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## **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 Unaudited Interim Results for the Six Months ended 30 June 2011**

#### **Financial Highlights**

- Revenue amounted to approximately RMB8,183,152,000 representing an increase of approximately RMB1,251,499,000 or by 18.05% as compared with the revenue for the corresponding period last year.
- Profit attributable to equity holders of the Company is approximately RMB411,508,000, representing an increase of approximately RMB138,522,000 or by 50.74% as compared with the profit for the corresponding period last year.
- The basic earnings per share is approximately RMB0.08, representing an increase of approximately RMB0.03 as compared with the basic earnings per share of RMB0.05 for the corresponding period last year.

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”) for the six months ended 30 June 2011 prepared in accordance with the Hong Kong Accounting Standard 34 “Interim Financial Reporting”. The interim financial information has not been audited but has been reviewed by the audit committee of the Company (the “Audit Committee”) and PricewaterhouseCoopers, the auditor of the Company.

**CONDENSED CONSOLIDATED INCOME STATEMENT  
FOR THE SIX MONTHS ENDED 30 JUNE 2011**

		Unaudited	
		Six months ended 30 June	
	<i>Note</i>	2011	2010
		<i>RMB'000</i>	<i>RMB'000</i>
Revenue	3	8,183,152	6,931,653
Other income	4	109,597	90,973
Fuel costs		(4,940,387)	(4,187,555)
Depreciation		(914,180)	(806,657)
Staff costs		(307,569)	(261,664)
Repairs and maintenance		(223,021)	(196,937)
Consumables		(76,011)	(78,395)
Other gains	5	30,247	104,845
Other operating expenses		<u>(465,092)</u>	<u>(385,986)</u>
Operating profit	6	1,396,736	1,210,277
Finance income	7	48,892	51,161
Finance costs	7	(733,181)	(722,971)
Share of (losses)/profits of associated companies		(8,509)	77,027
Share of losses of jointly-controlled entities		<u>(10,484)</u>	<u>(6,870)</u>
Profit before taxation		693,454	608,624
Taxation	8	<u>(158,026)</u>	<u>(242,456)</u>
Profit for the period		<u>535,428</u>	<u>366,168</u>
Attributable to:			
Equity holders of the Company		411,508	272,986
Non-controlling interests		<u>123,920</u>	<u>93,182</u>
		<u>535,428</u>	<u>366,168</u>
Earnings per share for profit attributable to equity holders of the Company during the period (expressed in RMB per share)			
- basic	9	<u>0.08</u>	<u>0.05</u>
- diluted	9	<u>0.08</u>	<u>0.05</u>

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE SIX MONTHS ENDED 30 JUNE 2011**

	Unaudited	
	Six months ended 30 June	
	2011	2010
	<i>RMB'000</i>	<i>RMB'000</i>
Profit for the period	535,428	366,168
Other comprehensive income/(loss):		
- Fair value gain/(loss) on available-for-sale financial assets, net of deferred tax	<u>538,627</u>	<u>(574,347)</u>
Total comprehensive income/(loss) for the period	<u>1,074,055</u>	<u>(208,179)</u>
Total comprehensive income/(loss) attributable to:		
- equity holders of the Company	950,135	(301,361)
- non-controlling interests	<u>123,920</u>	<u>93,182</u>
	<u>1,074,055</u>	<u>(208,179)</u>

**CONDENSED CONSOLIDATED BALANCE SHEET  
AS AT 30 JUNE 2011**

		As at	
	<i>Note</i>	30 June 2011 Unaudited <i>RMB'000</i>	31 December 2010 Audited <i>RMB'000</i>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		47,401,982	44,950,107
Prepayment for construction of power plants		1,539,434	1,836,820
Land use rights		454,002	458,544
Goodwill		767,365	767,365
Interests in associated companies		1,579,056	1,587,565
Interests in jointly-controlled entities		257,686	135,881
Available-for-sale financial assets		2,478,675	1,733,650
Long-term loans to a fellow subsidiary		1,500,000	1,500,000
Deferred income tax assets		66,494	45,152
		<u>56,044,694</u>	<u>53,015,084</u>
<b>Current assets</b>			
Inventories		413,190	336,136
Accounts receivable	11	2,307,908	1,716,569
Prepayments, deposits and other receivables		829,977	717,121
Amounts due from group companies		8,820	26,886
Tax recoverable		2,255	1,196
Pledged bank deposits		154,623	—
Cash and cash equivalents		2,954,779	977,365
		<u>6,671,552</u>	<u>3,775,273</u>
<b>Total assets</b>		<u><u>62,716,246</u></u>	<u><u>56,790,357</u></u>
<b>EQUITY</b>			
Capital and reserves attributable to equity			
holders of the Company			
Share capital		5,121,473	5,121,473
Share premium		4,303,111	4,303,111
Reserves		3,647,299	2,813,915
		<u>13,071,883</u>	<u>12,238,499</u>
Non-controlling interests		2,855,563	2,655,698
		<u>15,927,446</u>	<u>14,894,197</u>

		As at	
	<i>Note</i>	30 June 2011 Unaudited RMB'000	31 December 2010 Audited RMB'000
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deferred income		88,476	93,863
Long-term bank borrowings		26,166,250	24,141,041
Long-term borrowings from ultimate holding company		1,473,816	1,473,816
Long-term borrowings from CPI Financial Company (“CPIF”)		1,432,095	1,429,595
Corporate bonds		1,793,239	1,793,239
Other long-term borrowings		975,762	135,201
Obligations under finance leases		175,597	184,337
Deferred income tax liabilities		807,918	570,095
Other long-term liabilities		9,451	11,903
		<u>32,922,604</u>	<u>29,833,090</u>
<b>Current liabilities</b>			
Accounts and bills payables	12	871,540	461,206
Construction cost payable		1,758,769	1,059,060
Other payables and accrued charges		974,837	897,030
Derivative financial instruments		57,879	71,902
Amounts due to group companies		359,484	203,628
Corporate bonds		1,000,000	—
Current portion of long-term bank borrowings		2,074,828	2,342,585
Short-term bank borrowings		3,914,000	3,724,700
Other bank borrowings		517,728	529,816
Short-term borrowings from CPIF		2,142,488	2,300,000
Short-term other borrowings		—	200,000
Current portion of obligations under finance leases		17,253	16,804
Taxation payable		177,390	256,339
		<u>13,866,196</u>	<u>12,063,070</u>
<b>Total liabilities</b>		<u>46,788,800</u>	<u>41,896,160</u>
<b>Total equity and liabilities</b>		<u>62,716,246</u>	<u>56,790,357</u>
<b>Net current liabilities</b>		<u>7,194,644</u>	<u>8,287,797</u>
<b>Total assets less current liabilities</b>		<u>48,850,050</u>	<u>44,727,287</u>

