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 2006

Interim Results

Financial Highlights

- Turnover amounted to approximately RMB2,491,240,000, representing an increase of approximately 51.4% over the corresponding period last year
- Profit attributable to equity holders was approximately RMB307,213,000, representing an increase of approximately 22.7% over the corresponding period last year
- Basic earnings per share was RMB0.10

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 2006 prepared in accordance with the Hong Kong Accounting Standard 34 "Interim Financial Reporting". The interim financial statements have not been audited, but have been reviewed by the Company's Audit Committee and PricewaterhouseCoopers, Certified Public Accountants, the auditors of the Company, in accordance with the Statement of Auditing Standard 700 "Engagements to Review Interim Financial Reports" issued by the Hong Kong Institute of Certified Public Accountants.

OPERATING RESULTS

Set out below are certain operating results data of the Group for each of the two six-month periods ended 30 June 2006 and 2005. Such data is extracted from the Group's unaudited consolidated financial statements of the above mentioned periods.

CONDENSED CONSOLIDATED INTERIM PROFIT AND LOSS ACCOUNT

FOR THE SIX MONTHS ENDED 30TH JUNE 2006

		Unaudited Six months ended 30th June	
	Note	**2006**	2005
		RMB'000	*RMB'000*
Turnover	3	**2,491,240**	1,645,742
Other income	3	**40,899**	28,086
Fuel costs		**(1,512,896)**	(1,000,140)
Depreciation		**(190,392)**	(146,047)
Staff costs		**(151,938)**	(116,106)
Repairs and maintenance		**(106,587)**	(67,172)
Consumables		**(37,314)**	(19,572)
Other operating expenses, net		**(180,807)**	(56,345)
Operating profit	4	**352,205**	268,446
Finance costs	5	**(46,140)**	(36,001)
Share of profit of an associated company		**42,075**	51,175
Profit before taxation		**348,140**	283,620
Taxation	6	**(41,509)**	(33,533)
Profit for the period		**306,631**	250,087
Attributable to:			
Equity holders of the Company		**307,213**	250,312
Minority interests		**(582)**	(225)
		306,631	250,087
Earnings per share for profit attributable to the equity holders of the Company during the period			
- basic	7	**RMB0.10**	RMB0.08
- diluted	7	**RMB0.10**	RMB0.08

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

AS AT 30TH JUNE 2006

	Note	As at 30th June 2006 Unaudited *RMB'000*	31st December 2005 Audited *RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**5,798,652**	5,343,209
Prepayment for construction of power plants		**2,625,450**	1,845,647
Leasehold land prepayments		**18,711**	18,904
Goodwill		**166,939**	166,939
Interest in an associated company		**877,935**	835,860
Deferred income tax assets		**12,893**	12,893
		9,500,580	8,223,452
Current assets			
Inventories		**300,350**	265,871
Accounts receivable	9	**730,720**	803,779
Prepayments, deposits, other receivables and other current assets		**180,910**	151,542
Dividends receivable from an associated company		**76,922**	75,962
Cash and cash equivalents		**2,069,370**	2,187,943
		3,358,272	3,485,097
Total assets		**12,858,852**	11,708,549
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		**3,323,100**	3,323,100
Reserves		**3,545,804**	3,485,289
		6,868,904	6,808,389
Minority interests		**14,949**	11,044
Total equity		**6,883,853**	6,819,433

	Note	As at 30th June 2006 Unaudited *RMB'000*	31st December 2005 Audited *RMB'000*
LIABILITIES			
Non-current liabilities			
Long-term bank borrowings		**3,116,000**	2,713,500
Long-term payable to China Power Financial Company ("CPIF")		**394,336**	393,110
Long-term payable to Shanxi Electric Power Corporation ("SEPC")		**19,979**	19,979
		3,530,315	3,126,589
Current liabilities			
Accounts payable	10	**276,584**	286,644
Other payables and accrued charges		**651,670**	476,267
Amount due to ultimate holding company		**95,864**	91,665
Current portion of long-term bank borrowings		**575,000**	400,000
Short-term bank and other borrowings		**823,000**	487,500
Taxation payable		**22,566**	20,451
		2,444,684	1,762,527
Total liabilities		**5,974,999**	4,889,116
Total equity and liabilities		**12,858,852**	11,708,549
Net current assets		**913,588**	1,722,570
Total assets less current liabilities		**10,414,168**	9,946,022

Notes:

1 Basis of preparation

The Company has a financial year end date of 31st December. This condensed consolidated interim financial information for the six months ended 30th June 2006 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 financial statements for the year ended 31st December 2005.

