中國電力

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)

2006 Interim Report

中國電力

Corporate Information

Chairman of the Board and Non-Executive Director:	Wang Binghua
Vice-Chairman of the Board, Executive Director and Chief Executive Officer:	Li Xiaolin
Executive Director and Executive Vice President:	Hu Jiandong
Non-Executive Director:	Gao Guangfu
Independent Non-Executive Directors:	Kwong Che Keung, Gordon Li Fang Tsui Yiu Wa, Alec
Qualified Accountant:	Hui Ka Chun (CPA, FCCA)
Company Secretary:	Tse Hiu Tung, Sheldon
Auditors:	PricewaterhouseCoopers
Legal Advisers:	Arculli Fong & Ng in association with King & Wood, PRC Lawyers
Registered Office:	Suite 6301, 63/F., Central Plaza 18 Harbour Road Wanchai, Hong Kong
Head Office and Principal Place of Business in Hong Kong:	Suite 6301, 63/F., Central Plaza 18 Harbour Road Wanchai, Hong Kong
Share Registrar and Transfer Office:	Computershare Hong Kong Investors Services Limited Shops 1712-1716, 17th Floor Hopewell Centre 183 Queen's Road East Wanchai Hong Kong
Stock Code:	2380
Company Website:	www.chinapower.hk

SHAREHOLDERS' ENQUIRIES

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

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

For enquiries from investors and analysts, please contact:

Mr. Zhao Xinyan	*Vice President*
Mr. Shou Rufeng	*Investor Relations*

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

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 30th June 2006 prepared in accordance with the Hong Kong Accounting Standard 34 "Interim Financial Reporting". The interim financial report has not been audited but has been reviewed by the Audit Committee of the Company and PricewaterhouseCoopers in accordance with Statement of Auditing Standard 700 "Engagements to Review Interim Financial Reports" issued by the Hong Kong Institute of Certified Public Accountants.

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 (250 MW) and Zhongdian Hongze Thermal Company Limited (30 MW), 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 3,600 MW, of which our attributable installed capacity will be 3,516 MW.

BUSINESS REVIEW FOR THE SIX MONTHS ENDED 30TH JUNE 2006

Turnover of the Group for the six months ended 30th 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 in 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 8.0% 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 30th 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%.

Power Plants under Construction

Pingwei Power Plant II: 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 Power Plant II: 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 30th 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

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 geneartion. 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 through 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.

Management Discussion and Analysis

OPERATING RESULTS

Turnover

Turnover of the Group for the six months ended 30th 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 the acquisition of Shentou I Power Plant; an increase of approximately RMB135,925,000 was contributed by upward adjustment of the 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 the existing power plants also resulted in an increase in operating 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 per ton, 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 approximately 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 Operating Expenses, Net

For the first half of 2006, other operating expenses of the Group amounted to approximately RMB180,807,000, representing an increase of approximately RMB124,462,000 or approximately 220.9%, over RMB56,345,000 of the corresponding period last year, of which, 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 acceleration of the construction of new power plants; and the remainder was attributable to other reasons such as the increase of operating and administration costs.

Operating Profit

Operating profit of the Group for the six months ended 30th 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 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 30th 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 the acquisition of 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 30th 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 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.

MAJOR FINANCIAL RATIOS

Current Ratio

As at 30th June 2006, the Group had cash and bank deposits totalling 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 (31st December 2005: 1.98 times).

Gearing Ratio

As at 30th June 2006, the gearing ratio (total borrowings/shareholders' equity) was 65.72% (31st 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 600 MW super-critical generation units. These projects were all duly approved by the State before 31st December 2005. At present, the construction of the power plants at their 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 30th 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 applied on 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 30th 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 30th 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 actively identifying means by which we can manage such risks as an effort to minimize the impact of any fluctuation in exchange rate, interest rate and tariff upon our profitability and interests. 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 interim report, 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 30th 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 30th 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 desulphurization facilities of our Changshu Power Plant is under way and its operation will commence in the third quarter; planning, design and construction of the desulphurization facilities of our Pingwei Power Plant and Yaomeng Power Plant 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 30th 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 share option schemes 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).

SHARE OPTION SCHEMES

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

(A) Pre-IPO Share Option Scheme

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

The Pre-IPO Share Option Scheme ended on the date on which dealings in the shares commenced on the Hong Kong Stock Exchange (i.e. 15th October 2004). No further options may be granted after that date but the provisions of the Pre-IPO Share Option Scheme shall remain in full force and effect. The main terms of the Pre-IPO Share Option Scheme have been summarized in our 2005 annual report.