*Note:*

## **1 Basis of preparation**

The Company has a financial year end date of 31 December. The condensed consolidated interim financial information for the six months ended 30 June 2011 has been prepared in accordance with Hong Kong Accounting Standard 34, “Interim Financial Reporting”. The condensed consolidated interim financial information should be read in conjunction with the annual accounts for the year ended 31 December 2010, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”).

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. In preparing the condensed consolidated interim financial information, the significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual accounts for the year ended 31 December 2010.

In preparing the condensed consolidated interim financial information, the directors have also taken into account all information that could reasonably be expected to be available and have ascertained that the Group has obtained adequate financial resources to support the Group to continue in operational existence for the foreseeable future. As of 30 June 2011, the Group had undrawn committed banking facilities amounting to approximately RMB15,868 million (31 December 2010: RMB20,800 million) and will refinance and/or restructure certain short-term loans into long-term loans or to consider alternative sources of financing, where applicable. Under these circumstances, the directors are of the opinion that the Group will be able to meet its liabilities as and when they fall due within the next twelve months and therefore have prepared the condensed consolidated interim financial information on a going concern basis notwithstanding that at 30 June 2011, the Group’s current liabilities exceeded its current assets by approximately RMB7,195 million.

## **2 Accounting policies**

The accounting policies and method of computation used in the preparation of the condensed consolidated interim financial information are consistent with those used in the annual accounts for the year ended 31 December 2010, except as mentioned below.

### **(a) Effect of adopting amendments to standards and interpretations**

In 2011, the Group adopted HKAS 34 (Amendment), “Interim financial reporting”, which is mandatory for accounting periods beginning on or after 1 January 2011.

Amendment to HKAS 34 “Interim financial reporting” is effective for annual periods beginning on or after 1 January 2011. It emphasizes the existing disclosure principles in HKAS 34 and adds further guidance to illustrate how to apply these principles. Greater emphasis has been placed on the disclosure principles for significant events and

transactions. Additional requirements cover disclosure of changes to fair value measurement (if significant), and the need to update relevant information from the most recent annual report. The change in accounting policy only results in additional disclosures.

The following amendments to standards and interpretations are mandatory for accounting periods beginning on or after 1 January 2011. The adoption of these amendments to standards and interpretations does not have any significant impact to the results and financial position of the Group.

HKFRSs (Amendment)	Improvements to HKFRSs 2010, except for amendment to HKAS 34 “Interim financial reporting” as disclosed above
HKAS 32 (Amendment)	Classification of right issues
HK(IFRIC)-Int 14	Prepayments of a minimum funding requirement
HK(IFRIC)-Int 19	Extinguishing financial liabilities with equity instruments

- (b) New standards and amendments to standards that have been issued but are not effective for the financial year ending 31 December 2011 and have not been early adopted by the Group.

HKFRS 7 (Amendment)	Disclosures - transfers of financial assets <sup>(1)</sup>
HKFRS 9	Financial instruments <sup>(2)</sup>
Additions to HKFRS 9	Financial instruments - financial liabilities <sup>(2)</sup>
HKFRS 10	Consolidated financial statements <sup>(2)</sup>
HKFRS 11	Joint arrangements <sup>(2)</sup>
HKFRS 12	Disclosure of interests in other entities <sup>(2)</sup>
HKFRS 13	Fair value measurement <sup>(2)</sup>
HKAS 1 (Amendment)	Presentation of financial statements <sup>(2)</sup>
HKAS 12 (Amendment)	Deferred tax - recovery of underlying assets <sup>(1)</sup>
HKAS 19 (2011)	Employee benefits <sup>(2)</sup>
HKAS 27 (2011)	Separate financial statements <sup>(2)</sup>
HKAS 28 (2011)	Investments in associates and joint ventures <sup>(2)</sup>

<sup>(1)</sup> Effective for the Group for annual period beginning on 1 January 2012

<sup>(2)</sup> Effective for the Group for annual period beginning on 1 January 2013

The directors anticipate that the adoption of these new standards and amendments to standards will not result in a significant impact on the results and financial position of the Group.

### 3 Revenue and segment information

Revenue recognised during the period is as follows:

	Unaudited	
	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
Sales of electricity to regional and provincial power grid companies (note (a))	8,091,100	6,931,653
Provision of power generation and related services (note (b))	<u>92,052</u>	<u>—</u>
	<u>8,183,152</u>	<u>6,931,653</u>

*Note:*

- (a) Pursuant to the power purchase agreements entered into between the Group and the respective regional and provincial power grid companies, the Group's sales of electric power were made to these power grid companies at the tariff rates agreed with the respective regional and provincial power grid companies as approved by the relevant government authorities.
- (b) Provision of power generation and related services represents income from provision of power generation and related services to other power plants and power grid companies which are calculated based on mutually agreed terms.

#### *Segment information*

The chief operating decision maker has been identified as the executive directors and certain senior management (collectively referred to as the "CODM") that make strategic decisions. The CODM reviews the internal reporting of the Company and its subsidiaries in order to assess performance and allocate resources. Management has determined the operating segments based on these reports. Currently, it is determined that the "Generation and sales of coal-fired electricity" and "Generation and sales of hydropower electricity" in the PRC are the reportable segments of the Group.