2 Accounting policies

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31st December 2005 as described in the annual financial statements for the year ended 31st December 2005. The following amendments to standards and interpretations are mandatory for financial year ending 31st December 2006.

HKAS 19 (Amendment)	Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 21 (Amendment)	The Effects of Changes in Foreign Exchange Rates - Net Investment in a Foreign Operation
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intra-group Transactions
HKAS 39 (Amendment)	The Fair Value Option
HKAS 39 and HKFRS 4 (Amendments)	Financial Guarantee Contracts
HKFRS 1 (Amendment)	First-time Adoption of Hong Kong Financial Reporting Standards
HKFRS 6 (Amendment)	Exploration for and Evaluation of Mineral Resources
HKFRS-Int 4	Determining whether an Arrangement contains a Lease
HKFRS-Int 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
HK(IFRIC)-Int 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment

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

The following new standards, amendments to standards and interpretations have been issued but are not effective for 2006 and have not been early adopted:

HKAS 1 (Amendment)	Presentation of 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

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

3 Turnover, other income and segment information

The Group is principally engaged in the generation and sale of electricity, and the development of power plants. Revenues recognised during the period are as follows:

	Unaudited Six months ended 30th June	
	2006	2005
	RMB'000	*RMB'000*
Turnover		
Sales of electricity	**2,491,240**	1,645,742
Other income		
Management fee income	**6,831**	7,778
Rental income	**4,574**	1,081
Interest income on bank deposits	**29,494**	19,227
	40,899	28,086
	2,532,139	1,673,828

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 RMB902 million were deposited in certain banks in Hong Kong at 30th June 2006 (31st December 2005: approximately RMB1,471 million). Accordingly, no segment information is presented.

4 Operating profit

Operating profit is arrived at after charging the following:

	Unaudited Six months ended 30th June	
	2006	2005
	RMB'000	*RMB'000*
Depreciation of property, plant and equipment	**190,392**	146,047
Staff costs including Directors' emoluments	**151,938**	116,106
Operating lease rental in respect of		
- equipment	**1,358**	2,470
- leasehold land and buildings	**10,032**	7,769
Write-off of pre-operating expenses	**5,556**	10,163
Net exchange losses	**12,010**	—

5 Finance costs

	Unaudited Six months ended 30th June 2006 RMB'000	2005 RMB'000
Interest expense on		
- bank borrowings wholly repayable within five years	**65,109**	37,215
- bank borrowings not wholly repayable within five years	**36,358**	19,937
- other borrowings wholly repayable within five years	**2,373**	—
- long-term payable to related parties wholly repayable within five years	**11,130**	—
	114,970	57,152
Less: Amounts capitalised in property, plant and equipment	**(68,830)**	(21,151)
	46,140	36,001

6 Taxation

No Hong Kong profits tax has been provided as the Group did not have any assessable profit in Hong Kong for the period (2005: 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 consolidated profit and loss account represents:

	Unaudited Six months ended 30th June 2006 RMB'000	2005 RMB'000
PRC current income tax	**41,509**	32,930
Deferred taxation	**—**	603
	41,509	33,533

Share of taxation attributable to the associated company for the period ended 30th June 2006 of RMB7,335,000 (2005: RMB10,193,000) are included in the consolidated profit and loss account as share of profit of an associated company.