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

Movements of the Pre-IPO Share Options granted under the Pre-IPO Share Option Scheme for the six months ended 30th June 2006 are as follows:

Grantee and Position	Date of grant	Number of Shares subject to Options: As at 1st January 2006	Granted during the period	Lapsed or cancelled during the period	Exercised during the period	Outstanding as at 30th June 2006	Exercise period	Exercise price per share (HK$)
WANG Binghua *Chairman of the Board and Non-Executive Director*	18th September 2004	1,495,400	–	–	–	1,495,400	17th September 2014	2.53
LI Xiaolin *Vice-Chairman of the Board, Executive Director and Chief Executive Officer*	18th September 2004	1,661,500	–	–	–	1,661,500	17th September 2014	2.53
HU Jiandong *Executive Director and Executive Vice President*	18th September 2004	996,900	–	–	–	996,900	17th September 2014	2.53
GAO Guangfu *Non-Executive Director*	18th September 2004	207,700	–	–	–	207,700	17th September 2014	2.53
GU Dake *Executive Vice President*	18th September 2004	872,300	–	–	–	872,300	17th September 2014	2.53
WANG Zhiying *Executive Vice President*	18th September 2004	872,300	–	–	–	872,300	17th September 2014	2.53
ZHAO Yazhou *Executive Vice President*	18th September 2004	872,300	–	–	–	872,300	17th September 2014	2.53
IO Cheok Kei, Rudy *(Note)*	18th September 2004	415,400	–	311,550	–	103,850	31st August 2006	2.53
ZHAO Xinyan *Vice President*	18th September 2004	540,000	–	–	–	540,000	17th September 2014	2.53
WANG Zichao *Vice President*	18th September 2004	540,000	–	–	–	540,000	17th September 2014	2.53
TSE Hiu Tung, Sheldon *Company Secretary*	18th September 2004	207,700	–	–	–	207,700	17th September 2014	2.53
Other employees	11th October 2004	3,553,000	–	–	–	3,553,000	10th October 2014	2.53

Note: Mr. Io Cheok Kei, Rudy ceased to be an employee of the Company since 1st May 2006. The vested Pre-IPO Share Option can be exercised on or before 31st August 2006 and the unvested Pre-IPO Share Option lapsed upon his resignation.

As at the date of this interim report, a total of 11,922,950 shares (representing approximately 0.38% of the existing issued share capital of the Company) may be issued by the Company if all Pre-IPO Share Options which had been granted under the Pre-IPO Share Option Scheme have been exercised.

The Company has used the Black-Scholes option pricing model (the "Model") to value the Pre-IPO Share Options for the six months ended 30th June 2006. The Model is one of the commonly used models to estimate the fair value of an option. The value of an option varies with different variables of certain subjective assumptions. Any change in the variables so adopted may materially affect the estimation of the fair value of an option. As such, the fair values calculated are inherently subjective and uncertain due to the assumptions made and the limitations of the valuation model used.

The Pre-IPO Share Options granted pursuant to the Pre-IPO Share Option Scheme were granted on 18th September 2004 to the Directors and senior management of the Company and on 11th October 2004 to certain other employees of the Company. The fair value of the Pre-IPO Share Options determined at the dates of grant using the Model were HK$9,875,200 and HK$4,006,000 respectively. Such value has been expensed regressively through the Group's profit and loss account over the four-year vesting period of the Pre-IPO Share Options commencing from the year ended 31st December 2004. For the six months ended 30th June 2006, an amount of share option expense of RMB967,000 has been recognized, with a corresponding adjustment recognised in the Group's employee share-based compensation reserve.

(B) Share Option Scheme

The Share Option Scheme was conditionally approved and adopted by a resolution in writing passed by the Company's shareholders on 24th August 2004. The purposes of the Share Option Scheme are to attract and retain high-calibre personnel to provide them with the opportunity to acquire equity in the Company and to motivate them to higher levels of performance. The main terms of the Share Option Scheme have been summarized in our 2005 annual report.

No option has been granted by the Company under the Share Option Scheme. As at the date of issue of this interim report, the total number of shares in respect of which options may be granted under the Share Option Scheme was 288,077,050, representing approximately 9.19% of the total number of shares in issue.