The CODM assesses the performance of the operating segments based on a measure of profit/loss before taxation, excluding dividends from available-for-sale financial assets, if any, and effects on items of a non-recurring nature, such as impairments when the impairment is the result of an isolated, non-recurring event. Other information provided to the CODM is measured in a manner consistent with that in the accounts.

Segment assets exclude deferred tax assets, available-for-sale financial assets and corporate assets which are managed on a central basis.

Segment liabilities exclude taxation payable, deferred tax liabilities, derivative financial instruments and corporate liabilities which are managed on a central basis.

	Unaudited				
	Six months ended 30 June 2011				
	Coal-fired electricity RMB'000	Hydropower electricity RMB'000	Reportable segments total RMB'000	Others RMB'000	Total RMB'000
<b>Revenue</b>					
Sales of electricity	6,674,373	1,416,727	8,091,100	—	8,091,100
Provision of power generation services	<u>28,703</u>	<u>63,349</u>	<u>92,052</u>	<u>—</u>	<u>92,052</u>
	<u>6,703,076</u>	<u>1,480,076</u>	<u>8,183,152</u>	<u>—</u>	<u>8,183,152</u>
<b>Results of reportable segments</b>	<u>537,338</u>	<u>893,347</u>	<u>1,430,685</u>	<u>—</u>	<u>1,430,685</u>
A reconciliation of results of reportable segments to profit for the period is as follows:					
<b>Results of reportable segments</b>	537,338	893,347	1,430,685	—	1,430,685
Unallocated income	—	—	—	22,559	22,559
Unallocated expenses	<u>—</u>	<u>—</u>	<u>—</u>	<u>(56,508)</u>	<u>(56,508)</u>
	537,338	893,347	1,430,685	(33,949)	1,396,736
<b>Operating profit</b>					
Finance income	975	44,000	44,975	3,917	48,892
Finance costs	(266,618)	(447,117)	(713,735)	(19,446)	(733,181)
Share of losses of associated companies	(8,509)	—	(8,509)	—	(8,509)
Share of losses of jointly controlled entities	<u>(6,934)</u>	<u>—</u>	<u>(6,934)</u>	<u>(3,550)</u>	<u>(10,484)</u>
<b>Profit before taxation</b>	256,252	490,230	746,482	(53,028)	693,454
Taxation	<u>(31,021)</u>	<u>(127,005)</u>	<u>(158,026)</u>	<u>—</u>	<u>(158,026)</u>
<b>Profit for the period</b>	<u>225,231</u>	<u>363,225</u>	<u>588,456</u>	<u>(53,028)</u>	<u>535,428</u>
<b>Other segment information:</b>					
Capital expenditure	1,079,229	1,987,247	3,066,476	1,775	3,068,251
Depreciation on property, plant and equipment	503,828	404,488	908,316	5,864	914,180
Amortisation of land use rights	<u>1,528</u>	<u>3,014</u>	<u>4,542</u>	<u>—</u>	<u>4,542</u>

	Unaudited As at 30 June 2011				
	Coal-fired electricity <i>RMB'000</i>	Hydropower electricity <i>RMB'000</i>	Reportable segments total <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
<b>Segment assets</b>					
Other segment assets	23,059,301	31,031,351	54,090,652	—	54,090,652
Goodwill	—	767,365	767,365	—	767,365
Interests in associated companies	1,561,205	—	1,561,205	17,851	1,579,056
Interests in jointly controlled entities	<u>105,101</u>	<u>—</u>	<u>105,101</u>	<u>152,585</u>	<u>257,686</u>
	24,725,607	31,798,716	56,524,323	170,436	56,694,759
Available-for-sale financial assets					2,478,675
Long-term loans to a fellow subsidiary					1,500,000
Deferred income tax assets					66,494
Other unallocated assets					<u>1,976,318</u>
<b>Total assets per consolidated balance sheet</b>					<u><u>62,716,246</u></u>
<b>Segment liabilities</b>					
Other segment liabilities	(2,650,202)	(1,588,405)	(4,238,607)	—	(4,238,607)
Borrowings	<u>(16,485,743)</u>	<u>(24,909,963)</u>	<u>(41,395,706)</u>	<u>(94,500)</u>	<u>(41,490,206)</u>
	(19,135,945)	(26,498,368)	(45,634,313)	(94,500)	(45,728,813)
Derivative financial instruments					(57,879)
Taxation payable					(177,390)
Deferred income tax liabilities					(807,918)
Other unallocated liabilities					<u>(16,800)</u>
<b>Total liabilities per consolidated balance sheet</b>					<u><u>(46,788,800)</u></u>

	Unaudited				Total RMB'000
	Six months ended 30 June 2010				
	Coal-fired electricity RMB'000	Hydropower electricity RMB'000	Reportable segments total RMB'000	Others RMB'000	
<b>Revenue</b>					
Sales of electricity	5,735,517	1,196,136	6,931,653	—	6,931,653
Provision of power generation services	—	—	—	—	—
	<u>5,735,517</u>	<u>1,196,136</u>	<u>6,931,653</u>	<u>—</u>	<u>6,931,653</u>
<b>Results of reportable segments</b>	<u>421,225</u>	<u>812,909</u>	<u>1,234,134</u>	<u>—</u>	<u>1,234,134</u>
A reconciliation of results of reportable segments to profit for the period is as follows:					
<b>Results of reportable segments</b>	421,225	812,909	1,234,134	—	1,234,134
Unallocated income	—	—	—	23,022	23,022
Unallocated expenses	—	—	—	(46,879)	(46,879)
<b>Operating profit</b>	421,225	812,909	1,234,134	(23,857)	1,210,277
Finance income	1,283	39,829	41,112	10,049	51,161
Finance costs	(285,172)	(436,505)	(721,677)	(1,294)	(722,971)
Share of profits of associated companies	77,027	—	77,027	—	77,027
Share of losses of jointly controlled entities	(6,870)	—	(6,870)	—	(6,870)
<b>Profit before taxation</b>	207,493	416,233	623,726	(15,102)	608,624
Taxation	(81,479)	(160,351)	(241,830)	(626)	(242,456)
<b>Profit for the period</b>	<u>126,014</u>	<u>255,882</u>	<u>381,896</u>	<u>(15,728)</u>	<u>366,168</u>
<b>Other segment information:</b>					
Capital expenditure	1,058,277	756,637	1,814,914	926	1,815,840
Depreciation on property, plant and equipment	508,257	294,743	803,000	3,657	806,657
Amortisation of land use rights	666	3,014	3,680	—	3,680