Pursuant to the relevant PRC income tax rules and regulations, a special income tax rate of 15% (2005: 15%) has been granted to certain subsidiaries of the Group and the associated company as being foreign invested enterprises which are engaged in the energy, transportation or infrastructure activities. A subsidiary acquired by the Group during 2005, which was established in year 2005, has been exempted from income tax in the current period as it is entitled to a two-year exemption from income tax starting from its first profit-making year and followed by a 50% reduction in income tax for the subsequent three years.

7 Earnings per share

The calculation of basic and diluted earnings per share for the six months period ended 30th June 2006 are based on the profit attributable to equity holders of the Company for the period of RMB307,213,000 (2005: RMB250,312,000). The basic earnings per share is based on the weighted average of 3,135,000,000 (2005: 3,135,000,000) shares in issue during the period. The diluted earnings per share is based on 3,135,474,493 (2005: 3,135,804,188) 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.

8 Dividend

At a meeting held on 16th March 2006 the Directors proposed a final dividend of RMB0.079 per share for the year ended 31st December 2005, which was paid on 26th May 2006 and has been reflected as an appropriation of reserves for the six months ended 30th June 2006.

The Board does not recommend the payment of an interim dividend for the six months ended 30th June 2006 (2005: Nil).

9 Accounts receivable

	As at	
	30th June 2006	31st December 2005
	Unaudited	Audited
	RMB'000	RMB'000
Accounts receivable from provincial power companies (note a)	**534,754**	556,741
Bills receivable (note b)	**195,966**	247,038
	730,720	803,779

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 sales are made. The ageing analysis of the accounts receivable is as follows:

	As at	
	30th June 2006	31st December 2005
	Unaudited	Audited
	RMB'000	*RMB'000*
1 to 3 months	**534,754**	537,297
4 to 6 months	**—**	19,444
	534,754	556,741

(b) Bills receivable are normally with maturity period of 90 to 180 days (2005: 90 to 180 days).

10 Accounts payable

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	
	30th June	31st December
	2006	2005
	Unaudited	Audited
	RMB'000	*RMB'000*
1 to 6 months	**241,909**	260,774
7 to 12 months	**17,932**	1,430
Over 1 year	**16,743**	24,440
	276,584	286,644

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"). 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. The total installed capacity of these power plants is 4,870 MW, and the Company's attributable installed capacity in these power plants is 4,255 MW.

The Group also manages five other power plants on behalf of China Power Investment Corporation ("CPI Group") and China Power International Holding Limited ("CPI Holding"), namely Liaoning Qinghe Electric Power Generating Company Limited (1,200 MW), Jiangxi Guixi Coal-Fired Power Plant (500 MW), Fujian Shaxikou Hydro-Power Plant (300 MW), Wuhu Shaoda Power Development Company Limited (250MW) and Zhongdian Hongze Thermal Company Limited (30MW), which have a total installed capacity of 2,280 MW.

In addition, the total installed capacity of our 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) will be 3,600MW, of which our attributable installed capacity will be 3,516MW.

BUSINESS REVIEW FOR THE SIX MONTHS ENDED 30 JUNE 2006

Turnover of the Group for the six months ended 30 June 2006 was approximately RMB2,491,240,000, representing an increase of approximately 51.4% over the corresponding period last year. Profit attributable to equity holders of the Company was approximately RMB307,213,000, representing an increase of approximately 22.7% over the corresponding period last year.

For the first half of 2006, with the mutual efforts of the management of the Group and all its employees, the Group captured the market opportunities brought forth by the steady and rapid growth of the national economy. We made serious efforts to deal with the critical business environment of dampened power demand and high coal prices. We concentrated on the market demand and adhered closely to the "Two prices and one volume" (tariff, coal price and power generation) principle. On the foundation of a comprehensive budget management and a streamlined management, we resolved and controlled the unfavourable conditions such as the rise in coal prices, and thus ensured further improvement in both the quality and cost-effectiveness of the business operations.

