six months ended 30 June 2007 *RMB'000*
Operating results	
Turnover	3,940,166
Profit before taxation	348,025
Profit attributable to equity holders	211,382

	As at 30 June 2007 *RMB'000*
Financial position	
Non-current assets	16,537,398
Current assets	2,747,708
Current liabilities	(6,649,124)
Non-current liabilities	(3,589,726)
	9,046,256

On 23 August 2007, Shanghai Power announced that by 14 August 2007 holders of the Convertible Bonds with an aggregate principal amount of approximately RMB972,877,000 have been converted into new shares of the company pursuant to the terms and conditions of the Convertible Bonds whereas all the remaining outstanding Convertible Bonds with an aggregate principal amount of approximately RMB27,123,000 were redeemed by Shanghai Power at their original terms by 21 August 2007. As a result, the Group's interest in Shanghai Power was diluted from 24.71% to 21.92%.

MAJOR FINANCIAL RATIOS

Current Ratio

As at 30 June 2007, the Group had cash and bank deposits totalling approximately RMB1,218,719,000 (including cash and bank deposits under disposal group), whereas the total current assets amounted to approximately RMB2,873,815,000 and the current ratio was 0.78 times (31 December 2006: 0.78 times).

Gearing Ratio

As at 30 June 2007, the gearing ratio (total borrowings/shareholders' equity) was 90.57% (31 December 2006: 74.80%).

CAPITAL EXPENDITURE AND SOURCES OF CAPITAL

In the first half of 2007, the actual capital expenditure of the Group was approximately RMB2,077,482,000, primarily attributable to power plants under construction and technical upgrades. The capital was mainly derived from project finance and operations cashflow.

Power Plants under Construction

Pingwei Power Plant II: Actual investment for completing the project in the first half of 2007 was approximately RMB594,418,000.

Yaomeng Power Plant II: Actual investment for completing the project in the first half of 2007 was approximately RMB810,247,000.

Huanggang Dabieshan Power Plant: Actual investment for completing the project in the first half of 2007 was approximately RMB553,817,000.

Technical Upgrades

In the first half of 2007, the Group carried out technical upgrades such as energy consumption reduction and desulphurisation for existing generation units, and spent approximately RMB123,991,000 for such upgrades.

Borrowings

As at 30 June 2007, total borrowings of the Group amounted to approximately RMB8,029,797,000 which consisted of short term bank borrowings of approximately RMB1,967,000,000, long term bank loans of approximately RMB5,506,500,000 and other borrowings of approximately RMB556,297,000. The interest rates on the borrowings ranged from 3.6% to 6.6%. The interest rates on the Group's bank borrowings will be adjusted in accordance with the relevant regulations of the People's Bank of China.

The debts incurred by the Group have been applied on general corporate purposes, including capital expenditure and working capital requirements.

RISK MANAGEMENT

The Group has implemented an all-rounded risk management, and has established a systematic and comprehensive risk management mechanism and internal control system. Specific department for risk management has been set up to oversee the implementation of the risk management system and the consistent application of risk management measures, with an aim to manage finance risks such as exchange rate risk and interest rate risks and other operation risks involved in our financing and operating activities.

Owing to the State macro-monetary policy and the adjustment on base rate, the current lending rate slightly rises. With good operating results and asset condition, interest rate adjustment will have no substantial effect on the Group's operation in the short term.

FOREIGN EXCHANGE RATE RISK

The Group experienced spectacular development in business in both Hong Kong and the PRC, and collected most of its revenue in Renminbi. As a result, the foreign currency transaction volumes inside and outside the country as well as foreign currency deposits were relatively large. The exchange rate reform of Renminbi and the increased fluctuations in exchange rates will expose us to certain foreign exchange rate risks at the translation of US dollars and HK dollars we held into RMB, which may affect the Group's financial situations and operation results. Therefore, we had to face certain risk exposure to foreign exchange fluctuations (for the purpose of this announcement, the exchange rate of HK$1.00=RMB0.9744 has been used in the conversion of Hong Kong dollars into Renminbi).