	Audited				
	As at 31 December 2010				
	Coal-fired electricity RMB'000	Hydropower electricity RMB'000	Reportable segments total RMB'000	Others RMB'000	Total RMB'000
<b>Segment assets</b>					
Other segment assets	21,145,226	28,921,309	50,066,535	—	50,066,535
Goodwill	—	767,365	767,365	—	767,365
Interests in associated companies	1,569,714	—	1,569,714	17,851	1,587,565
Interests in jointly controlled entities	<u>95,212</u>	<u>—</u>	<u>95,212</u>	<u>40,669</u>	<u>135,881</u>
	22,810,152	29,688,674	52,498,826	58,520	52,557,346
Available-for-sale financial assets					1,733,650
Long-term loans to a fellow subsidiary					1,500,000
Deferred income tax assets					45,152
Other unallocated assets					<u>954,209</u>
<b>Total assets per consolidated balance sheet</b>					<u>56,790,357</u>
<b>Segment liabilities</b>					
Other segment liabilities	(1,907,064)	(856,481)	(2,763,545)	—	(2,763,545)
Borrowings	<u>(14,498,892)</u>	<u>(23,476,601)</u>	<u>(37,975,493)</u>	<u>(94,500)</u>	<u>(38,069,993)</u>
	(16,405,956)	(24,333,082)	(40,739,038)	(94,500)	(40,833,538)
Purchase consideration payable to an intermediate holding company					(98,387)
Derivative financial instruments					(71,902)
Taxation payable					(256,339)
Deferred income tax liabilities					(570,095)
Other unallocated liabilities					<u>(65,899)</u>
<b>Total liabilities per consolidated balance sheet</b>					<u>(41,896,160)</u>

#### 4 Other income

	Unaudited	
	Six months ended 30 June	
	2011 RMB'000	2010 RMB'000
Sales of electricity quotas	—	12,565
Income from the provision of repairs and maintenance services	16,157	16,801
Clean development mechanism income	14,271	8,838
Dividend income	20,073	—
Hotel operations income	23,074	20,049
Rental income	33,535	31,433
Management fee income	<u>2,487</u>	<u>1,287</u>
	<u>109,597</u>	<u>90,973</u>

5 **Other gains**

	Unaudited	
	Six months ended 30 June	
	2011	2010
	<i>RMB'000</i>	<i>RMB'000</i>
Amortisation of deferred income	5,386	5,737
Gain on disposal of available-for-sale financial assets	—	16,031
Gain on disposal of property, plant and equipment	132	—
Fair value gain on derivative financial instruments	14,023	82,999
Government subsidies	10,002	—
Others	704	78
	<u>30,247</u>	<u>104,845</u>

6 **Operating profit**

Operating profit is stated after charging the following:

	Unaudited	
	Six months ended 30 June	
	2011	2010
	<i>RMB'000</i>	<i>RMB'000</i>
Amortisation of land use rights	4,542	3,680
Depreciation of property, plant and equipment	914,180	806,657
Operating lease rental in respect of leasehold land and buildings	16,316	17,237
Staff costs including directors' emoluments	307,569	261,664
Write-off of pre-operating expenses	<u>10,298</u>	<u>17,922</u>

7 **Finance income and finance costs**

	Unaudited	
	Six months ended 30 June	
	2011	2010
	<i>RMB'000</i>	<i>RMB'000</i>
<b>Finance income</b>		
Interest income from bank deposits	8,167	12,550
Interest income from a fellow subsidiary	<u>40,725</u>	<u>38,611</u>
	<u>48,892</u>	<u>51,161</u>
<b>Finance costs</b>		
Interest expense on		
- bank borrowings wholly repayable within five years	190,905	151,455
- bank borrowings not wholly repayable within five years	647,032	573,928
- long-term borrowings from ultimate holding company not wholly repayable within five years	37,407	37,059
- short-term borrowings from CPIF	53,251	36,441
- long-term borrowings from CPIF wholly repayable within five years	23,125	23,308
- long-term other borrowings wholly repayable within five years	22,626	10,058
- long-term other borrowings not wholly repayable within five years	23,128	23,128
- short-term other borrowings	17,132	247
- obligations under finance leases	<u>5,376</u>	<u>5,802</u>
	1,019,982	861,426
Less: Amounts capitalised	<u>(255,117)</u>	<u>(193,747)</u>
	764,865	667,679
Net exchange (gains)/losses	<u>(31,684)</u>	<u>55,292</u>
	<u>733,181</u>	<u>722,971</u>

The weighted average interest rate on capitalised borrowings is approximately 4.9% (2010: 4.8%) per annum.

## 8 Taxation

No Hong Kong profits tax has been provided for as the Group did not have any estimated assessable profit in Hong Kong for the period (2010: Nil).

The provision for PRC current income tax is calculated based on the statutory tax rate of 25% (2010: 25%) on the estimated assessable income for the period except as disclosed below.

The amount of taxation charged to the condensed consolidated income statement represents:

	Unaudited	
	Six months ended 30 June	
	2011	2010
	<i>RMB'000</i>	<i>RMB'000</i>
PRC current income tax	121,088	139,707
Deferred income tax charge	<u>36,938</u>	<u>102,749</u>
	<u>158,026</u>	<u>242,456</u>

Share of taxation charge attributable to associated companies for the period ended 30 June 2011 of RMB2,916,000 (2010: RMB18,647,000) is included in the Group's share of (losses)/profits of associated companies for the period.