The Domestic Power Market of China

In 2006, China's economy maintains a fast and steady growth. The gross domestic product ("GDP") for the first half of the year rose by 10.9%, which is 0.9% higher than that for the corresponding period last year. Consumption of power remained at a rapid growth, but such growth had been slackened. The power supply capacity continues to increase to alleviate the tension on power supply. For the first half of the year, the total national power consumption was approximately 1,311.123 billion KWh, representing a year-on-year increase of approximately 12.9%. The total national power generation was approximately 1,268.609 billion KWh, representing a year-on-year increase of approximately 12.0%.

Power Generation

In the first half of 2006, the gross generation of the Group was approximately 11,884,930 MWh, representing a year-on-year increase of 60.5% over the 7,402,816 MWh of the corresponding period last year. The increase was mainly attributable to the acquisition of Shentou I Power Plant in the second half of 2005. The power generated by Shentou I Power Plant was the main reason for the increase in the gross generation for the period. Also, under the favorable conditions of robust power demand and occasional power shortages in the respective regions in which the Group's power plants locate, the Group continuously upgrades the management standard of the operation of its generating units and endeavours to increase generation. Furthermore, the Group had timely scheduled repair and maintenance, overhaul and technical upgrades of the generating units with improved quality on repair and maintenance last year, thus ensured continued optimization of the technical indicators and safe and steady operation of the units, which in turn substantially minimised the frequency of unplanned outage and secured ensured safe operation and increased power generation.

Upward Adjustment of Tariffs

The first round of the fuel cost pass-through policy was implemented at the beginning of May 2005 and as a result of the increase in tariffs, the turnover of the Group for the first half of 2006 increased by approximately 8% over the corresponding period last year.

In order to address the issues of high coal price, capital for the construction of desulphurization facilities of power plants and to ensure that power generating corporations maintain proper operation and promote environmental protection, the State decided to further increase the tariff with effect from 30 June 2006. In this tariff adjustment, the Group is one of the independent power producers for which a larger rate of increase has been approved. According to the documents issued by NDRC, the tariffs (VAT included) of Pingwei Power Plant, Yaomeng Power Plant, Shentou I Power Plant and Changshu Power Plant owned by the Group have been increased by RMB8.0, RMB20.2, RMB29.4 and RMB29.0 per MWh respectively, representing increases of approximately 2.51%, 6.94%, 15.08% and 8.15% respectively.

Fuel Cost Control

For the first half of 2006, the supply and demand of coal in the domestic market became balanced as the national coal inventory increased, and the coal price generally stayed at high level. However, the coal price trends varied in different regions. The Group made timely adjustments to the purchase of thermal coal according to the changes in coal-power trends to tighten the management of fuel planning and increase coordination between coal mines and railways. Not only has it ensured the stable supply of coal for the power plants, but it also controlled the fuel cost. The unit fuel cost of the Group decreased from RMB141.82 per MWh on average for the whole year of 2005 to RMB137.69 per MWh on average for the first half of 2006, representing a decrease of approximately RMB4.13 per MWh, or approximately 2.9%, over the corresponding period last year.

Power Plants under Construction

Pingwei II Power Plant: The project is under smooth progress. Operation of its two power generation units is scheduled to commence in the second and third quarter of 2007 respectively.

Yaomeng II Power Plant: The project is under smooth progress. Operation of its two power generation units is scheduled to commence in the first and second quarter of 2008 respectively.

Huanggang Dabieshan Power Plant: The project is under smooth progress. Operation of its two power generation units is scheduled to commence in the third and fourth quarter 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 and Changshu Power Plant for the six months ended 30 June 2006:

	Pingwei Power Plant	**Yaomeng Power Plant**	**Shentou I Power Plant**	**Changshu Power Plant**
Installed capacity (MW)	1,230	1,210	1,200	1,230
Average utilization hours (hour)	3,124	3,291	3,383	2,606
Gross generation (MWh)	3,842,640	3,982,220	4,060,070	3,205,540
Net generation (MWh)	3,674,000	3,661,726	3,652,345	3,048,820
Equivalent availability factor (%)	92.59	91.03	91.77	87.92
Net generation standard coal consumption rate (g/kWh)	329.40	339.52	377.38	340.35

MANAGEMENT DISCUSSION AND ANALYSIS

Operating Results

Turnover

Turnover of the Group for the six months ended 30 June 2006 was approximately RMB2,491,240,000, representing an increase of approximately 51.4% over RMB1,645,742,000 of the corresponding period last year, of which an increase of approximately RMB609,326,000 was contributed by Shentou I Power Plant; an increase of approximately RMB135,925,000 was contributed by upward adjustment of average on-grid tariff; and an increase of approximately RMB100,247,000 was contributed by the increase of on-grid generation.