DIRECTORS' INTERESTS IN SECURITIES

As at 30th June 2006, save as disclosed below, none of the Directors or the Company's chief executive officer has any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Cap. 571 of the Laws of Hong Kong (the "SFO")) which will have to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or which will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or which will be required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

Name	Capacity	Name of company in which interests are held	Date of grant	Number of underlying shares interested under physically settled equity derivatives	Percentage of issued share capital of the Company (%)	Long/Short position
WANG Binghua	Beneficial owner	the Company	18th September 2004	1,495,400	0.05	Long
LI Xiaolin	Beneficial owner	the Company	18th September 2004	1,661,500	0.05	Long
HU Jiandong	Beneficial owner	the Company	18th September 2004	996,900	0.03	Long
GAO Guangfu	Beneficial owner	the Company	18th September 2004	207,700	0.01	Long

Notes:

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

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

中國電力

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 30th June 2006, save as disclosed below, none of the Directors or the Company's chief executive, has an interest or short position in the shares or underlying shares of the Company which should be recorded in the register kept under Section 336 of the SFO.

Name	Capacity	Number of shares in which interested other than under equity derivatives[3]	Percentage of issued share capital of the Company (%)	Long/Short position
China Power Development Limited ("CPDL")	Beneficial owner	1,996,500,000	63.68	Long
CPI Holding[1]	Interest of a controlled corporation	1,996,500,000	63.68	Long
CPI Group[2]	Interest of a controlled corporation	1,996,500,000	63.68	Long

Note:

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

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

(3) The above shareholders of the Company do not have any interest in the equity derivatives of the Company.

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 30th 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 30th June 2006, save for deviations from Code A4.1 and A4.2 as explained in our 2005 annual report.

TERM OF OFFICE OF THE DIRECTORS

Code A4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election. Code A4.2 stipulates that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment, and that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

The non-executive Directors of the Company are not appointed for a specific term, but are subject to retirement by rotation and re-election in accordance with the articles of association of the Company (the "Articles"). In addition, as provided in the Articles, the executive Director who is also the chief executive officer of the Company shall not be subject to retirement by rotation, while all the other Directors will be subject to retirement at every annual general meeting after the annual general meeting in year 2007.

In order to achieve full compliance with the Code, the Company will stipulate a specific term of office for the non-executive Directors. The Company will also ensure that all Directors (with the exception of the executive Director who is also the chief executive officer of the Company) are subject to retirement by rotation and re-election at least once every three years. The Company is of the view that the position of chief executive officer is indispensable to the operation of the Company and the provision in the Articles excluding the chief executive officer from the requirement of retirement by rotation reflects the indispensable nature of such position with a view to minimising disruption caused to the operation of the Company.

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 30th June 2006.

AUDIT COMMITTEE

The Company established the Audit Committee on 24th August 2004 with written terms of reference in compliance with the Code. The primary duties of the Audit Committee are to review and monitor the financial reporting process and internal control systems of the Company. 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.

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

COMPENSATION AND NOMINATION COMMITTEE

The Company established the Compensation and Nomination Committee on 24th August 2004. Its primary duties are to evaluate the performance and make recommendations on the remuneration of our senior management, evaluate and make recommendations in relation to our Performance Unit Plan and recommend board candidates to the Board.

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

INVESTMENT AND RISK CONTROL COMMITTEE

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

The Investment and Risk Control Committee comprises four members, namely Mr. Wang Binghua, Ms. Li Xiaolin, Mr. Hu Jiandong and Mr. Gao Guangfu. The committee is chaired by Mr. Wang Binghua.

INTERNAL CONTROL

The Company regularly reviews its internal control systems to ensure that they are sufficient and effective. The Company has established its internal control department to examine and evaluate the Company's internal control systems and their implementation, and to reflect their feedback to the relevant functional departments and the management to facilitate the continuous perfection of its internal control system. The Company has issued a series of rules and regulations regarding delegated management, internal control, investigations on conflict of interests, regulation of conducts of employees and risk management in order to strengthen the internal supervision; the Company has organized and commenced specific assignments such as risk evaluation, internal control assessment and the governing and prevention of commercial bribery. We have also required all the operating departments to work out their own contingency plan for their intrinsic risks and promote risk prevention management.