Pursuant to the relevant PRC income tax rules and regulations, special income tax rates have been granted to certain subsidiaries of the Group and an associated company as being foreign invested enterprises which are engaged in the energy, transportation or infrastructure activities. These companies are subject to a tax rate of 24% for the year 2011 (2010: 22%) followed by a tax rate of 25% in the year 2012. A subsidiary acquired by the Group in the year 2005 will be subject to tax rate of 24% for the year 2011 (2010: 22%) followed by a tax rate of 25% in the year 2012. Certain subsidiaries of the Group that started operations in the years 2007 and 2008 are also entitled to a two-year exemption from income tax starting from the year in operation followed by a 50% reduction in income tax rate in the ensuing three years. These companies have been subject to reduced tax rates ranging from 12% to 12.5% (2010: from 11% to 12.5%) during the period. The tax rates for these companies will be gradually increased to 25% towards year 2013.

## 9 Earnings per share

### (a) *Basic*

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

	Unaudited	
	Six months ended 30 June	
	2011	2010
Profit attributable to equity holders of the Company (RMB'000)	411,508	272,986
Weighted average number of shares in issue (shares in thousands)	5,107,061	5,107,061
Basic earnings per share (RMB)	<u>0.08</u>	<u>0.05</u>

### (b) *Diluted*

Diluted earnings per share is calculated by adjusting the weighted average number of shares outstanding to assume conversion of all dilutive potential ordinary shares. For the six months period ended 30 June 2011, the Company only has convertible bonds that have dilutive potential ordinary shares. The convertible bonds are assumed to have been converted into ordinary shares, and the net profit is adjusted to eliminate the interest expense less the tax effect. For the six months period ended 30 June 2010, dilutive earnings per share equal basic earnings per share as the exercise of the outstanding share options would be anti-dilutive.

	Unaudited	
	Six months ended 30 June	
	2011	2010
Profit attributable to equity holders of the Company (RMB'000)	411,508	272,986
Adjustment for finance cost on convertible bonds (after tax)	<u>5,937</u>	<u>—</u>
Profit used to determine diluted earnings per share	417,445	272,986
Weighted average number of shares in issue (shares in thousands)	5,107,061	5,107,061
Adjustment for convertible bonds (shares in thousands)	<u>12,344</u>	<u>—</u>
Weighted average number of shares for the purpose of calculating diluted earnings per share (shares in thousands)	5,119,405	5,107,061
Diluted earnings per share (RMB)	<u>0.08</u>	<u>0.05</u>

## 10 Dividend

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2011 (2010: Nil).

## 11 Accounts receivable

	As at	
	30 June 2011 Unaudited RMB'000	31 December 2010 Audited RMB'000
Accounts receivable from regional and provincial power grid companies (note (a))	2,037,989	1,530,227
Accounts receivable from other companies (note (a))	<u>6,332</u>	<u>233</u>
	2,044,321	1,530,460
Notes receivable (note (b))	<u>263,587</u>	<u>186,109</u>
	<u>2,307,908</u>	<u>1,716,569</u>

The carrying amounts of accounts and notes receivable approximate their fair values due to their short maturity. All accounts and notes receivables are denominated in RMB.

As at 30 June 2011, certain bank borrowings were secured by the rights on accounts receivable of certain subsidiaries of the Group. The accounts receivable secured under these facilities as at 30 June 2011 was amounting to RMB1,327,347,000 (2010: RMB1,208,989,000).

*Note:*

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

	As at	
	30 June 2011 Unaudited RMB'000	31 December 2010 Audited RMB'000
1 to 3 months	<u>2,044,321</u>	<u>1,530,460</u>

- (b) The notes receivable are normally with maturity period of 90 to 180 days (2010: 180 days).

## 12 Accounts and bills payables

	As at	
	30 June 2011 Unaudited RMB'000	31 December 2010 Audited RMB'000
Accounts payable (note (a))	433,169	220,516
Due to related companies (note (a))	<u>157,249</u>	<u>121,290</u>
	590,418	341,806
Bills payable (note (b))	<u>281,122</u>	<u>119,400</u>
	<u>871,540</u>	<u>461,206</u>

The carrying value of accounts and bills payables approximate their fair values due to their short maturity. All accounts and bills payables are denominated in RMB.

*Note:*

- (a) The normal credit period for accounts payable generally ranges from 60 to 180 days. The ageing analysis of the accounts payable is as follows:

	As at	
	30 June 2011 Unaudited RMB'000	31 December 2010 Audited RMB'000
1 to 6 months	525,843	320,302
7 to 12 months	24,411	670
Over 1 year	<u>40,164</u>	<u>20,834</u>
	<u>590,418</u>	<u>341,806</u>

- (b) Bills payable are bills of exchange with average maturity period of 3 to 6 months (2010: 6 months).

As at 30 June 2011, bank deposits of RMB32,906,000 were pledged against these bills payable as security (2010 : Nil).

## **2011 INTERIM REVIEW OF BUSINESS**

### **BUSINESS OVERVIEW**

The Group is principally engaged in investment, development and operation of power plants as well as coal-fired and hydro power generation. Its power generation business is mainly located in Eastern China power grid, Central China power grid and Northern China power grid.

In the first half of 2011, the national economy grew rapidly in line with the overall robust economic performance of China. Driven by the economic development, power demand increased significantly with a steady growth in power generation and consumption. In the first half year of 2011, the total power generation and electricity consumption in China recorded increases of 13.50% and 12.20% respectively as compared with the corresponding period last year. The average number of utilization hours of power generation facilities in the PRC were 2,306 hours, representing an increase of 44 hours over the same period last year.

In the first half of 2011, the Group adhered to its strategic development target, carried out capital operation and resources integration and optimized asset and capital structure in light of the changes of China's economic policies and the electricity market. Leveraging its advantage of "balanced development of hydro-power and coal fired power", the Group strengthened its production and operation under better management. The Group strived to expand its source of revenue, reinforce cost control and improve the Company's core competitiveness and profitability by increasing power generation, raising tariffs and controlling coal price. Its hydro-power and coal-fired power generation has become profitable and a significant growth was recorded in its overall results as compared with the corresponding period last year. The Group is also looking at the developing opportunities in the other power generation sector.