Operating Costs

For the first half of 2006, operating costs of the Group amounted to approximately RMB2,179,934,000 representing an increase of approximately 55.1% over RMB1,405,382,000 of the corresponding period last year. The increase in operating costs was mainly due to the acquisition of Shentou I Power Plant. Moreover, the increase in on-grid generation and the rise in the unit fuel cost of Pingwei Power Plant and Yaomeng Power Plant also resulted in an increase in operation costs as compared with the corresponding period last year.

Fuel Costs

Fuel costs were the major component of the Group's operating costs. For the first half of 2006, fuel costs accounted for 69.4% of the operating costs. Fuel costs increased by approximately 51.3% over RMB1,000,140,000 of the corresponding period last year, of which an increase of RMB387,642,000 was attributable to the acquisition of Shentou I Power Plant; an increase of RMB60,921,000 was attributable to the increase of power generation. In the first half of 2006, the unit fuel cost of the Group was approximately RMB137.69, representing a decrease of approximately 4.6% over the corresponding period last year.

Depreciation

For the first half of 2006, depreciation of the Group amounted to approximately RMB190,392,000, representing an increase of approximately 30.4% over RMB146,047,000 of the corresponding period last year. This was mainly attributable to the increase in depreciation of RMB48,136,000 arising from the acquisition of Shentou I Power Plant.

Staff Costs

For the first half of 2006, staff costs of the Group amounted to approximately RMB151,938,000, representing an increase of approximately 30.9% over RMB116,106,000 of the corresponding period last year. This was mainly attributable to the increase of staff cost of RMB29,522,000 following the acquisition of Shentou I Power Plant.

Repair and Maintenance

For the first half of 2006, repair and maintenance costs of the Group amounted to approximately RMB106,587,000, representing an increase of approximately 58.7% over RMB67,172,000 of the corresponding period last year, of which RMB52,455,000 was attributable to the repair and maintenance of additional assets resulting from the acquisition of Shentou I Power Plant. The reasonably scheduled repairs and maintenance of generating units in the first half of 2006 resulted in a saving of RMB13,040,000 in repair and maintenance costs.

Other Net Operating Expenses

For the first half of 2006, other net operating expenses of the Group amounted to approximately RMB180,807,000, representing an increase of approximately 220.9% over RMB56,345,000 of the corresponding period last year. Approximately 36.6% of the increase was attributable to the acquisition of Shentou I Power Plant; approximately 15.4% of the increase was attributable to the upward adjustment of emission charge and water usage charge; approximately 7.2% of the increase was attributable to the speeding up of construction of new power plants; and approximately 40.8% of the increase was attributable to the increase of other administration costs.

Operating Profit

Operating profit of the Group for the six months ended 30 June 2006 was approximately RMB352,205,000, representing an increase of approximately 31.2% over RMB268,446,000 of the corresponding period last year. The increase in operating profit was attributable to the inclusion of the operating profit from Shentou I Power Plant and the increases in net generation and on-grid tariff.

Share of Profit of an Associated Company

For the first half of 2006, the share of profit of an associated company of the Group was approximately RMB42,075,000, representing a decrease of approximately 17.8% over RMB51,175,000 of the same period of last year. This was mainly attributable to a sharp fall in gross generation of Changshu Power Plant, an associated company, in the first half of the year as a result of the significantly increased gross generation capacity in Jiangsu Province and the substantial decrease of the average loading of storage unit.