By order of the Board
China Power International Development Limited

Li Xiaolin
Vice Chairman and Chief Executive Officer

Hong Kong, 17th August 2006

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	5	**2,491,240**	1,645,742
Other income	5	**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	6	**352,205**	268,446
Finance costs	7	**(46,140)**	(36,001)
Share of profit of an associated company		**42,075**	51,175
Profit before taxation		**348,140**	283,620
Taxation	8	**(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	9	**RMB0.10**	RMB0.08
– diluted	9	**RMB0.10**	RMB0.08

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

AS AT 30TH JUNE 2006

	Note	As at 30th June 2006 Unaudited RMB'000	As at 31st December 2005 Audited RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	11	**5,798,652**	5,343,209
Prepayment for construction of power plants	11	**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	12	**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

中國電力

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET (CONTINUED)

AS AT 30TH JUNE 2006

	Note	As at 30th June 2006 Unaudited RMB'000	As at 31st December 2005 Audited RMB'000
EQUITY			
Capital and reserves attributable to			
the Company's equity holders			
Share capital	13	3,323,100	3,323,100
Reserves	14	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
LIABILITIES			
Non-current liabilities			
Long-term bank borrowings	15	3,116,000	2,713,500
Long-term payable to China Power Financial Company ("CPIF")	18	394,336	393,110
Long-term payable to Shanxi Electric Power Corporation ("SEPC")	18	19,979	19,979
		3,530,315	3,126,589
Current liabilities			
Accounts payable	16	276,584	286,644
Other payables and accrued charges		651,670	476,267
Amount due to ultimate holding company	18	95,864	91,665
Current portion of long-term bank borrowings	15	575,000	400,000
Short-term bank and other borrowings	15	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

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30TH JUNE 2006

	Unaudited				
	Attributable to equity holders of the Company				
	Share capital RMB'000	Other reserves (Note 14) RMB'000	Accumulated losses RMB'000	Minority interests RMB'000	Total RMB'000
Balance at 1st January 2005	3,323,100	4,740,993	(1,838,815)	2,726	6,228,004
Currency translation differences	–	(744)	–	–	(744)
Profit for the period	–	–	250,312	(225)	250,087
Employee share option benefits	–	2,568	–	–	2,568
Dividend relating to 2004	–	–	(83,078)	–	(83,078)
Contribution from minority shareholders of a subsidiary	–	–	–	3,832	3,832
Balance at 30th June 2005	3,323,100	4,742,817	(1,671,581)	6,333	6,400,669
Balance at 1st January 2006	3,323,100	4,745,278	(1,259,989)	11,044	6,819,433
Profit for the period	–	–	307,213	(582)	306,631
Employee share option benefits	–	967	–	–	967
Dividend relating to 2005	–	–	(247,665)	–	(247,665)
Contribution from minority shareholders of a subsidiary	–	–	–	4,487	4,487
Balance at 30th June 2006	3,323,100	4,746,245	(1,200,441)	14,949	6,883,853

CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30TH JUNE 2006

	Unaudited Six months ended 30th June	
	2006	2005
	RMB'000	RMB'000
Net cash inflow from operating activities	**606,669**	99,887
Net cash used in investing activities	**(1,396,289)**	(559,785)
Net cash inflow from financing activities	**671,047**	6,909
Net decrease in cash and cash equivalents	**(118,573)**	(452,989)
Cash and cash equivalents at beginning of period	**2,187,943**	3,064,224
Cash and cash equivalents at end of period	**2,069,370**	2,611,235

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 GENERAL INFORMATION

China Power International Development Limited (the "Company") was incorporated in Hong Kong on 24th March 2004 as a limited liability company under the Hong Kong Companies Ordinance.

The Company and its subsidiaries (together the "Group") are principally engaged in the generation and sale of electricity, and the development of power plants in the People's Republic of China (the "PRC"). The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

This condensed consolidated interim financial information is presented in thousands of Renminbi ("RMB'000"), unless otherwise stated, and have been approved for issue on 17th August 2006.

2 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.

3 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

3 ACCOUNTING POLICIES *(Continued)*

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.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

(a) Property, plant and equipment, depreciation and valuation

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

Management determines the estimated useful lives and related depreciation charges for the Group's property, plant and equipment, other than construction in progress. Management will revise the depreciation charge where useful lives are different to previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

(b) Receivables

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. A provision for impairment of receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Provision for impairment of receivables is determined based on the evaluation of collectibility of the receivables. The amount of the provision is recognised in the profit and loss account. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness, the past collection history of each customer and the current market conditions.