In the first half of 2011, the Group recorded a revenue of approximately RMB8,183,152,000, representing an increase of approximately 18.05% as compared with the corresponding period last year, while the profit attributable to the equity holders of the Company amounted to approximately RMB411,508,000, representing an increase of approximately RMB138,522,000 as compared with the corresponding period last year. The basic earnings per share was approximately RMB0.08, representing an increase of RMB0.03 from RMB0.05 of the corresponding period last year. Net assets per share, excluding interests of non-controlling shareholders, was RMB2.56.

## **ATTRIBUTABLE INSTALLED CAPACITY**

As at 30 June 2011, the Group's total attributable installed capacity was 11,585 MW, of which attributable installed capacity of coal-fired power and hydro-power plants was 9,057MW and 2,528MW respectively.

As at 30 June 2011, the Company's attributable installed capacity of hydro power accounted for 21.82% of total attributable installed capacity. The Company differentiated from its peers with its strategies of developing both hydro-power and coal-fired power businesses. The significant impacts of rising coal prices on coal-fired power generation have accentuated the importance of the earnings stability of hydro-power and the advantage of clean energy.

## **POWER GENERATION AND NET GENERATION**

In the first half of 2011, the total power generation of its plants in operation amounted to 25,914,057 MWh, representing an increase of 8.60% as compared with the corresponding period last year. The total net generation of its plants in operation amounted to 24,538,280 MWh, representing an increase of 8.73% as compared with the corresponding period last year. The average utilization hours of coal-fired power generation and hydro-power were 2,959 hours and 1,442 hours respectively, representing an increase of 9.70% and 1.52% respectively over the corresponding period last year. The increases in power generation and net generation were primarily attributable to the continuous growth in electricity demand in the regions where the Company's power plants are located, the continuous rainfall in Hunan in June 2011 and the increased power generation after tariff adjustments.

## **ON-GRID TARIFF**

In the first half of 2011, the average on-grid tariff of coal-fired power of the Group was RMB342.27/MWh, representing an increase of RMB20.19/MWh as compared with the corresponding period last year, while the average on-grid tariff of hydro power of the Group was RMB285.97/MWh, representing an increase of RMB34.67/MWh as compared to the corresponding period last year.

The increase in the on-grid tariff was mainly attributable to the tariff adjustment by the National Development and Reform Commission in the first half year of 2011, pursuant to which, the on-grid tariffs of the coal-fired power plants and five hydro power plants of the Group were raised.

The tariff adjustments were applied to cover part of the increased cost of coal-fired power companies arising from soaring coal prices in order to alleviate the difficulties in their operation.

## **COAL MARKET AND COST CONTROL**

In the first half of 2011, the unit fuel cost of the Group's coal-fired electricity was approximately RMB252.26/MWh, representing an increase of approximately 7.28% from RMB235.15/MWh of the corresponding period last year.

The increase in unit fuel cost was mainly attributable to the shortage of coal supply which led to higher coal price. As a result, the average unit cost of standard coal of the Group in the first half of 2011 increased by approximately 9.59%.

The rising coal price has led to the increase in the cost of coal-fired power generation. Nevertheless, to better control fuel cost, the Group closely monitored changes in the coal market and enhanced the proportion and fulfilment rate of major coal contracts. By capitalizing on favourable market opportunities, the Group adjusted its procurement and inventory strategies in a timely manner. It also strengthened the mixed burning and heat value management of low-cost coal to effectively mitigate the impacts of increased coal price.

## **SIGNIFICANT INVESTMENT**

The shareholding of the Company in Shanghai Power, whose A shares were listed on the Shanghai Stock Exchange, was 18.86% as at 30 June 2011. The Group recognizes its shareholdings in Shanghai Power as "Available-for-sale financial assets". As of 30 June 2011, the fair value of the equity interest held by the Group was approximately RMB2,323,963,000.

## **SIGNIFICANT FINANCE**

In order to satisfy the capital demand of the development of the Company and minimize the finance costs and improve the asset and liabilities structure of the Company, five-year convertible bonds in the amount of RMB982,000,000 with interest rate of 2.25% per annum were issued by the Company on 13 May 2011 and listed on The Stock Exchange of Hong Kong Limited on 17 May 2011. The issue was well received by the market. Given the domestic tightening monetary policy, financing difficulties and interest rate hikes, the proceeds from the issue of the bonds provided crucial liquidity for the Company at relatively lower costs.

## **NEW POWER PLANTS**

Among the Group's coal-fired power projects under construction, Shentou I Power Plant's "Replacement of Small Units with Large Units" project with two generation units of 600MW, Fuxi Power Plant and Xintang Power, has a total installed capacity of 3,000MW upon completion. Among its hydropower projects, Baishi Power Plant and Tuokou Power Plant have a total installed capacity of 1,850MW upon completion. Currently, such projects all go smoothly.

## **ENVIRONMENTAL PROTECTION AND ENERGY CONSERVATION**

China Power puts high priority on low carbon, environmental protection, and energy conservation during its development. All of its coal-fired power generation units were installed with desulphurisation facilities. Desulphurisation rate was around 93%, resulting in a significant decrease in the discharge of pollutants, such as Sulphur Dioxide, Nitrogen oxides, dust and sewage.

In the first half of 2011, the Company continued to exert its efforts to energy consumption management and improve its energy consumption standards. With the remarkable results in energy consumption reduction, the average electricity and coal consumption was 319.47g/KWh in the first half of the year, representing a decrease of 6.72g/KWh as compared with the corresponding period last year. The overall electricity consumption of power plants was 5.31%, representing a decrease of 0.12% as compared with the corresponding period last year.

## **OPERATING RESULTS**

In the first half of 2011, revenue of the Group was approximately RMB8,183,152,000, representing an increase of approximately 18.05% as compared with the corresponding period last year. Profit attributable to equity holders of the Group was approximately RMB411,508,000, representing an increase of approximately RMB138,522,000 as compared with the corresponding period last year.