Finance Costs

For the six months ended 30 June 2006, finance costs amounted to approximately RMB46,140,000, representing an increase of approximately 28.2% over RMB36,001,000 of the corresponding period last year. The increase in finance costs was attributable to the inclusion of the finance costs of RMB13,504,000 from Shentou I Power Plant. The decrease in borrowings for operations, resulted in a saving in finance costs of approximately RMB3,010,000.

Taxation

Taxation expenses of the Group for the first half of 2006 were approximately RMB41,509,000, representing an increase of approximately 23.8% over RMB33,533,000 of the corresponding period last year. Such increase was mainly attributable to the increase in profit before taxation. There were no tax expenses for Shentou I Power Plant as it was still within the tax concession period.

Profit Attributable to Equity Holders of the Company

For the six months ended 30 June 2006, profit attributable to equity holders of the Company was approximately RMB307,213,000, representing an increase of approximately 22.7% over RMB250,312,000 of the corresponding period last year. The increase in the profit attributable to equity holders of the Company was mainly due to the increase in on-grid tariff, on-grid generation, and the acquisition of Shentou I Power Plant and improved efficiency as a result of its technical upgrading.

Earnings Per Share

The calculation of basic and diluted earnings per share for the six months ended 30 June 2006 are based on the profit attributable to equity holders of the Company for the period of RMB307,213,000 (2005: RMB250,312,000). The basic earnings per share is based on the weighted average of 3,135,000,000 (2005: 3,135,000,000) shares in issue during the period. The diluted earnings per share is based on 3,135,474,493 (2005: 3,135,804,188) 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.

Major Financial Ratios

Current Ratio

As at 30 June 2006, the Group had cash and bank deposits totalling to approximately RMB2,069,370,000, whereas the total current assets amounted to approximately RMB3,358,272,000 and the current ratio was 1.37 times (31 December 2005: 1.98 times).

Gearing Ratio

As at 30 June 2006, the gearing ratio (total borrowings/shareholders' equity) was 65.72% (31 December 2005: 52.89%).

Capital Expenditure and Sources of Capital

Power Plants under Construction

The power plant construction projects of the Group are Huanggang Dabieshan Power Plant, Pingwei Power Plant II and Yaomeng Power Plant II, which have a total of six 600MW super-critical generation units. These projects were all duly approved by the State before 31 December 2005. At present, the construction of the power plants at the respective sites have been in smooth progress as scheduled. All the capital injection required for the construction projects were injected according to schedule.

Bank Borrowings

As at 30 June 2006, total bank borrowings of the Group amounted to approximately RMB4,416,000,000 which consisted of short term bank borrowings of approximately RMB725,000,000 and long term bank loans of approximately RMB3,691,000,000. The interest rates on the bank borrowings ranged from 4.7% to 6.0%. 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 for general corporate purposes, including capital expenditure and working capital requirements.

Use of Net Proceeds from Initial Public Offer (the "IPO") of the Company

The Group still retained part of the proceeds from the IPO. As at 30 June 2006, the remaining balance was approximately RMB1,054,264,000, which will be used for capital investment, assets acquisition and general operational purpose for the power plants under construction.

Prior to the use of the aforesaid proceeds, the remaining unused net proceeds of approximately RMB1,054,264,000 (equivalent to HK$1,023,557,000) will be deposited into short-term bank deposits. Set out below was the use of the proceeds from the IPO of the Company for the six months ended 30 June 2006:

	RMB'000
General operating expenses	27,932
Investment in power plants under construction	284,766
Total	312,698

Risk Management

The Group's investment and business operations are exposed to risks relating to exchange rate, interest rate and credit, as well as the tariff risk as a result of the fluctuation of the PRC domestic power market. At present, the Group has not applied any derivatives to manage the risks of exchange rate and interest rate. However, we are identifying means by which we can manage such risks and in an effort to minimize their impact upon our profitability and interests arising from any fluctuations in exchange rate, interest rate and tariff. At the same time, we are also improving our internal control mechanism to enhance our risk management awareness and to systemize our work flow. Focusing on the effectiveness of implementation of such internal control mechanism, we initiated the "internal control and system assessment" for assessing and diagnosing our internal control and system in order to continually improve and promote a comprehensive risk management.