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

PLEDGE OF ASSETS

As at 30 June 2007, a subsidiary of the Group pledged its machinery with a net book value of approximately RMB698,000,000 to a bank to secure a bank loan in the amount of RMB343,000,000.

CONTINGENT LIABILITIES

As at 30 June 2007, the Group had no material contingent liabilities.

EMPLOYEES

As at 30 June 2007, the Group and its associated company, Changshu Power Plant (excluding Shanghai Power) had a total of 7,599 full-time employees.

The Group determined the emoluments of its directors and employees based on their respective performance, working experiences, duties and the prevailing market rates. The Group also implemented incentive policy linking emoluments with performances.

The Group provided appropriate emoluments and benefit packages to all employees of its operating power plants based on their respective duties and pursuant to the labour laws and regulations of the PRC.

The Group has set up a mandatory provident fund scheme and made fixed contributions for our Hong Kong employees pursuant to the laws of Hong Kong.

The Group has also set up share option schemes for the Group's senior management and key employees so as to motivate and attract high-calibre employees.

The Group has dynamically developed itself into a self-learning corporation. In order to address the Company's increasing demand for high-calibre employees, we continue to provide training on expertise such as specialised technology and management to our employees pursuant to their personalities and duties.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor its subsidiaries purchased, sold or redeemed any of the listed securities of the Company for the six months ended 30 June 2007.

CODE ON CORPORATE GOVERNANCE

The Corporate Governance Report of the Board has been set out in our 2006 annual report. Save for deviations from Code A4, the Company has complied with the code provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") for the six months ended 30 June 2007.

SECURITIES TRANSACTION BY DIRECTORS

The Company has adopted a set of Code of Conduct for Securities Transactions by Directors (the "Code of Conduct"), the terms of which are not less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules. Having made specific inquiries to the Directors, all Directors confirmed that they have complied with the Code of Conduct for the six months ended 30 June 2007.

AUDIT COMMITTEE

The Company established the Audit Committee on 24 August 2004 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and provisions of the Code which have been effective since 31 December 2004. In the first half of 2007, the Board has approved the working system of the Audit Committee, which stipulates the primary duties of the Audit Committee, including (1) To communicate with the internal audit department and determine the annual internal audit plan; to review the internal audits with the internal auditor at least once every half year; to review and monitor the internal control system, functions of the internal auditor and effect of the annual audit plan. (2) To make proposals to the Board in respect of the appointment, renewal and removal of external auditors; to consider and monitor the independence, objectiveness and the effectiveness of the audit process of external auditors based on the related standards issued by HKICPA; to determine and implement appointment policies on the provision of non-auditing services by external auditors. (3) To consider the financial information of the Company. (4) To monitor the financial reporting system and internal control system. (5) Under authorisation by the Board to conduct any investigation within the scope of its duties, and the Audit Committee has the right to request for any information required from any employee, and all employees are instructed to cooperate with the committee to satisfy any request of the committee.

The Audit Committee comprises three members, namely, Mr. Kwong Che Keung, Gordon, Mr. Li Fang and Mr. Tsui Yiu Wa, Alec, all of whom are independent non-executive directors. The Audit Committee is chaired by Mr. Kwong Che Keung, Gordon. In order to enhance independence, all committee members have appropriate professional qualifications, experience in accounting or related financial management as required under the Listing Rules.

PUBLICATION OF INTERIM REPORT

This result announcement is published on the website of Hong Kong Exchange and Clearing Limited ("HKEx") at http://www.hkex.com.hk under "Latest Listed Company Information" and on the Company's websites at www.chinapower.hk and http://www.irasia.com/listco/hk/chinapower/index.htm.

The printed copy of the 2007 Interim Report will be sent to shareholders by the end of September 2007 and the soft copy of the Interim Report will be published on websites of both HKEx and the Company in due course.

By Order of the Board
China Power International Development Limited
LI Xiaolin
Vice-Chairman and Chief Executive Officer

Hong Kong, 5 September 2007

As at the date of this announcement, the directors of the Company are: executive directors Li Xiaolin and Hu Jiandong, non-executive directors Wang Binghua and Gao Guangfu, and independent non-executive directors Kwong Che Keung, Gordon, Li Fang and Tsui Yiu Wa, Alec.