In the first half of 2011, the net profit of the Group amounted to approximately RMB535,428,000, representing an increase of approximately RMB169,260,000 as compared with the corresponding period last year. Among which, the net profit of hydro power amounted to RMB346,532,000 while the net profit of coal-fired power amounted to RMB188,896,000, representing a profit contribution ratio of 1.83:1. Hydro power contributed strong and stable stream of profit for the Group, while coal-fired power continued to contribute positive earnings as a whole.

The net profit increased as compared to six months period ended 30 June 2010 mainly due to the following factors:

- Due to the tariff adjustment and retroactive tariff adjustments carried out in the first half year of 2011, the average selling price increased and contributed net profit of approximately RMB520,097,000 to the Group.
- In the first half of 2011, sales volume of coal-fired power and hydro-power grew steadily and increased by 1,970,517MWh as compared with the corresponding period last year, contributing net profit of approximately RMB219,052,000 to the Group.

However, the increase was partially offset by the following:

- In the first half of 2011, fuel costs amounted to RMB4,940,387,000, representing an increase of 17.98% as compared with RMB4,187,555,000 in the first half of 2010. The unit fuel costs of coal-fired power plants amounted to RMB252.26/MWh, representing an increase of 7.28% as compared with the corresponding period last year and resulting in a decrease of RMB389,060,000 in net profit.
- The increase in interest-bearing liabilities and the rising interest rates resulted in an increase of 1.41% in finance costs in the first half of the year as compared with the corresponding period last year.

## **REVENUE**

In the first half of 2011, revenue of the Group was approximately RMB8,183,152,000, representing an increase of approximately 18.05% as compared with RMB6,931,653,000 of the corresponding period last year. The increase in revenue was mainly attributed to the tariff adjustment carried out in the first half year of 2011 and the increase in power generation resulted in rising operating income.

## **SEGMENT INFORMATION**

The reportable segments identified by the Group are now the “Generation and sales of coal-fired electricity” and “Generation and sales of hydropower electricity”.

## **OPERATING COSTS**

Operating costs mainly comprises of fuel costs, repairs and maintenance, depreciation and amortization, staff costs, consumables and other operating expenses.

In the first half of 2011, operating costs of the Group amounted to approximately RMB6,926,260,000, representing an increase of approximately 17.05% as compared with RMB5,917,194,000 of the corresponding period last year. The increase was mainly due to the increase in fuel costs and depreciation.

Fuel costs were the largest component of the Group's operating costs. In the first half of 2011, the fuel costs of the Group was approximately RMB4,940,387,000, representing approximately 71.33% of the total operating costs and an increase of approximately 17.98% over RMB4,187,555,000 of the corresponding period last year. Unit fuel costs was approximately RMB252.26/MWh, representing an increase of approximately 7.28% over RMB235.15/MWh of the corresponding period last year.

### **OPERATING PROFIT**

In the first half of 2011, the Group's operating profit was approximately RMB1,396,736,000, representing an increase of approximately 15.41% as compared with the operating profit of approximately RMB1,210,277,000 of the corresponding period last year.

### **FINANCE COSTS**

In the first half of 2011, finance costs of the Group amounted to approximately RMB733,181,000, representing an increase of approximately 1.41% as compared with RMB722,971,000 of the corresponding period last year. In the first half of 2011 and the end of 2010, the Company issued convertible bonds and RMB denominated bonds which increased its total loan amount respectively. In addition, the weighted average interest rates of the Group increased by 0.4%, resulting in an increase in finance costs.

### **SHARE OF RESULTS OF ASSOCIATED COMPANIES**

In the first half of 2011, the share of losses of associated companies was approximately RMB8,509,000, representing a decrease in profits of approximately RMB85,536,000 as compared with the corresponding period last year. The losses were mainly attributed to the decrease of profits of Changshu Power Plant and loss incurred by Liyujiang Power Plant in the first half of the year due to the increase in fuel costs.

### **TAXATION**

In the first half of 2011, taxation charges of the Group were approximately RMB158,026,000, representing a decrease of approximately 34.82% as compared with RMB242,456,000 of the corresponding period last year.

## **PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY**

In the first half of 2011, profit attributable to equity holders of the Company was RMB411,508,000, representing an increase of approximately RMB138,522,000 as compared with RMB272,986,000 of the corresponding period last year. The increase in profit attributable to equity holders of the Company was mainly due to the increase in operating income as a result of the rising tariffs and the increase in electricity generation offsetting the increase in operating costs.

## **EARNINGS PER SHARE AND INTERIM DIVIDEND**

In the first half of 2011, the basic and diluted earnings per share attributable to equity holders of the Company was RMB0.08 and RMB0.08 respectively. The Board resolved not to distribute any interim dividend in 2011.

## **LIQUIDITY AND FINANCIAL RESOURCES**

As at 30 June 2011, cash and cash equivalents of the Group were approximately RMB2,954,779,000 (31 December 2010: RMB977,365,000). The Group derived its funds mainly from cash inflow from operating activities, bank borrowings, project finance and corporate bonds. Current assets amounted to approximately RMB6,671,552,000 (31 December 2010: RMB3,775,273,000) and current ratio was 0.48 time (31 December 2010: 0.31 time).

## **DEBTS**

As at 30 June 2011, total borrowings of the Group amounted to approximately RMB41,490,206,000 (31 December 2010: RMB38,069,993,000). All of the Group's bank and other borrowings are denominated in Renminbi, Japanese Yen or United States Dollars ("USD").

The debts incurred by the Group will be used for general corporate purpose, including capital expenditure and working capital requirements.

Its debt to equity ratio (total borrowings/shareholders' equity) as at 30 June 2011 and 31 December 2010 were approximately 317.40% and 311.07% respectively.