Foreign Exchange Rate Risk

We collect a majority of our revenue in Renminbi, some of which needs to be converted into foreign currencies to pay out dividends to the shareholders of the Group or for purposes of daily operating expenses. Therefore, we are exposed to the risk of foreign exchange fluctuations to a certain extent. Fluctuations in exchange rates may positively or negatively affect the value, when translated into Hong Kong dollars or Renminbi, of our IPO proceeds, net assets, earnings and any dividends we declare (for the purpose of this announcement, the exchange rate of HK$1.00:RMB1.03 has been used in the conversion of Hong Kong dollars into Renminbi).

Pledge of Assets

As at 30 June 2006, a wholly-owned subsidiary of the Group pledged its machinery with a net book value of approximately RMB1,102,000,000 to a bank to secure a bank loan in the amount of RMB493,000,000.

Contingent Liabilities

As at 30 June 2006, the Group had no material contingent liabilities.

Environmental Protection

With our mission of "Providing green energy and serving our community", on one hand we have been making serious efforts in dealing with the impact of power generation to the environment and in complying with the laws and regulations issued by the PRC government regarding environmental protection, working out internal control measures for environmental protection in order to regulate both the Group and its associated company. On the other hand, we have proceeded with plans for modifications in accordance with the requirement of the State regarding environmental protection. At present, the construction of the de-sulphurization facilities of our Changshu Power Plant is under way and its operation will commence in the third quarter; planning, design and construction of the de-sulphurization facilities of our Pingwei Power Plant and Yaomeng Power Plants have also been in steady progress. Environmental protection facilities will be installed in new power plants under construction. It is expected that upon the implementation of such projects, pollutant emissions will be significantly reduced.

Employees

As at 30 June 2006, the Group and its associated company had a total of 7,753 full-time employees.

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 also set up a share option scheme for the Group's senior management and key employees so as to motivate and attract high-calibre employees. The Group continued to provide necessary training to employees.

The Group determined the emoluments of its directors and employees based on their respective performance, working experience, the prevailing market rates and duties. The Company has set up a mandatory provident fund scheme and made fixed contributions for our Hong Kong employees pursuant to the Mandatory Provident Fund Scheme Ordinance (Cap. 485 of the Laws of Hong Kong).

OUTLOOK FOR THE SECOND HALF OF THE YEAR

For the second half of 2006, the continuous rapid growth in the national economy builds up the momentum for the steady growth in power demand and will be a favourable external factor for the Group's power genearation. However, with the new power plants on stream, the supply and demand of the power market will become balanced, and certain regions may experience over-supply, which will bring forth greater pressure for the power market. Furthermore, although fuel price stays at high level, they have been gradually lowering. In view of the above, the Group will fully utilize the favourable factors of the further rise of tariff to continue to streamline its management in an effort to improve its production and operation standard as well as to further control its fuel costs. Thus, the Group will endeavour to achieve its pre-set benchmarks and mission in relation to the production management planning and to attain the best operating results for our shareholders.

The key objectives of the Group for second half of 2006 are as follows:

1. To address the market demand, concentrate on "two prices and one volume"; strictly control cost based on comprehensive budget management so as to achieve the best operating results;

2. To accelerate the pace of asset acquisition and pursue the construction of new projects so as to realize rapid development;

3. To improve the safe production system and scientifically schedule technical upgrades and desulphurization so as to enhance safe, reliable and economic operation of the generating units;

4. To further improve performance management and strengthen the performance appraisal system so as to build up the incentive and discipline system.

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 2006.

CODE ON CORPORATE GOVERNANCE

The Corporate Governance Report of the Board has been set out in our 2005 annual report. 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 2006, save for a deviation from Code A4.1 and A4.2 as explained in our 2005 annual report.

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 2006.

AUDIT COMMITTEE

The audit committee of the Company has reviewed and approved the financial report for the six months ended 30 June 2006.

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

Hong Kong, 17 August 2006

As of 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.