5 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 RMB'000	2005 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.

6 OPERATING PROFIT

Operating profit is arrived at after charging the following:

	Unaudited Six months ended 30th June	
	2006 RMB'000	2005 RMB'000
Depreciation of property, plant and equipment (Note 11)	**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**	—

7 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

8 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.

9 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.

10 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).

11 CAPITAL EXPENDITURE

	Property, plant and equipment RMB'000	Prepayment for construction of power plants RMB'000
Opening net book amount as at 1st January 2005	3,526,136	614,126
Additions	342,799	248,659
Disposals	(692)	—
Depreciation	(146,047)	—
Closing net book amount as at 30th June 2005	3,722,196	862,785
Opening net book amount as at 1st January 2006	5,343,209	1,845,647
Additions	590,109	850,371
Disposals	(14,842)	—
Depreciation	(190,392)	—
Transfer in/(out)	70,568	(70,568)
Closing net book amount as at 30th June 2006	5,798,652	2,625,450

12 ACCOUNTS RECEIVABLE

	As at	
	30th June 2006 Unaudited RMB'000	31st December 2005 Audited 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

The carrying value of accounts receivable and bills receivable approximate their fair values due to the short term maturity.

Notes:

(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 Unaudited RMB'000	31st December 2005 Audited 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).

13 SHARE CAPITAL

(a) Authorised and issued capital

	As at	
	30th June 2006 Unaudited RMB'000	31st December 2005 Audited RMB'000
Authorised:		
10,000,000,000 shares of HK$1 each	**10,600,000**	10,600,000
Issued and fully paid:		
3,135,000,000 shares of HK$1 each	**3,323,100**	3,323,100

(b) Share option schemes

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

(i) Share Option Scheme

No option was granted by the Company under the Option Scheme since its adoption.

13 SHARE CAPITAL *(Continued)*

(b) Share option schemes *(Continued)*

(ii) Pre-IPO Share Option Scheme

Details of the options granted under the Pre-IPO Scheme outstanding as at 30th June 2006 and 31st December 2005 are as follows:

				Number of shares subject to the options	
	Date of grant	Expiry date	Exercise price	30th June 2006	31st December 2005
Directors	18th September 2004	17th September 2014	HK$2.53	**4,361,500**	4,361,500
Senior management	18th September 2004	17th September 2014	HK$2.53	**3,904,600**	4,320,000
Other employees	11th October 2004	10th October 2014	HK$2.53	**3,553,000**	3,553,000
Ex-employees	18th September 2004	31st August 2006	HK$2.53	**103,850**	—
				11,922,950	12,234,500

During the period, no share options were granted, cancelled or exercised, except that 311,550 share options were lapsed. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

14 RESERVES

	Share premium RMB'000	Merger reserve (note (i)) RMB'000	Capital reserve (note (ii)) RMB'000	Revaluation reserve RMB'000	Other reserves (note (iii)) RMB'000	Accumulated losses (note (iv)) RMB'000	Total RMB'000
At 1st January 2005	1,507,626	350,395	2,293,848	443,762	145,362	(1,838,815)	2,902,178
Exchange differences on translation	–	–	–	–	(744)	–	(744)
Employee share option benefits	–	–	–	–	2,568	–	2,568
2004 final dividend	–	–	–	–	–	(83,078)	(83,078)
Profit for the period	–	–	–	–	–	250,312	250,312
At 30th June 2005	1,507,626	350,395	2,293,848	443,762	147,186	(1,671,581)	3,071,236
At 1st January 2006	1,507,626	350,395	2,293,848	443,762	149,647	(1,259,989)	3,485,289
Employee share option benefits	–	–	–	–	967	–	967
2005 final dividend	–	–	–	–	–	(247,665)	(247,665)
Profit for the period	–	–	–	–	–	307,213	307,213
At 30th June 2006	1,507,626	350,395	2,293,848	443,762	150,614	(1,200,441)	3,545,804

Note:

(i) Merger reserve

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

(ii) Capital reserve

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

(iii) Other reserves

Other reserves mainly represent statutory reserves and share-based compensation reserve.