## **CAPITAL EXPENDITURE**

In the first half of 2011, capital expenditure of the Group was approximately RMB3,068,251,000, which was primarily used for the construction of new power generation units and technical upgrade projects for existing power generation units. Sources of funds were mainly from project financing, bonds and self-generated funds.

## **RISK MANAGEMENT**

The investment and business operation of the Group are exposed to risks from exchange rates, interest rates, commodity prices and liquidity. Affected by factors such as the uncertainties of global financial condition, the tightening of the PRC's credit policies and the soaring coal prices, the financial risks and operational risks that the Group encountered increased.

To effectively control the risk exposure of the Group, the Group has implemented all-round risk management and has established a systematic, comprehensive risk management mechanism and internal control system. It has a designated risk management department in place for execution and implementation of risk management measures.

After the Company acquired Wu Ling Power in 2009, the consolidated gearing ratio rose significantly which intensified the Group's financial risks. In order to control liquidity risks, the Group adjusted the structure for strategic development, increased its strength in fund concentration management and adopted measures to control the asset and liability scale, so as to achieve a reasonable level of gearing ratio.

### **FOREIGN EXCHANGE RATE RISKS**

The Group is principally operating in Mainland China, with most transactions denominated in Renminbi. Apart from certain cash and bank balances and bank borrowings, most of the Group's assets and liabilities were denominated in Renminbi. The acquisition of Wu Ling Power increased the Company's borrowings denominated in JPY and USD. Expected rise in Renminbi exchange rate and JPY exchange rate fluctuation, resulting the increase in the Group's fluctuation in exchange gain/loss, thereby affecting its financial condition and operating results. As at 30 June 2011, the balance of the Group's borrowings denominated in foreign currencies amounted to RMB2,085,967,000 (31 December 2010: RMB2,181,463,000).

A subsidiary of the Group, Wu Ling Power, entered into a derivative financial instrument contract with a view to managing the foreign exchange exposure of its JPY borrowings. The derivative financial instrument contract is mainly to sell USD for JPY with an aggregate notional principal amount of JPY2,991,748,000 (31 December 2010: JPY3,121,824,000).

## **PLEDGE OF ASSETS**

As at 30 June 2011, the Group pledged its property, plant and equipment with a net book value of approximately RMB634,802,000 (31 December 2010: RMB 439,000,000) to a bank to secure bank loans in the amount of RMB293,570,000 (31 December 2010: RMB150,500,000). In addition, certain bank borrowings were secured by the rights on accounts receivable of certain subsidiaries of the Group. The accounts receivable secured under these facilities as at 30 June 2011 was amounting to approximately RMB1,327,347,000 (31 December 2010: RMB1,208,989,000). As at 30 June 2011, bank deposits of RMB154,623,000 were pledged against short-term bank borrowings and bills payable of the Group (31 December 2010 : Nil)

## **CONTINGENT LIABILITIES**

As at 30 June 2011, the Group had no material contingent liabilities.

## **EMPLOYEES**

As at 30 June 2011, the Group had a total of 7,827 full-time employees.

The Group put great emphasis on the establishment of performance evaluation as well as rewarding and punishment mechanism. The Group determined the emoluments of its directors and employees based on their respective performance, working experience, duties and the prevailing market rates. The Group also implemented incentive policy linking emoluments with performance.

The Group also focused on the training of employees and communication between employees of different positions. It continued to improve the professional and technical skills and overall competence of its employees to satisfy the needs of its expanding business.

## **OUTLOOK OF THE SECOND HALF OF THE YEAR**

In the second half of 2011, China will face certain challenges along with the internal and external changes in the political and economic environments. Energy development will be unstable and uncertain primarily due to the rapid increase in commodity prices, the anticipated rising inflation and the interest rate hike. Owing to the significant increase in commodity prices, there will be higher pressure on the coal price of major contracts during the year. However, the increase in electricity consumption and the implementation of new tariffs will provide favorable conditions and positive factors for the power generation industry.

The Group will keep abreast of tariff adjustments, the reform policies of the power generation market and the development in the electricity and coal markets. Besides, the Group will also actively respond to the complicated and changing policies and market conditions. It will capitalize on its advantages to better manage its existing assets and enhance its profitability for achieving satisfactory results. The Group will ensure development of newly added assets in stages, strengthen its growth potential and fully implement its development strategies. By establishing the image of an “energy saving and environmentally-friendly” enterprise, the Company will maintain its positive market image as well as its healthy and rapid development, It will also nurture the corporate culture of “still water runs deep” as a modern human-oriented enterprise.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY**

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company during the six months ended 30 June 2011.

## **CODE ON CORPORATE GOVERNANCE**

The Corporate Governance Report has been set out in our 2010 annual report. Save for the deviations from Code A.2.1 and Code A.4.2 (which has been disclosed in the 2010 annual report), the Company has complied with the 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 of Hong Kong Limited (the “Listing Rules”) for the six months ended 30 June 2011.

## **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 2011.

## **AUDIT COMMITTEE AND REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**

The Audit Committee comprises three independent non-executive Directors. The condensed consolidated interim financial information of the Group for the six months ended 30 June 2011 has been reviewed by the Audit Committee and PricewaterhouseCoopers.

## **PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT**

This interim results announcement is posted on the website of Hong Kong Exchanges and Clearing Limited at [www.hkexnews.hk](http://www.hkexnews.hk) and on the Company's websites at [www.chinapower.hk](http://www.chinapower.hk) and [www.irasia.com/listco/hk/chinapower/index.htm](http://www.irasia.com/listco/hk/chinapower/index.htm) respectively.

The printed copy of the 2011 Interim Report will be sent to shareholders of the Company who have selected to receive the printed version of corporate communication in due course.

By order of the Board  
**China Power International Development Limited**  
**Li Xiaolin**  
*Chairman*

Hong Kong, 10 August 2011

*As at the date of this announcement, the directors of the Company are: executive directors Li Xiaolin and Gu Dake, non-executive directors Guan Qihong and Gu Zhengxing, and independent non-executive directors Kwong Che Keung, Gordon, Li Fang and Tsui Yiu Wa, Alec.*