(iv) Accumulated losses

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

15 BORROWINGS

Bank and other borrowings are analysed as follows:

	As at	
	30th June 2006 Unaudited RMB'000	31st December 2005 Audited RMB'000
Non-current		
Long-term bank borrowings	**3,691,000**	3,113,500
Less: current portion of long-term bank borrowings	**(575,000)**	(400,000)
	3,116,000	2,713,500
Current		
Short-term bank borrowings	**725,000**	389,500
Short-term other borrowings	**98,000**	98,000
Current portion of long-term bank borrowings	**575,000**	400,000
	1,398,000	887,500
Total borrowings	**4,514,000**	3,601,000

All the Group's bank and other borrowings are denominated in RMB and carry interest at market rates. The carrying amounts of these borrowings approximate their fair values.

Movements in borrowings are analysed as follows:

	Unaudited RMB'000
Six months ended 30th June 2005	
Opening balance as at 1st January 2005	2,006,676
Addition	528,324
Repayment	(230,000)
Closing balance as at 30th June 2005	2,305,000
Six months ended 30th June 2006	
Opening balance as at 1st January 2006	3,601,000
Addition	1,537,500
Repayment	(624,500)
Closing balance as at 30th June 2006	4,514,000

16 ACCOUNTS PAYABLE

	As at	
	30th June 2006 Unaudited RMB'000	31st December 2005 Audited RMB'000
Accounts payable	**250,599**	253,190
Due to related companies (Note 18)	**25,985**	33,454
	276,584	286,644

The carrying value of accounts payable approximates their fair values due to the short term maturity.

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

	As at	
	30th June 2006 Unaudited RMB'000	31st December 2005 Audited 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

17 COMMITMENTS

(a) Capital commitments

Capital expenditure at the balance sheet date but not yet incurred is as follows:

	As at	
	30th June 2006	31st December 2005
	Unaudited	Audited
	RMB'000	RMB'000
Property, plant and equipment		
Contracted but not provided for	**6,552,427**	6,545,185
Authorised but not contracted for	**90,205**	19,170
	6,642,632	6,564,355

(b) Commitments under operating leases

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

	As at	
	30th June 2006	31st December 2005
	Unaudited	Audited
	RMB'000	RMB'000
Land and buildings		
Not later than one year	**13,600**	19,780
Later than one year and not later than five years	**5,462**	9,202
	19,062	28,982

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

17 COMMITMENTS *(Continued)*

(c) Future operating lease arrangements

Future aggregate minimum lease receipts under non-cancelable operating leases in respect of other equipments are as follows:

	As at	
	30th June 2006 Unaudited RMB'000	31st December 2005 Audited RMB'000
Not later than one year	**6,850**	4,659
Later than one year and not later than five years	**2,450**	4,659
	9,300	9,318

18 RELATED-PARTY TRANSACTIONS

The Group is controlled by China Power Investment Corporation（中國電力投資集團公司）("CPI Group" or the "ultimate holding company"), a company established in the PRC, which owns approximately 63.68% of the Company's shares. The remaining interests are widely held. The Directors regard China Power Investment Corporation as being the ultimate holding company.

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

Related parties	Relationship with the Company
CPI Group	Ultimate holding company
China Power International Holding Limited ("CPIH")	Intermediate holding company
CPIF（中電投財務有限公司）	A company controlled by CPI Group
SEPC（山西省電力公司）	Related party of the Company as defined under HKAS 24
Northern Power Grid Finance Company Limited ("NPGFC")（華北電網財務有限公司）	Related party of the Company as defined under HKAS 24
Other related companies	Companies owned by certain individuals who are also employees or operational managers of certain subsidiaries of the Group
Other state-owned enterprises	Related parties of the Company as defined under HKAS 24

18 RELATED-PARTY TRANSACTIONS *(Continued)*

Significant transactions with related companies which, in the opinion of the Directors, were carried out in the normal course of the Group's business are as follows:

(i) Revenues

		Unaudited Six months ended 30th June	
	Note	2006 RMB'000	2005 RMB'000
Management fee from CPIH	(a)	6,831	7,778
Sales of electricity to other state-owned enterprises	(b)	2,491,240	1,645,742

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

(b) Pursuant to the power purchase agreements entered into between the Group and the respective provincial power companies, which are regarded as state-owned enterprises, all the Group's sales of electric power were made to those electric power companies. Whilst these companies are related parties of the Group as defined under HKAS 24, the Directors are of the opinion that each party is operating independently; and the tariff rates are to be agreed with the respective electric power companies, subject to the approval of the relevant government authorities.

18 RELATED-PARTY TRANSACTIONS *(Continued)*

(ii) Expenses

	Note	Unaudited Six months ended 30th June 2006 RMB'000	2005 RMB'000
Operating lease rental in respect of land to CPI Group	(a)	**8,654**	6,155
Purchases of fuel, raw materials and spare parts from other related companies	(b)	**6,444**	26,014
Services fees to other related companies	(c)	**119,113**	47,322
Construction costs to other related companies	(d)	**57**	3,970
Labor costs charged by other related companies	(e)	**9,519**	—
Purchases of coal from other state-owned enterprises	(f)	**1,209,684**	827,871
Interest expense to CPIF	(g)	**10,579**	—
Interest expense to SEPC	(h)	**551**	—
Interest expense to NPGFC	(i)	**2,373**	—

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

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

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

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

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

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

(g) Interest expense was charged on outstanding loan balance at 3.6% per annum.

(h) Interest expense was charged on outstanding loan balance at 5.52% per annum.

(i) Interest expense was charged on outstanding loan balance at 5.27% per annum.

18 RELATED-PARTY TRANSACTIONS *(Continued)*

(iii) Key management compensation

	Unaudited Six months ended 30th June	
	2006 RMB'000	2005 RMB'000
Basic salaries, housing allowances, other allowances, discretionary bonus and benefits in kind	**3,802**	4,840
Employer's contributions to pension schemes	**40**	23
Share-based compensation	**379**	1,871
	4,221	6,734

(iv) Period-end balances with related parties

	Note	As at 30th June 2006 Unaudited RMB'000	As at 31st December 2005 Audited RMB'000
Accounts receivable from other state-owned enterprises (Note 12)	(a)	**730,720**	803,779
Amount due from CPIH	(b)	**15,059**	8,308
Long-term payable to CPIF	(c)	**394,336**	393,110
Long-term payable to SEPC	(d)	**19,979**	19,979
Other borrowings from NPGFC	(e)	**98,000**	98,000
Payables to other related companies (Note 16)	(a)	**25,985**	33,454
Amount due to CPI Group	(b)	**95,864**	91,665
Prepayments to other state-owned enterprises	(f)	**47,039**	69,300
Accounts payable to other state-owned enterprises	(g)	**25,338**	53,229

(a) Details of the balances with related parties are disclosed in Notes 12 and 16 respectively.

(b) The balances with holding companies are unsecured, interest free and are repayable on demand.

18 RELATED-PARTY TRANSACTIONS *(Continued)*

(iv) Period-end balances with related parties *(Continued)*

(c) The amounts payable to CPIF are unsecured and are repayable as follows:

	As at	
	30th June 2006 Unaudited RMB'000	31st December 2005 Audited RMB'000
Repayable by 5th Novemeber 2008, bearing interest at 3.6% per annum	**124,041**	122,815
Repayable by 30th June 2010, bearing interest at 5.27% per annum	**270,295**	270,295
	394,336	393,110

(d) The long-term payable to SEPC is unsecured, bearing interest at 5.52% per annum and is repayable on 30th June 2010.

(e) Other borrowings represent loan from NPGFC, a financial institution approved by the relevant PRC authorities, which is unsecured, carries interest at 5.27% (2005: 5.02%) per annum and is repayable by 12th December 2006.

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

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

中國電力

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22nd Floor Prince's Building
Central Hong Kong
Telephone (852) 2289 8888
Fascimile (852) 2810 9888

INDEPENDENT REVIEW REPORT TO THE BOARD OF DIRECTORS OF CHINA POWER INTERNATIONAL DEVELOPMENT LIMITED
(incorporated in Hong Kong with limited liability)

INTRODUCTION

We have been instructed by the Company to review the interim financial report of the Company set out on pages 19 to 41.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited requires the preparation of consolidated condensed interim financial information to be in compliance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the relevant provisions thereof. The interim financial report is the responsibility of, and has been approved by, the directors.

It is our responsibility to form an independent conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

REVIEW WORK PERFORMED

We conducted our review in accordance with Statement of Auditing Standard 700 "Engagements to Review Interim Financial Reports" issued by the HKICPA. A review consists principally of making enquiries of group management and applying analytical procedures to the interim financial report and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the interim financial report.

REVIEW CONCLUSION

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the interim financial report for the six months ended 30th June 2006.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 17th August 2006